

**COMMUNITY TRANSPORTATION
NETWORK, INC.**

FORT WAYNE, INDIANA

Financial Statements

as of June 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Community Transportation Network, Inc.
Fort Wayne, Indiana

Opinion

We have audited the accompanying financial statements of Community Transportation Network, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Transportation Network, Inc. as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Community Transportation Network, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Transportation Network, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Community Transportation Network, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Transportation Network, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



LEONARD J. ANDORFER & CO., LLP
Certified Public Accountants
Fort Wayne, Indiana

October 17, 2022

COMMUNITY TRANSPORTATION NETWORK, INC.
Statements of Financial Position

ASSETS	June 30 2022	June 30 2021
Cash and cash equivalents	\$ 542,287	\$ 429,867
Receivables		
Contributions receivable - net	405,811	350,784
Accounts receivable	96,164	127,066
Prepaid expenses	48,332	48,943
Investments	43,923	45,093
Beneficial interest	11,658	13,350
Cash restricted for long-term purposes	-	319,044
Fixed assets - net	3,408,498	1,713,601
TOTAL ASSETS	\$ 4,556,673	\$ 3,047,748
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 62,425	\$ 38,650
Accrued expenses	47,618	49,636
Notes payable	859,683	332,200
Total Liabilities	969,726	420,486
NET ASSETS		
Net Assets Without Donor Restrictions	1,832,170	1,481,520
Net Assets With Donor Restrictions	1,754,777	1,145,742
Total Net Assets	3,586,947	2,627,262
TOTAL LIABILITIES AND NET ASSETS	\$ 4,556,673	\$ 3,047,748

See Independent Auditor's Report
and Notes to Financial Statements.

COMMUNITY TRANSPORTATION NETWORK, INC.
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2022
(With Comparative Totals for the Year Ended June 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	Totals 2022	Totals 2021
SUPPORT AND REVENUE				
Contributions				
Foundations	\$ 441,691	\$ 773,255	\$ 1,214,946	\$ 1,081,286
Corporations and individuals	155,938	100,448	256,386	126,095
United Way	50,000		50,000	75,000
In-kind	282,214	30,000	312,214	-
Government grants	287,304		287,304	349,814
Transportation fees	622,758		622,758	459,925
Special events	151,662		151,662	90,942
Less: direct benefit to donors	(36,879)		(36,879)	(20,346)
Investment income (loss)	(3,448)		(3,448)	6,128
Miscellaneous	345,673		345,673	6,641
Gain on disposal of fixed assets			-	13,300
Total Support and Revenue	2,296,913	903,703	3,200,616	2,188,785
Net Assets Released From Restrictions	294,668	(294,668)	-	-
TOTAL SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS	2,591,581	609,035	3,200,616	2,188,785
EXPENSES				
Transportation services	1,940,679		1,940,679	1,671,421
Management and general	204,925		204,925	177,757
Fund raising	95,327		95,327	77,034
Total Expenses	2,240,931		2,240,931	1,926,212
CHANGE IN NET ASSETS	350,650	609,035	959,685	262,573
NET ASSETS - BEGINNING OF YEAR	1,481,520	1,145,742	2,627,262	2,364,689
NET ASSETS - END OF YEAR	\$ 1,832,170	\$ 1,754,777	\$ 3,586,947	\$ 2,627,262

See Independent Auditor's Report
and Notes to Financial Statements.

COMMUNITY TRANSPORTATION NETWORK, INC.
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Totals 2021
SUPPORT AND REVENUE			
Contributions			
Foundations	\$ 545,786	\$ 535,500	\$ 1,081,286
Corporations and individuals	101,095	25,000	126,095
United Way	75,000		75,000
Government grants	349,814		349,814
Transportation fees	459,925		459,925
Special events	90,942		90,942
Less: direct benefit to donors	(20,346)		(20,346)
Investment income	6,128		6,128
Miscellaneous	6,641		6,641
Gain on disposal of fixed assets	13,300		13,300
Total Support and Revenue	1,628,285	560,500	2,188,785
Net Assets Released From Restrictions	241,777	(241,777)	-
TOTAL SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS	1,870,062	318,723	2,188,785
EXPENSES			
Transportation services	1,671,421		1,671,421
Management and general	177,757		177,757
Fund raising	77,034		77,034
Total Expenses	1,926,212		1,926,212
CHANGE IN NET ASSETS	(56,150)	318,723	262,573
NET ASSETS - BEGINNING OF YEAR	1,537,670	827,019	2,364,689
NET ASSETS - END OF YEAR	\$ 1,481,520	\$ 1,145,742	\$ 2,627,262

See Independent Auditor's Report
and Notes to Financial Statements.

