

**SCM COMMUNITY  
TRANSPORTATION CORPORATION**

**FINANCIAL STATEMENTS**

**and**

**INDEPENDENT AUDITORS' REPORT**

**June 30, 2010 and 2009**



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**RUCCI, BARDARO & BARRETT PC**  
Certified Public Accountants and Business Advisors

To the Board of Directors  
**SCM Community Transportation Corporation**  
Somerville, Massachusetts

### INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statements of financial position of **SCM Community Transportation Corporation** as of June 30, 2010 and 2009, and the related statements of activities 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 United States generally accepted auditing standards. 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 audit provides 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 **SCM Community Transportation Corporation**, as of June 30, 2010 and 2009 and the results of its activities and its cash flows for the years then ended in conformity with United States generally accepted accounting principles.

*Rucci, Bardaro & Barrett, PC*

Rucci, Bardaro & Barrett, PC  
Certified Public Accountants

November 8, 2010



**SCM COMMUNITY TRANSPORTATION CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**

**June 30,**

**ASSETS**

	<b><u>2010</u></b>	<b><u>2009</u></b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 99,547	\$ 117,316
Accounts receivable, net of allowance for uncollectible accounts of \$9,000 in 2010 and \$8,925 in 2009	261,266	302,856
Prepaid expenses	-	6,393
<b>Total current assets</b>	<b>360,813</b>	<b>426,565</b>
<b>PROPERTY AND EQUIPMENT</b>		
Vehicles	1,557,516	1,417,127
Computer, software and equipment	215,248	212,608
Leasehold improvements	20,705	20,705
Total property and equipment	1,793,469	1,650,440
Less: accumulated depreciation	(1,285,011)	(1,273,916)
<b>Property and equipment, net</b>	<b>508,458</b>	<b>376,524</b>
<b>OTHER ASSETS</b>		
Deposits	1,000	3,672
<b>TOTAL ASSETS</b>	<b>\$ 870,271</b>	<b>\$ 806,761</b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Line of credit	\$ -	\$ 36,690
Long term debt, current portion	22,942	23,771
Accounts payable	143,034	160,275
Accrued expenses	141,068	127,162
<b>Total current liabilities</b>	<b>307,044</b>	<b>347,898</b>
<b>LONG TERM LIABILITIES</b>		
Long term debt, net of current portion	184,304	164,347
<b>TOTAL LIABILITIES</b>	<b>491,348</b>	<b>512,245</b>
<b>NET ASSETS</b>		
Unrestricted	(147,665)	(161,580)
Temporarily restricted	526,588	456,096
<b>Total net assets</b>	<b>378,923</b>	<b>294,516</b>
<b>TOTAL LIABILITIES and NET ASSETS</b>	<b>\$ 870,271</b>	<b>\$ 806,761</b>

The accompanying notes are an integral part of the financial statements.



