

**COMMUNITY TRANSPORTATION
NETWORK, INC.**

FORT WAYNE, INDIANA

Financial Statements

as of June 30, 2011 and 2010

COMMUNITY TRANSPORTATION NETWORK, INC.

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June 30, 2011

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September 1, 2011

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial position of Community Transportation Network, Inc. (a not-for-profit corporation) as of June 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Krouse, Kern & Co., Inc.
KROUSE, KERN & CO., INC.

COMMUNITY TRANSPORTATION NETWORK, INC.

Statements of Financial Position
June 30, 2011 and 2010

ASSETS		<u>2011</u>	<u>2010</u>
<i>CURRENT ASSETS:</i>			
Cash and cash equivalents		\$ 10,499	\$ 45,625
Receivables:			
Grants		317,836	267,481
Rider fees (net)		25,931	40,411
Prepaid expenses		14,300	20,303
Investments in certificates of deposit (historical cost)		20,000	-
Deposits		32,180	5,741
Total Current Assets		<u>420,746</u>	<u>379,561</u>
<i>PROPERTY AND EQUIPMENT:</i>			
Property and equipment (net)		<u>236,744</u>	<u>169,326</u>
<i>GRANTS RECEIVABLE</i>			
		<u>-</u>	<u>62,500</u>
<i>TOTAL ASSETS</i>		<u><u>\$ 657,490</u></u>	<u><u>\$ 611,387</u></u>
LIABILITIES AND NET ASSETS			
<i>CURRENT LIABILITIES:</i>			
Accounts payable		\$ 7,825	\$ 16,900
Accrued expenses, payroll taxes and payroll withholdings		24,557	22,691
Deferred revenue		-	150
Total Current Liabilities		<u>32,382</u>	<u>39,741</u>
<i>NET ASSETS:</i>			
Unrestricted		2,036	37,678
Temporarily restricted		<u>623,072</u>	<u>533,968</u>
Total Net Assets		<u>625,108</u>	<u>571,646</u>
<i>TOTAL LIABILITIES AND NET ASSETS</i>		<u><u>\$ 657,490</u></u>	<u><u>\$ 611,387</u></u>

See Notes to Financial Statements.

COMMUNITY TRANSPORTATION NETWORK, INC.

Statement of Activities
for the year ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>%</u>
<i>SUPPORT AND REVENUES:</i>				
Grants – foundations	\$ 248,029	\$ 86,499	\$ 334,528	34%
Transportation fees – private pay	134,157	-	134,157	14%
Transportation fees – government	228,132	-	228,132	23%
Contributions	44,656	-	44,656	4%
Sponsorships	2,500	-	2,500	0%
Interest income	95	-	95	0%
In-kind donations	63,192	184,636	247,828	25%
Other revenue	1,172	-	1,172	0%
Net assets released from restrictions	182,031	(182,031)	-	0%
Total Support and Revenues	<u>903,964</u>	<u>89,104</u>	<u>993,068</u>	<u>100%</u>
<i>EXPENSES:</i>				
Program – transportation services	826,970	-	826,970	88%
Management and general	85,947	-	85,947	9%
Fundraising	26,689	-	26,689	3%
Total Expenses	<u>939,606</u>	<u>-</u>	<u>939,606</u>	<u>100%</u>
Change in net assets	(35,642)	89,104	53,462	
Net assets, beginning of year	<u>37,678</u>	<u>533,968</u>	<u>571,646</u>	
<i>NET ASSETS, END OF YEAR</i>	<u>\$ 2,036</u>	<u>\$ 623,072</u>	<u>\$ 625,108</u>	

See Notes to Financial Statements.

COMMUNITY TRANSPORTATION NETWORK, INC.

Statement of Activities
for the year ended June 30, 2010

	Unrestricted	Temporarily Restricted	Total	%
<i>SUPPORT AND REVENUES:</i>				
Grants – foundations	\$ 183,559	\$ 235,938	\$ 419,497	47%
Transportation fees – private pay	141,656	-	141,656	16%
Transportation fees – government	228,480	-	228,480	26%
Contributions	25,241	-	25,241	3%
Sponsorships	8,500	-	8,500	1%
Interest income	220	-	220	0%
In-kind donations	42,687	10,998	53,685	6%
Other revenue	998	-	998	0%
Gain (loss) on disposal of fixed assets	6,226	-	6,226	1%
Net assets released from restrictions	298,318	(298,318)	-	0%
Total Support and Revenues	935,885	(51,382)	884,503	100%
<i>EXPENSES:</i>				
Program – transportation services	821,796	-	821,796	88%
Management and general	87,307	-	87,307	9%
Fundraising	27,154	-	27,154	3%
Total Expenses	936,257	-	936,257	100%
Change in net assets	(372)	(51,382)	(51,754)	
Net assets, beginning of year	38,050	585,350	623,400	
<i>NET ASSETS, END OF YEAR</i>	\$ 37,678	\$ 533,968	\$ 571,646	

See Notes to Financial Statements.