COMMUNITY TRANSPORTATION NETWORK, INC.

Statement of Functional Expenses

Year Ended June 30, 2022

(With Comparative Totals for the Year Ended June 30, 2021)

	Transportation Services	Management and General	Fund Raising	Totals 2022	Totals 2021
Salaries	\$ 818,867	\$ 115,862	\$ 68,849	\$ 1,003,578	\$ 931,120
Employee health and retirement benefits	100,473	14,225	5,613	120,311	140,582
Payroll taxes	63,434	9,135	4,651	77,220	66,403
Total Salaries and Related Expenses	<u>982,774</u>	<u>139,222</u>	<u>79,113</u>	<u>1,201,109</u>	<u>1,138,105</u>
Repairs and maintenance	246,606	2,040	667	249,313	158,532
Fuel	204,763			204,763	107,552
Insurance	160,602	8,129		168,731	140,741
Office expense	29,484	21,058	5,135	55,677	25,492
Professional services		9,664		9,664	15,209
Telephone	27,702	661	405	28,768	30,012
Occupancy	20,346	1,694	1,274	23,314	18,238
Licenses	7,906	70		7,976	7,946
Interest	10,180	4,125		14,305	4,125
Miscellaneous	3,160	880		4,040	2,823
Equipment rental	2,960	370	370	3,700	3,337
Marketing	8,042	4,345	8,097	20,484	11,934
Dues and subscriptions	1,331	2,598	384	4,313	6,392
Conferences and meetings	1,086	8,552	(1,399)	8,239	1,916
Bad debts				-	1,474
Event expense			36,879	36,879	20,346
Total Expenses Before Depreciation	<u>1,706,942</u>	<u>203,408</u>	<u>130,925</u>	<u>2,041,275</u>	<u>1,694,174</u>
Depreciation	233,737	1,517	1,281	236,535	252,384
Total Expenses By Function	<u>\$ 1,940,679</u>	<u>\$ 204,925</u>	<u>\$ 132,206</u>	<u>\$ 2,277,810</u>	<u>\$ 1,946,558</u>
Less expenses included in support and revenue on the statement of activities			(36,879)	(36,879)	(20,346)
Total Expenses	<u>\$ 1,940,679</u>	<u>\$ 204,925</u>	<u>\$ 95,327</u>	<u>\$ 2,240,931</u>	<u>\$ 1,926,212</u>

See Independent Auditor's Report
and Notes to Financial Statements.

COMMUNITY TRANSPORTATION NETWORK, INC.
Statement of Functional Expenses
Year Ended June 30, 2021

	Transportation Services	Management and General	Fund Raising	Totals 2021
Salaries	\$ 786,289	\$ 88,706	\$ 56,125	\$ 931,120
Employee health and retirement benefits	101,054	35,624	3,904	140,582
Payroll taxes	54,953	7,369	4,081	66,403
Total Salaries and Related Expenses	<u>942,296</u>	<u>131,699</u>	<u>64,110</u>	<u>1,138,105</u>
Repairs and maintenance	156,282	1,283	967	158,532
Fuel	107,552			107,552
Insurance	132,531	8,210		140,741
Office expense	18,207	6,205	1,080	25,492
Professional services		15,209		15,209
Telephone	28,324	1,012	676	30,012
Occupancy	16,389	943	906	18,238
Licenses	7,801	145		7,946
Interest		4,125		4,125
Miscellaneous	2,308	499	16	2,823
Equipment rental	2,669	334	334	3,337
Marketing	3,075	1,495	7,364	11,934
Dues and subscriptions	2,025	4,102	265	6,392
Conferences and meetings	616	1,265	35	1,916
Bad debts	1,474			1,474
Event expense			20,346	20,346
Total Expenses Before Depreciation	<u>1,421,549</u>	<u>176,526</u>	<u>96,099</u>	<u>1,694,174</u>
Depreciation	249,872	1,231	1,281	252,384
Total Expenses By Function	<u>1,671,421</u>	<u>177,757</u>	<u>97,380</u>	<u>1,946,558</u>
Less expenses included in support and revenue on the statement of activities			(<u>20,346</u>)	(<u>20,346</u>)
Total Expenses	<u>\$ 1,671,421</u>	<u>\$ 177,757</u>	<u>\$ 77,034</u>	<u>\$ 1,926,212</u>