SCM COMMUNITY TRANSPORTATION CORPORATION

STATEMENTS OF ACTIVITIES

For years ended June 30,

	2010		2009			
	Unrestricted Operating	Temporarily Restricted	Total	Unrestricted Operating	Temporarily Restricted	Total
<b>OPERATING REVENUE</b>						
Program fees - transportation	\$ 1,782,315	\$ -	\$ 1,782,315	\$ 1,682,121	\$ -	\$ 1,682,121
Contributions and other income:						
Grant revenue	-	128,750	128,750	-	-	-
Contributions	96,760	6,440	103,200	124,338	15,100	139,438
Fundraising events	68,112	-	68,112	47,115	-	47,115
Gain on sale of vehicles	22,001	-	22,001	2,056	-	2,056
Investment income	185	-	185	1,349	-	1,349
Net assets released from temporary restriction	279,159	(279,159)	-	192,286	(192,286)	-
Advertising revenue	35,000	-	35,000	30,000	-	30,000
<b>Total contributions and other income</b>	<b>501,217</b>	<b>(143,969)</b>	<b>357,248</b>	<b>397,144</b>	<b>(177,186)</b>	<b>219,958</b>
<b>Total revenue and support</b>	<b>2,283,532</b>	<b>(143,969)</b>	<b>2,139,563</b>	<b>2,079,265</b>	<b>(177,186)</b>	<b>1,902,079</b>
<b>OPERATING EXPENSES</b>						
Program services	1,672,028	-	1,672,028	1,564,419	-	1,564,419
Management and general	416,078	-	416,078	308,462	-	308,462
Fundraising	34,802	-	34,802	19,890	-	19,890
<b>Total operating expenses</b>	<b>2,122,908</b>	<b>-</b>	<b>2,122,908</b>	<b>1,892,771</b>	<b>-</b>	<b>1,892,771</b>
<b>Net operating income - before depreciation and (depletions) additions to capital assets</b>	<b>160,624</b>	<b>(143,969)</b>	<b>16,655</b>	<b>186,494</b>	<b>(177,186)</b>	<b>9,308</b>
<b>DEPRECIATION - OTHER ASSETS</b>	<b>(4,566)</b>	<b>-</b>	<b>(4,566)</b>	<b>(6,042)</b>	<b>-</b>	<b>(6,042)</b>
<b>(DEPLETIONS) ADDITIONS TO CAPITAL ASSETS</b>						
Vehicle grants	-	214,461	214,461	-	50,301	50,301
Depreciation expense-vehicles	(142,143)	-	(142,143)	(144,085)	-	(144,085)
<b>Total (depletions) additions to capital assets</b>	<b>(142,143)</b>	<b>214,461</b>	<b>72,318</b>	<b>(144,085)</b>	<b>50,301</b>	<b>(93,784)</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>13,915</b>	<b>70,492</b>	<b>84,407</b>	<b>36,367</b>	<b>(126,885)</b>	<b>(90,518)</b>
<b>NET ASSETS, beginning of year</b>	<b>(161,580)</b>	<b>456,096</b>	<b>294,516</b>	<b>307,118</b>	<b>77,916</b>	<b>385,034</b>
<b>Prior period adjustment (Note H)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(505,065)</b>	<b>505,065</b>	<b>-</b>
<b>NET ASSETS, end of year</b>	<b>\$ (147,665)</b>	<b>\$ 526,588</b>	<b>\$ 378,923</b>	<b>\$ (161,580)</b>	<b>\$ 456,096</b>	<b>\$ 294,516</b>

The accompanying notes are an integral part of the financial statements.

**SCM COMMUNITY TRANSPORTATION CORPORATION**

**STATEMENTS OF CASH FLOWS**

**For years ended June 30,**

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
<b>Increase (decrease) in net assets</b>	\$ 84,407	\$ (90,518)
Adjustments to reconcile increase (decrease) in net assets to net cash flows provided by operating activities:		
Depreciation	146,709	150,127
Gain on sale and disposal of vehicles	(22,001)	(2,056)
Grants for acquisition of vehicles	(214,461)	-
Change in operating assets and liabilities:		
Decrease (increase) in accounts receivable	41,590	(117,994)
Decrease in prepaid expenses	6,393	2,836
Decrease (increase) in deposits	2,672	(2,672)
(Decrease) increase in accounts payable	(17,241)	85,196
Increase (decrease) in accrued expenses	13,906	(8,027)
	<hr/>	<hr/>
<b>NET CASH FLOWS PROVIDED BY OPERATING     ACTIVITIES</b>	41,974	16,892
	<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of vehicles	(61,542)	-
Purchase of communication equipment	(2,640)	-
Proceeds from sale of vehicles	22,001	4,500
	<hr/>	<hr/>
<b>NET CASH FLOWS (USED) PROVIDED BY     INVESTING ACTIVITIES</b>	(42,181)	4,500
	<hr/>	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds (repayments) from notes payable, net	19,128	(21,769)
(R repayments) proceeds on line of credit, net	(36,690)	6,690
	<hr/>	<hr/>
<b>NET CASH FLOWS USED BY     FINANCING ACTIVITIES</b>	(17,562)	(15,079)
	<hr/>	<hr/>
<b>NET (DECREASE) INCREASE IN CASH</b>	(17,769)	6,313
	<hr/>	<hr/>
<b>CASH BALANCE, beginning of year</b>	117,316	111,003
	<hr/>	<hr/>
<b>CASH BALANCE, end of year</b>	\$ 99,547	\$ 117,316
	<hr/>	<hr/>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid during the year for:		
Interest expense	\$ 15,683	\$ 21,303
Income taxes	\$ -	\$ -
Net book value of vehicle traded in kind	\$ -	\$ 2,444
	<hr/>	<hr/>
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**The accompanying notes are an integral part of the financial statements.**