COMMUNITY TRANSPORTATION NETWORK, INC.

Statement of Functional Expenses
for the year ended June 30, 2011

	Program – Transportation Services	Management and General	Fund Raising	Total
Personnel costs	\$ 478,103	\$ 59,959	\$ 22,828	\$ 560,890
Advertising	149	-	-	149
Bad debts	-	247	-	247
Conferences and meetings	-	796	-	796
Dues and subscriptions	-	1,132	-	1,132
Fuel	92,949	-	-	92,949
Insurance	41,780	1,741	-	43,521
Licenses	3,294	-	-	3,294
Marketing	6,319	-	-	6,319
Miscellaneous	3,403	-	-	3,403
Office expense	14,614	1,827	1,827	18,268
Occupancy	42,707	6,101	2,034	50,842
Professional services	-	7,765	-	7,765
Repairs and maintenance	59,116	-	-	59,116
Telephone	7,843	2,343	-	10,186
Total Expenses				
Before Depreciation	750,277	81,911	26,689	858,877
Depreciation	76,693	4,036	-	80,729
TOTAL EXPENSES	\$ 826,970	\$ 85,947	\$ 26,689	\$ 939,606

See Notes to Financial Statements.

COMMUNITY TRANSPORTATION NETWORK, INC.

Statement of Functional Expenses
for the year ended June 30, 2010

	Program – Transportation Services	Management and General	Fund Raising	Total
Personnel costs	\$ 493,201	\$ 61,853	\$ 23,549	\$ 578,603
Advertising	119	-	-	119
Bad debts	-	1,617	-	1,617
Conferences and meetings	-	512	-	512
Contract services	13,715	-	-	13,715
Dues and subscriptions	-	664	-	664
Fuel	76,180	-	-	76,180
Insurance	43,604	1,630	-	45,234
Licenses	1,577	-	-	1,577
Marketing	4,751	-	-	4,751
Miscellaneous	3,251	-	-	3,251
Office expense	13,000	1,625	1,625	16,250
Occupancy	41,576	5,939	1,980	49,495
Professional services	-	7,759	-	7,759
Repairs and maintenance	58,526	-	-	58,526
Telephone	7,733	2,310	-	10,043
Total Expenses				
Before Depreciation	757,233	83,909	27,154	868,296
Depreciation	64,563	3,398	-	67,961
TOTAL EXPENSES	<u>\$ 821,796</u>	<u>\$ 87,307</u>	<u>\$ 27,154</u>	<u>\$ 936,257</u>

See Notes to Financial Statements.

COMMUNITY TRANSPORTATION NETWORK, INC.

Statements of Cash Flows
for the years ended June 30, 2011 and 2010

	2011	2010
<i>CASH FLOWS FROM OPERATING ACTIVITIES:</i>		
Change in net assets	\$ 53,462	\$ (51,754)
Adjustments to Reconcile Change in Net Assets to Net		
Cash Flows From Operating Activities:		
Depreciation	80,729	67,961
Provision for bad debts	1,600	(600)
Value of transportation equipment received – in-kind	(146,419)	(90,530)
Gain on disposal of fixed assets	-	(6,226)
Changes in Assets and Liabilities:		
(Increase) decrease in receivables	25,025	9,161
(Increase) decrease in prepaid expenses	6,003	(6,123)
(Increase) decrease in investments	(20,000)	468
(Increase) decrease in deposits	(26,439)	-
Increase (decrease) in accounts payable	(9,075)	2,204
Increase (decrease) in accrued expenses	1,866	4,082
Increase (decrease) in deferred revenue	(150)	150
Net Cash Flows From Operating Activities	<u>(33,398)</u>	<u>(71,207)</u>
 <i>CASH FLOWS FROM INVESTING ACTIVITIES:</i>		
Proceeds from sale of property and equipment	-	6,226
Purchase of capital assets	(1,728)	(1,143)
Net Cash Flows From Investing Activities	<u>(1,728)</u>	<u>5,083</u>
 Net decrease in cash and cash equivalents	(35,126)	(66,124)
 Cash and cash equivalents at beginning of year	<u>45,625</u>	<u>111,749</u>
 <i>CASH AND CASH EQUIVALENTS AT END OF YEAR</i>	<u>\$ 10,499</u>	<u>\$ 45,625</u>
 <i>SUPPLEMENTAL CASH FLOW INFORMATION</i>		
Interest paid	<u>\$ 1,213</u>	<u>\$ 13</u>
Value of transportation equipment pledged – in-kind	<u>\$ 184,636</u>	<u>\$ 10,998</u>

See Notes to Financial Statements.