See Independent Auditor's Report
and Notes to Financial Statements.

COMMUNITY TRANSPORTATION NETWORK, INC.

Statements of Cash Flows

Years Ended June 30, 2022 and 2021

CASH FLOWS FROM OPERATING ACTIVITIES	2022	2021
Change in net assets	\$ 959,685	\$ 262,573
Adjustments to reconcile change in net assets to cash flows provided by operating activities		
Depreciation	236,535	252,384
Provision for bad debts	-	1,474
Change in present value discount	(5,557)	(3,264)
Gain on disposal of fixed assets	-	(13,300)
PPP loan forgiveness	(182,200)	(182,200)
Loss (gain) on beneficial interest	1,215	(4,301)
Loss (gain) on investments	4,308	(1,655)
(Increase) decrease in:		
Contributions receivable - net	(49,470)	200,675
Accounts receivable	30,902	(64,428)
Prepaid expenses	611	(5,174)
Increase (decrease) in:		
Accounts payable	23,775	16,996
Deferred transportation revenue	-	(2,795)
Accrued expenses	(2,018)	8,338
Net Cash Provided By Operating Activities	1,017,786	465,323
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of fixed assets	-	13,300
Purchase of fixed assets	(1,931,432)	(376,958)
Purchase of investments	(3,138)	(23,363)
Proceeds from beneficial interest	477	1,086
Net Cash Used For Investing Activities	(1,934,093)	(385,935)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	709,683	332,200
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(206,624)	411,588
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	748,911	337,323
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 542,287	\$ 748,911

See Independent Auditor's Report
and Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities – Community Transportation Network, Inc. (CTN) is a voluntary health and welfare organization established to provide an effective and dependable transportation alternative in Fort Wayne and Allen County, Indiana. Its mission is to provide dependable and efficient transportation so no one is left behind. CTN’s vision is that fewer transportation barriers will exist and full access to community life will be available to seniors, persons with disabilities, low income families, children and youth. CTN’s priorities are to provide medical transportation that is dependable, affordable, accessible and accommodating for vulnerable seniors and persons with disabilities; to better use community transportation resources through consolidation and partnerships with other nonprofit organizations; and to build its capacity to better meet transportation needs of the target populations in our community.

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Community Transportation Network, Inc. and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net Assets With Donor Restrictions – These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

Promises to Give – Contributions are recognized when the donor makes a promise to give to the organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires net assets with donor restrictions are reclassified to net assets without donor restrictions.

Investments – The Organization has adopted FASB ASC 958-320-50-1. Under FASB ASC 958-320-50-1, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

Income Taxes - The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and qualifies for the 60% charitable contributions deduction limitation. The CARES Act temporarily increased the deductibility of charitable contributions to 100% of adjusted gross income for contributions made in 2021. The Organization has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

The Organization has adopted FASB ASC 740-10-25, and determined no material unrecognized tax benefits or liabilities exist as of June 30, 2022 and 2021. The adoption of FASB ASC 740-10-25 did not impact the organization's financial position or results of operations. If applicable, the organization will recognize interest and penalties related to underpayment of income taxes as income tax expense. As of June 30, 2022 and 2021, respectively, the organization had no amounts related to unrecognized income tax benefits and no amounts related to accrued interest and penalties. The organization does not anticipate any significant changes to unrecognized income tax benefits over the next year. The organization is generally no longer subject to examination by Federal or State agencies for years before 2019.