**SCM COMMUNITY TRANSPORTATION CORPORATION**

**STATEMENTS OF FUNCTIONAL EXPENSES**

**For years ended June 30,**

	2010			2009				
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, taxes and fringe benefits	\$ 1,109,291	\$ 179,568	\$ -	\$ 1,288,859	\$ 1,037,178	\$ 150,354	\$ -	\$ 1,187,532
Vehicle expense	475,284	-	-	475,284	459,408	-	-	459,408
Professional services and consultants	14,525	129,946	-	144,471	4,610	61,006	-	65,616
Other operating	19,877	50,053	-	69,930	4,777	67,393	-	72,170
Office	-	42,382	34,802	77,184	-	18,219	19,890	38,109
Occupancy	33,651	4,878	-	38,529	33,651	4,878	-	38,529
Interest	13,644	2,039	-	15,683	18,534	2,769	-	21,303
Training and recruitment	5,756	631	-	6,387	6,261	3,118	-	9,379
Bad debt	-	5,041	-	5,041	-	725	-	725
Advertising	-	1,155	-	1,155	-	-	-	-
Charitable contributions	-	385	-	385	-	-	-	-
<b>Total expenses before depreciation</b>	<b>1,672,028</b>	<b>416,078</b>	<b>34,802</b>	<b>2,122,908</b>	<b>1,564,419</b>	<b>308,462</b>	<b>19,890</b>	<b>1,892,771</b>
Depreciation - vehicles	142,143	-	-	142,143	144,085	-	-	144,085
Depreciation - other	-	4,566	-	4,566	1,740	4,302	-	6,042
<b>Total functional expenses</b>	<b>\$ 1,814,171</b>	<b>\$ 420,644</b>	<b>\$ 34,802</b>	<b>\$ 2,269,617</b>	<b>\$ 1,710,244</b>	<b>\$ 312,764</b>	<b>\$ 19,890</b>	<b>\$ 2,042,898</b>

The accompanying notes are an integral part of the financial statements

# SCM COMMUNITY TRANSPORTATION CORPORATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

### NOTE A - ORGANIZATION

SCM Community Transportation Corporation (the "Organization") is committed to meeting the transportation needs of senior citizens and persons with disabilities. The Organization currently provides rides for medical appointments, grocery shopping, adult daycare, meal sites and social occasions. The availability of the Organization's services, providing the link between home and the community, allows individuals to remain independent and allows them to remain living in their homes. The majority of the Organization's services are provided to residents from several cities in the Greater Boston area.

### NOTE B - SIGNIFICANT ACCOUNTING POLICIES

1. **Basis of Accounting**

The Organization's net assets (excess of assets over liabilities) and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The statement of financial position presents two classes of net assets (unrestricted net assets and temporarily restricted net assets) based upon the existence or absence of imposed restrictions.

**Unrestricted Net Assets**

Unrestricted net assets are not subject to donor imposed restrictions and consist of assets and contributions available for the support of operations.

**Temporarily Restricted Net Assets**

Temporarily restricted net assets are subject to donor-imposed stipulations that are expected to be met, either by actions of the Organization and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from temporary restrictions. Restricted contributions and investment income whose restrictions are met in the same reporting period are recorded as temporarily restricted income and as net assets released from temporary restrictions.

Effective July 1, 2009, the Organization modified its accounting policy to release temporarily restricted net assets to unrestricted net assets for vehicle grants to reflect the depreciation expense for the vehicles. The change was made to more closely reflect the time and usage restrictions placed on the vehicles. The cumulative effect of this accounting change resulted in an increase in temporarily restricted net assets of \$505,065 as discussed in Note H.





# SCM COMMUNITY TRANSPORTATION CORPORATION

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010 and 2009

### NOTE B - SIGNIFICANT ACCOUNTING POLICIES - Continued

1. **Basis of Accounting - Continued**

**Temporarily Restricted Net Assets - Continued**

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America

2. **Cash and Cash Equivalents**

The Organization considers all short-term highly liquid investments as cash equivalents.

3. **Property and Equipment**

The Organization records property and equipment at cost or estimated value at date of acquisition. Depreciation is provided for amounts sufficient to relate the cost of depreciable assets to operations over the estimated service lives of such assets. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities.

The Organization computes depreciation on a straight-line basis over various periods, based on the estimated useful life of the related property to operations, which range as follows:

Vehicles	5-7 years
Computer equipment	3-5 years
Leasehold improvements	3-5 years

4. **Revenue Recognition**

The Organization earns revenue as follows:

**Program Fees**

The majority of transportation revenue is derived from services provided to various municipalities and not-for-profit organizations. The Organization enters into fee for service contracts with these municipalities and organizations and bills the majority of these municipalities and organizations on a per ride basis with the other organizations paying on a fixed fee per month basis. The Organization recognizes transportation revenue as rides are provided.