COMMUNITY TRANSPORTATION NETWORK, INC.

Notes to Financial Statements

NOTE 1. NATURE OF ACTIVITIES

Community Transportation Network, Inc. (Organization) is a nonprofit organization that addresses the specialized transportation needs of all transit-dependent populations and human service agencies in Allen County, Indiana. It is the Organization's mission to both provide and coordinate transportation for seniors, persons with disabilities, economically disadvantaged families, children and youth, as well as other human service agencies to promote self-sufficiency.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING:

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly revenues are recognized when earned and expenses are recognized when incurred. The financial statements reflect all significant receivables, payables, and other liabilities.

BASIS OF PRESENTATION:

The financial statements have been prepared in accordance with FASB ASC 958-205, *Financial Statements of Not-for-Profit Organizations*. FASB ASC 958-205 requires, among other things, that the financial statements report the changes in and total of each of the net asset classes, based upon donor restrictions, as applicable. Net assets are to be classified as unrestricted, temporarily restricted and permanently restricted.

The following classes of net assets are maintained:

Unrestricted Net Assets:

The unrestricted net asset class includes general assets and liabilities of the Organization. The unrestricted net assets of the Organization may be used at the discretion of management to support the Organization's purposes and operations.

Temporarily Restricted Net Assets:

The temporarily restricted net asset class includes assets of the Organization related to gifts with explicit donor-imposed restrictions that have not been met as to specified purpose, or to later periods of time or after specified dates. Unconditional promises to give that are due in future periods and are not permanently restricted are classified as temporarily restricted net assets.

COMMUNITY TRANSPORTATION NETWORK, INC.

Notes to Financial Statements (Continued)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CONTRIBUTIONS:

The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in FASB ASC 958-605, *Accounting for Contributions Received and Contributions Made*. In accordance with FASB ASC 958-605, contributions received are recorded as increases in unrestricted, temporarily restricted or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions received and released in the same year are shown as unrestricted in the statement of activities.

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.

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:

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance for uncollectible accounts was \$0 and \$1,600 as of June 30, 2011 and 2010, respectively.

COMMUNITY TRANSPORTATION NETWORK, INC.

Notes to Financial Statements (Continued)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GRANTS:

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to grantors. However, the Board deems the contingency remote, since by accepting the grant and its terms; it has accommodated the objectives of the Organization to the provisions of the grant.

Grants are recorded as contributions to temporarily restricted net assets. If necessary, grants receivable over a period of years are valued at the discounted value of future cash flows using the Organization's latest borrowing rate. As of June 30, 2011 and 2010, the difference between the full amount and the discounted value of grants was \$0 and \$2,500, respectively.

Grant receivables of \$317,836 as of June 30, 2011 are to be received in less than one year.

Management has determined that grants receivable are fully collectible; therefore, no allowance for uncollectible grants is considered necessary as of June 30, 2011 and 2010. If amounts become uncollectible, they are charged to operations when that determination is made. Any difference between this method and the allowance method required under generally accepted accounting principles would be immaterial.

PROPERTY AND EQUIPMENT:

The Organization capitalizes all expenditures for property and equipment in excess of \$1,000. Purchased property and equipment are carried at cost. Donated property and equipment are carried at fair value at the date of donation. Depreciation is computed using primarily the straight-line method over the estimated useful life of each asset. It is the Organization's policy to release restricted net assets (contributions) for donated transportation equipment over the estimated useful life of the respective asset.

ADVERTISING:

Advertising expenses are charged to operations as they were incurred.

COMMUNITY TRANSPORTATION NETWORK, INC.

Notes to Financial Statements (Continued)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INCOME TAX STATUS AND UNCERTAINTY IN INCOME TAXES:

Community Transportation Network, Inc., is classified as a publicly supported organization, qualifies as a tax-exempt organization under 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for income taxes. However, the Organization may be subject to federal and state income taxes on unrelated business income as defined in the Internal Revenue Code.

The Organization adopted the provisions of FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. As a result of the implementation, the Organization has assessed and determined that there are no positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within twelve months as of June 30, 2011.

The Organization files information returns in the U.S. federal jurisdiction and the State of Indiana. The Organization is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for tax years before 2008.