Use of Estimates - The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Reclassification – Prior year presentation has been reclassified to conform with the current year's presentation. These reclassifications have no effect on previously reported operational results.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Accounts Receivable – If considered necessary, the Organization provides an allowance for doubtful receivables which is based on management's estimate of losses that will be incurred in the collection of all receivables.

Property and Equipment – Property and equipment are stated at cost or, if donated, at fair value at the date of the gift. Items with a cost or value of \$1,000 or more and a useful life of one year or more are capitalized. In the absence of donor-imposed restrictions on the use of the asset, gifts of long-lived assets are reported as unrestricted support. The Organization follows the policy of providing depreciation on the straight-line method for financial reporting purposes over the estimated useful lives of the related assets as follows:

Building	39 years
Building Improvement	15 years
Transportation Equipment	4-10 years
Office Equipment	5-10 years

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

Revenue Recognition – The Organization recognizes revenue from the following sources:

Contributions and Grants: The Organization recognizes support when received or unconditionally promised. Grants and contracts are classified as contributions in instances in which a resource provider is not itself receiving commensurate value for the resources provided. Contributions are considered conditional when the agreement with the resource provider includes a barrier that must be overcome and either a right of return of assets transferred or right of release of a promisor's obligation to transfer assets. Conditional contributions are not recognized as revenue until the conditions are substantially met.

Transportation fees: The Organization recognizes revenue from direct billed transportation fees when the related transportation services are provided. A portion of the Organization's transportation revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. In addition, the Organization bills partner agencies on a monthly basis for transportation services. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization did not receive any cost-reimbursable grants that have not been recognized at June 30, 2022 and 2021, and therefore no amount is recognized in the statement of financial position as a refundable grant for these contracts and grants.

Special Events and Sponsorships: The Organization has multiple special events where tickets are purchased for the event and revenue is recognized upon the occurrence of the event. In addition, the Organization will sell sponsorships for the events. When a sponsorship is sold, it contains elements of both an exchange transaction and a contribution. The Organization will recognize the contribution portion once received or unconditionally pledged. The portion related to the exchange transaction is recorded as deferred income until the event occurs at which time it is recognized as revenue.

In-kind Contributions: Contributions of professional services are recorded at estimated fair value when received if such services require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not donated. Volunteers contribute amounts of time to the Organization's activities that do not meet recognition criteria, and the value of that time is not reflected in the financial statements. In-kind contributions for the year ended June 30, 2022 included a \$266,000 discount on the purchase of land as well as a \$30,000 in-kind contribution related to the construction of the new truck maintenance building. The total value assigned to in-kind contributions amounted to \$312,214 for the year ended June 30, 2022.

Advertising Costs – Advertising and promotional programs are charged to expense during the period in which they are incurred. Advertising expense in the amount of \$20,484 and \$11,934 was incurred in the years ending June 30, 2022 and 2021, respectively.

Compensated Absences – The Organization allows employees to receive compensation for paid time off. As of June 30, 2022 and 2021, compensated absences have been calculated as \$33,793 and \$35,651, respectively. This amount has been reflected in the 2022 and 2021 Statements of Financial Position as part of accrued expenses.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements – In February 2016, the FASB issued ASU 2016-2-Leases. The standard will increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The standard is effective for the Organization beginning January 1, 2022 and is currently being evaluated to determine the impact on the financial statements.

NOTE 2 – Contributions Receivable

Contributions receivable as of June 30, 2022 and 2021 consist of the following:

	June 30, 2022	June 30, 2021
Contributions receivable	\$ 409,875	\$ 360,475
Less unamortized present value discount (2.75%)	4,064	9,691
Net contributions receivable	\$ 405,811	\$ 350,784
Amounts due in:		
Less than one year	\$ 259,875	\$ 209,200
One to five years	150,000	151,275
More than five years	-	-
	\$ 409,875	\$ 360,475

NOTE 3 – Investments

Investments as of June 30, 2022 and 2021 consisted of the following:

	June 30, 2022	June 30, 2021
Cash and cash investments	\$ 7,023	\$ 22,723
Fixed income	11,323	22,370
Mutual funds	10,720	-
Exchange traded funds	14,857	-
Total Investments at Fair Value	\$ 43,923	\$ 45,093
Total Investments at Historical Cost	\$ 48,457	\$ 44,189

NOTE 4 – Beneficial Interest – Community Foundations

Funds held at Community Foundations as of June 30, 2022 and 2021 are summarized as follows:

	June 30, 2022	June 30, 2021
Community Foundation of Greater Fort Wayne	\$ 11,658	\$ 13,350

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 – Beneficial Interest – Community Foundations (Continued)

The investments held by the Community Foundation are the result of agreements whereby the Organization has transferred assets, without variance power, to the Foundation and has specified itself as the beneficiary of those assets. The Organization may draw up to a certain percentage of the value of the assets each year, but may only obtain a return of the full value of the assets upon consent of the Foundation.