# SCM COMMUNITY TRANSPORTATION CORPORATION

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010 and 2009

### NOTE B - SIGNIFICANT ACCOUNTING POLICIES - Continued

#### 4. Revenue Recognition - Continued

##### Grants and Other Contributions

The Organization receives grants and other contributions in support of its programs, and complies with Accounting Standards Codification "Accounting for Contributions Made" (ASC 958), issued by the Financial Accounting Standards Board.

Under these standards, contributions made without donor imposed conditions are recognized as revenues when they are received or unconditionally pledged. In cases where the donor imposes conditions on a transfer of assets or a promise to give; where a specific future and uncertain event's occurrence or failure to occur gives the donee the right of return of the assets transferred or releases them from their obligation to transfer assets.

These contributions are recorded as revenue as the costs related to the services provided are incurred.

Contributions are recorded upon receipt or pledge as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Substantially all of the Organization's revenue is derived from its activities in Massachusetts. During the years ended June 30, 2010 and 2009, the Organization derived the majority of its revenue from various city and town elder service organizations. All revenue is recorded at the estimated net realizable amounts.

#### 5. Income Taxes

The Organization is registered with the Internal Revenue Service as an organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization files federal Form 990 and Massachusetts Form PC. Under certain circumstances, the Organization could be liable for tax under I.R.C. Section 512, unrelated Business Taxable Income. During, and for the years ended June 30, 2010 and 2009, respectively, no such circumstances occurred. As a result, no income tax payment was made nor required for the year then ended.



# SCM COMMUNITY TRANSPORTATION CORPORATION

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010 and 2009

### NOTE B - SIGNIFICANT ACCOUNTING POLICIES - Continued

#### 5. Income Taxes - Continued

Effective July, 1 2009, the provisions of U.S. generally accepted accounting principles require that a tax position be recognized or derecognized based on a more-likely-than-not threshold. This applies to tax positions taken or expected to be taken in a tax return. The implementation of these provisions had no impact on the Organization's financial statements. The Organization does not believe its financial statements include any uncertain tax positions.

All tax years prior to 2006 are closed via the passing of the Statute of Limitations. No notices have been received from either the Internal Revenue Service or Commonwealth of Massachusetts addressing any subsequent year.

#### 6. Accounts Receivable

The Organization carries its accounts receivables at an amount equal to uncollected but earned revenue less an allowance for doubtful accounts. On a periodic basis, the Organization evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions. As of June 30, 2010 and 2009 the allowance for doubtful accounts amounted to \$9,000 and \$8,925, respectively.

The Organization does not have a policy to accrue interest on accounts receivable. Contract receivables are written off after collection efforts have failed. The Organization has no policies requiring collateral or other security to secure the accounts receivable. Substantially all of the Organization's receivables are due from cities, towns, and other not-for-profit agencies in Massachusetts.

#### 7. Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.



# SCM COMMUNITY TRANSPORTATION CORPORATION

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010 and 2009

### NOTE B - SIGNIFICANT ACCOUNTING POLICIES - Continued

8. **Financial Instruments and Concentrations of Credit Risk**  
Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of periodic temporary investments of excess cash and trade receivables. The Organization places its temporary excess cash in short-term money market instruments through financial institutions. At times, such cash may be in excess of the FDIC insurance limit.
9. **Long-Lived Assets**  
In March, 1995 Statement of Financial Accounting Standards (ASC) No. 320, "Accounting for the Impairment of Long-Lived Assets to be Disposed Of," was issued. ASC No. 320 requires that long-lived assets and certain identifiable intangibles to be held and used or disposed of by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. During the years ended June 30, 2010 and 2009, the Organization determined that no impairment loss need be recognized.
10. **Advertising**  
The Organization expenses advertising costs when they are incurred. Advertising expense was immaterial for the years ended June 30, 2010 and 2009.
11. **Fundraising**  
Fundraising relates to the activities of raising general and specific contributions to the Organization and promoting special events. Fundraising expenses as a percentage of total contribution revenue was 20.31% and 10.66% for the years ended June 30, 2010 and 2009, respectively. The ratio of expenses to amounts raised is computed using actual expenses and related revenue on an accrual basis.
12. **Functional 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 in the statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. Payroll and associated costs are allocated to functions based upon time studies. Occupancy costs are allocated based upon associated full time equivalents salaries.