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2011	2010
Office equipment and software	\$ 87,004	\$ 85,275
Transportation equipment	415,011	268,593
	<u>502,015</u>	<u>353,868</u>
Less: Accumulated depreciation	265,271	184,542
	<u>\$ 236,744</u>	<u>\$ 169,326</u>

NOTE 4. LINE OF CREDIT — BANK

The Organization has entered into an agreement with STAR Financial Bank for a \$100,000 line of credit dated November 1, 2010. The note is due on November 1, 2011 and bears interest at the prime rate plus .75% with a minimum rate of 5.00%. The note is secured by substantially all of the Organization's assets. There was no balance drawn on the line of credit at June 30, 2011 and 2010.

COMMUNITY TRANSPORTATION NETWORK, INC.

Notes to Financial Statements (Continued)

NOTE 5. NET ASSETS

Temporarily restricted net assets were released for the following purpose and time restrictions at June 30:

	<u>2011</u>	<u>2010</u>
<u>Purpose Restrictions:</u>		
Medical transportation	\$ 57,333	\$ 102,150
Software	12,367	12,367
Sponsorships / Other	1,728	3,500
Vehicles – INDOT	57,243	41,941
Vehicles – foundation	3,360	3,360
	<u>132,031</u>	<u>163,318</u>
<u>Time Restrictions:</u>		
Operations	<u>50,000</u>	<u>135,000</u>
	<u>\$ 182,031</u>	<u>\$ 298,318</u>

Temporarily restricted net assets were available for the following purpose or time restrictions at June 30:

	<u>2011</u>	<u>2010</u>
<u>Purpose Restrictions:</u>		
Medical transportation	\$ 8,000	\$ 57,334
Software	8,244	20,611
Vehicles – INDOT	392,491	265,098
Vehicles – foundation	114,337	100,925
	<u>523,072</u>	<u>443,968</u>
<u>Time Restrictions:</u>		
Operations	<u>100,000</u>	<u>90,000</u>
	<u>\$ 623,072</u>	<u>\$ 533,968</u>

The AWS Foundation has initiated a Challenge Matching Grant to benefit the Organization. The grant is conditional in that it will match dollar for dollar all donations for fuel raised by the Organization in fiscal year 2012 up to a total of \$25,000.

NOTE 6. RETIREMENT PLAN

The Organization sponsors a tax deferred annuity plan under Section 403(b) of the Internal Revenue Code. All full time employees are eligible to participate in the plan. The plan allows participants to make contributions of up to the levels established by Internal Revenue Service limitations. In addition, the Organization matches an additional 2.5% of employee contributions. The amount contributed by the Organization was \$7,929 and \$8,484 for 2011 and 2010, respectively.

COMMUNITY TRANSPORTATION NETWORK, INC.

Notes to Financial Statements (Continued)

NOTE 7. STATEMENT OF CASH FLOWS SUPPLEMENTAL DISCLOSURES

Noncash activities include the following:

	2011	2010
In-kind contribution of services	\$ 5,949	\$ 4,215
In-kind contribution of equipment - depreciation	57,243	38,472
In-kind contribution of equipment - pledged	184,636	10,998
	<u>\$ 247,828</u>	<u>\$ 53,685</u>

NOTE 8. CONCENTRATIONS

The Organization's financial instruments that are exposed to concentrations of credit risk consist principally of cash and promises to give. To reduce its risk, the Organization places its cash and cash equivalents with highly rated institutions. At times, such amounts may be in excess of the FDIC insured limit. The Organization routinely assesses the financial strength of its donors, and as a consequence, believes that their promise to give credit risk is limited.

NOTE 9. LEASES

The Organization leases office space under an operating lease that expires on December 31, 2013 and calls for monthly payments ranging from \$2,821 to \$3,235 over the term of the lease. Total lease, taxes, insurance and common area maintenance expenses for the years ended June 30, 2011 and 2010 was \$50,842 and \$49,495, respectively.

The Organization has lease agreements with three clients to provide transportation services utilizing the client's vehicles. The vehicles are leased to the Organization for \$1 per year for each vehicle. The value of the lease for these vehicles was not determinable as of June 30, 2011 and 2010.

Minimum future rental payment under non-cancelable operating lease as of June 30, 2011 and in the aggregate is:

2012	\$ 38,825
2013	38,825
2014	<u>19,412</u>
Total	<u>\$ 97,062</u>

COMMUNITY TRANSPORTATION NETWORK, INC.

Notes to Financial Statements (Continued)

NOTE 10. ALLOCATION OF EXPENSES

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The following program and supporting services are included in the accompanying financial statements:

Program – Includes the functions necessary to promote and fulfill the Organization's mission.

General and Administrative – Includes the functions necessary for management and overall direction of the Organization.

Fundraising – Provides the structure necessary to encourage and secure private financial support from individuals, foundations and corporations.

NOTE 11. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 1, 2011, the date the financial statements were available to be issued.