Additionally, the Foundation holds investment assets, with a value of \$4,319 and \$4,391 at June 30, 2022 and 2021, respectively, for the benefit of the Organization for which they have retained variance power. These assets are not recorded as assets of the Organization.

NOTE 5 – Fair Value of Financial Instruments

FASB ASC 820-10-50-1 requires certain disclosures regarding the fair value of financial instruments. Financial instruments held by Community Transportation Network, Inc. impacted by this pronouncement include the investments held at market value.

FASB ASC 820-10-50-1 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of input described below:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Fair value of financial instruments as of June 30, 2022 is as follows:

	Total	Quoted market prices for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Cash and cash equivalents	\$ 7,023	\$ 7,023	\$	\$
Fixed income	11,323	11,323		
Mutual funds	10,720	10,720		
Exchange traded funds	14,857	14,857		
Community Foundation of Greater Fort Wayne	<u>11,658</u>			<u>11,658</u>
Total	<u>\$ 55,581</u>	<u>\$ 43,923</u>	<u>\$ -</u>	<u>\$ 11,658</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 – Fair Value of Financial Instruments (Continued)

Fair value of financial instruments as of June 30, 2021 is as follows:

	Total	Quoted market prices for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Cash and cash equivalents	\$ 22,723	\$ 22,723	\$	\$
Fixed income	22,370	22,370		
Community Foundation of Greater Fort Wayne	13,350			13,350
Total	\$ 58,443	\$ 45,093	\$ -	\$ 13,350

The table below presents a reconciliation and statement of activities classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2022:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Beginning Balance - July 1, 2021	\$ 13,350
Total gains or losses (realized/unrealized) included in earnings:	
Contributions	
Interest and dividend income on securities	364
Unrealized losses	(1,618)
Realized gains on sale of securities	442
Investment fees	(403)
Transfers out	(477)
Ending Balance - June 30, 2022	<u>\$ 11,658</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 – Fair Value of Financial Instruments (Continued)

The table below presents a reconciliation and statement of activities classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2021:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Beginning Balance - July 1, 2020	\$ 10,135
Total gains or losses (realized/unrealized) included in earnings:	
Contributions	-
Interest and dividend income on securities	279
Unrealized gains	3,511
Realized gains on sale of securities	33
Investment fees	(128)
Transfers out	(480)
Ending Balance - June 30, 2021	\$ 13,350

NOTE 6 – Investment Income

Net investment income from the investment account, the Community Foundations and the savings accounts consisted of the following:

	June 30, 2022	June 30, 2021
Dividends, interest, and realized gains	\$ 4,243	\$ 4,048
Investment management fees	(403)	(128)
Unrealized gains (losses)	(7,288)	2,208
Total Investment Income (Loss)	(\$ 3,448)	\$ 6,128

NOTE 7 – Functional Expenses

The cost of providing the program and other activities has been summarized on a functional basis in the accompanying statements of activities and changes in net assets. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, certain professional services, supplies, information technology, insurance and other expenses, which are allocated on the basis of time and effort.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 8 – Property and Equipment

The components of property and equipment are as follows:

	June 30, 2022	June 30, 2021
Land	\$ 680,767	\$ 170,000
Building and improvements	889,746	889,746
Office equipment and software	120,932	120,932
Transportation equipment	1,747,690	1,747,059
Construction in process	1,628,029	207,996
	<u>5,067,164</u>	<u>3,135,733</u>
Accumulated depreciation	(<u>1,658,666</u>)	(<u>1,422,132</u>)
Total	<u>\$ 3,408,498</u>	<u>\$ 1,713,601</u>

NOTE 9 – Net Assets with Donor Restrictions

The Organization has net assets that are donor restricted for the following purposes:

	June 30, 2022	June 30, 2021
Capital expansion	\$ 1,411,669	\$ 881,519
Medical transportation	80,000	193,723
Future operations	195,000	40,000
Other	68,108	30,500
Total	<u>\$ 1,754,777</u>	<u>\$ 1,145,742</u>

Net assets released from net assets with donor restrictions are as follows:

	June 30, 2022	June 30, 2021
Time requirements	\$ 185,000	\$ 80,000
Purpose requirement:		
Medical transportation	91,500	161,777
Other	18,168	-
	<u>\$ 294,668</u>	<u>\$ 241,777</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 – Net Assets with Donor Restrictions (Continued)

Net assets without donor restrictions are as follows:

	June 30, 2022	June 30, 2021
Undesignated	\$ 1,725,585	\$ 1,372,073
Board designated - capital match	51,004	51,004
Board designated - endowment	55,581	58,443
	<u>\$ 1,832,170</u>	<u>\$ 1,481,520</u>

NOTE 10 – Commitments and Contingencies

Community Transportation Network, Inc. maintains its cash accounts at local banks. The cash balances and short-term investments are insured by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2022 and 2021 the Organization had uninsured cash balances of \$181,973 and \$470,930, respectively.

NOTE 11 – Retirement Plan

The Organization sponsors a defined contribution plan where contributions to the plan are made for all employees with at least 30 days of continuous employment. The Organization's contributions are 100% vested after 5 years of employment. The Organization matches amounts contributed by eligible employees up to 2.5% of each employee's total compensation. Expenses for the years ended June 30, 2022 and 2021 amounted to \$11,768 and \$14,198, respectively.

NOTE 12 – Endowments

The Organization's endowment consists of two funds established for providing revenue from earnings. Its endowment includes board designated endowment funds. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with donor restricted funds, including designated funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date of the donor restricted funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts, (b) the original value of subsequent gifts, and (c) accumulations made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted fund that is not classified in net assets with donor restrictions is classified as designated net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 12 – Endowments (Continued)

In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Endowment net asset composition by type of fund as of June 30, 2022, is as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Board designated funds - campaign	\$ 43,923	\$	\$ 43,923
Board designated funds - Community Foundation	11,658		11,658
	<u>\$ 55,581</u>	<u>\$ -</u>	<u>\$ 55,581</u>

Endowment net asset composition by type of fund as of June 30, 2021, is as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Board designated funds - campaign	\$ 45,093	\$	\$ 45,093
Board designated funds - Community Foundation	13,350		13,350
	<u>\$ 58,443</u>	<u>\$ -</u>	<u>\$ 58,443</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 12 – Endowments (Continued)

Changes in endowment net assets for the year ended June 30, 2022, are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets - beginning of year	\$ 58,443	\$	\$ 58,443
Contributions (net)	3,138		3,138
Investment return:			
Dividends, interest and realized investment gains/losses	1,765		1,765
Unrealized loss	<u>(7,288)</u>		<u>(7,288)</u>
Total investment return	<u>(2,385)</u>		<u>(5,523)</u>
Appropriation of endowment assets for expenditures	<u>(477)</u>		<u>(477)</u>
Endowment net assets - end of year	<u>\$ 55,581</u>	<u>\$ -</u>	<u>\$ 55,581</u>

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets - beginning of year	\$ 30,210	\$	\$ 30,210
Contributions (net)	23,363		23,363
Investment return:			
Dividends, interest and realized investment gains/losses	3,142		3,142
Unrealized gain	<u>2,208</u>		<u>2,208</u>
Total investment return	5,350		5,350
Appropriation of endowment assets for expenditures	<u>(480)</u>		<u>(480)</u>
Endowment net assets - end of year	<u>\$ 58,443</u>	<u>\$ -</u>	<u>\$ 58,443</u>

Funds With Deficiencies – From time to time, the fair value of assets associated with individual donor restricted funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in net assets without donor restrictions. These deficiencies result from unfavorable investment performance due to unfavorable market conditions for the investments supporting the donor restricted and designated net assets.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 12 – Endowments (Continued)

Return Objectives and Risk Parameters – The organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as designated funds. The Organization expects its endowment fund, over time, to provide an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy – The Organization has a policy of appropriating for distribution each year 5% of its endowment fund’s average fair value over the prior four quarters through the calendar year end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to maintain the current value. This is consistent with the organization’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

NOTE 13 – Notes Payable

On April 20, 2020, the Organization secured a note with 1st Source Bank under the provisions of the Paycheck Protection Program in the amount of \$182,200. The loan was forgiven in full under the terms of the program and has been included in government grants in the statement of activities and net assets for the fiscal year ended June 30, 2021.

In January 2021, the Organization received an additional PPP loan from 1st Source Bank in the amount of \$182,200. The loan bears interest at 1%. The loan was forgiven in full under the terms of the program and has been included in government grants in the statement of activities and net assets for the fiscal year ended June 30, 2022.

In July 2020, the Organization secured a loan from the Small Business Administration (SBA) in the amount of \$150,000. The loan bears interest at a rate of 2.75% and requires no payments through June 30, 2022. Principal and interest payments of \$641 will begin in July 2022. Interest expense of \$4,125 was recognized on this loan for the year ended June 30, 2022 and 2021. The loan is secured by all business assets and matures in July 2052.

Principal payments required over the next five years under the terms of the SBA loan are as follows:

June 30,	Amount
2023	\$ 3,612
2024	3,713
2025	3,816
2026	3,923
2027	4,032

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 13 – Notes Payable (Continued)

In connection with the building construction located at 3401 Adams Center Road in Fort Wayne, Indiana the Organization secured a construction loan with First Merchants Bank. The note, is a total amount of \$929,500 had a balance of \$706,683 as of June 30, 2022. The note bears interest at the bank’s prime rate plus 1.1% (5.85% as of June 30, 2022). The note matures September 29, 2026 at which time all remaining unpaid principal is due. The loan is secured by the building.

Principal payments required over the next five years under the terms of the loan are as follows:

<u>June 30,</u>	<u>Amount</u>
2023	\$ -
2024	-
2025	-
2026	-
2027	706,683

NOTE 14 – Related Party Transactions

The Organization paid \$4,443 and \$8,731 for the years ended June 30, 2022 and 2021, respectively, to a company related to a member of the Board of Directors for payroll administration.

NOTE 15 – Line of Credit

CTN has a \$150,000 revolving line of credit with 1st Source Bank to be drawn upon as needed, bearing interest at .25% below the prime rate (4.5% at June 30, 2022). The note is secured by all business assets. No amount was outstanding on the note as of June 30, 2022 or 2021. Interest expense of \$0 was incurred for the years ended June 30, 2022 and 2021.

NOTE 16 – Liquidity and Availability of Financial Assets

The following reflects the financial assets as of the balance sheet date, reduced by amounts not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions or internal designations. Amounts available include donor-restricted amounts that are available for expenditure in the following year. Amounts not available include amounts set aside for operating and other reserves that could be drawn upon if the board approves that action.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 16 – Liquidity and Availability of Financial Assets (Continued)

	2022	2021
Cash and cash equivalents	\$ 542,287	\$ 748,911
Accounts receivable	96,164	127,066
Contributions receivable, net	405,811	350,784
Investments	43,923	45,093
Total financial assets, excluding noncurrent receivables	1,088,185	1,271,854
Contractual or donor-imposed restrictions:		
Capital expansion	(1,411,669)	(881,519)
Less: restrictions released in next fiscal year	1,411,669	-
Board designations:		
Capital match	(51,004)	(51,004)
Endowment	(43,923)	(45,093)
Financial Assets Available to Meet Cash Needs for		
Expenditures Within One Year	\$ 993,258	\$ 294,238

NOTE 17 – Statement of Cash Flows Supplemental Disclosures

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported in the statement of financial position that sum to the same such amounts shown in the statement of cash flows.

	2021
Cash and cash equivalents	\$ 429,867
Cash restricted for long-term purposes	319,044
Total cash, cash equivalents and restricted cash	\$ 748,911

NOTE 18 – Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 17, 2022, the date the financial statements were available to be issued.