# SCM COMMUNITY TRANSPORTATION CORPORATION

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010 and 2009

### NOTE B - SIGNIFICANT ACCOUNTING POLICIES - Continued

**13. Donated Services**

Contributed services are provided by individuals possessing specialized skills and relate to pro-bono legal services and information technology services provided for management. Contributed services are recorded at estimated fair value on date of receipt.

**14. Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of resources available to meet future obligations, but only in compliance with the restrictions specified by donors. As of June 30, 2010 and 2009, donor restrictions limit the use of resources to the particular purposes listed below:

<u>Type of Restriction</u>	<u>2010</u>	<u>2009</u>
Part-time financial manager	\$ 19,159	\$ 20,985
Vehicle usage	504,937	432,619
Strategic planning	2,492	2,492
	<u>\$ 526,588</u>	<u>\$ 456,096</u>

**15. Fair Value of Financial Instruments**

The Organization's financial instruments, none of which are held for trading purposes, include cash and cash equivalents and accounts receivable. The Organization estimates that the fair value of all financial instruments at June 30, 2010 and 2009 does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying financial statements.

### NOTE C - PROPERTY AND EQUIPMENT

Included in property and equipment are mini-buses and vans of which a substantial portion was funded by the Federal Transit Administration passed through the Commonwealth's Executive Office of Transportation and Construction (EOTC). Approximately 80% of these purchases are funded by the EOTC and 20% by the Organization. The EOTC maintains a lien on the vehicles until the earlier of one of the two following benchmarks are met: (a) for mini-buses - either seven years of service or 150,000 miles driven or (b) for vans - either five years of service or 100,000 miles driven.



# SCM COMMUNITY TRANSPORTATION CORPORATION

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010 and 2009

### NOTE C - PROPERTY AND EQUIPMENT - Continued

EOTC maintains reversionary interest in vehicles with net book value of \$359,224 and \$360,978 as of June 30, 2010 and June 30, 2009, respectively. Depreciation on these vehicles for the years ended June 30, 2010 and 2009 is \$140,407 and \$144,085, respectively. Future expirations of this interest will expire through fiscal years ending 2017.

### NOTE D - EMPLOYEE BENEFITS

#### Defined Contribution Plan

The Organization has a defined contribution retirement plan that qualifies as a tax-sheltered account under Section 403(b)(7) of the Internal Revenue Code for the benefit of eligible employees. Employees whose customary employment is at least 20 hours per week are eligible to participate in this plan after three months of employment. Under the plan, benefit eligible employees can invest pre-tax dollars. The employees are not taxed on contributions or earnings until they receive distributions from the account.

#### Cafeteria Plan

The Organization has a plan that qualifies as a "Cafeteria Plan" under Section 125 of the Internal Revenue Code. The plan allows the Organization's employees to pay for medical and dental insurance and daycare on a pre-tax basis. All employees employed for at least three months and whose customary employment is at least 20 hours per week are eligible to participate in the plan.

### NOTE E - RELATED PARTY

A Board Member is the Executive Director of an organization that is an institutional user of program services. The Organization has a transportation contract with this organization. For the years ended June 30, 2010 and 2009 the Organization earned revenues of less than \$5,000 from this related party organization. As of June 30, 2010 and 2009, receivables outstanding against the contract with this organization were less than \$2,000.

### NOTE F - LINE OF CREDIT

On September 2, 2009 the Organization entered into an agreement with Cambridge Portuguese Credit Union (CPCU) (a Massachusetts Bank) for a loan which consolidated and closed their outstanding line of credit with Century Bank.



# SCM COMMUNITY TRANSPORTATION CORPORATION

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010 and 2009

### NOTE F - LINE OF CREDIT - Continued

The Organization has available a demand line of credit with CPCU of \$50,000 to be drawn as needed. Interest is payable monthly at the bank's prime rate; 3.25% for June 30, 2010. The line is secured by the Organization's general business assets. There was no outstanding balance at June 30, 2010 and \$36,690 was outstanding at June 30, 2009.

### NOTE G - NOTES PAYABLE

On September 2, 2009 the Organization entered into an agreement with CPCU for a loan amount of \$223,466, which bears an interest rate of 6.75% and a maturity date of September 2, 2017. This note consolidated and closed all of their outstanding notes with Century Bank.

The note is due in monthly payments of \$3,019.14. The note is secured by all the fixed assets of the Organization. At June 30, 2010, the principal balance due was \$207,246.

Principal payments due on the long-term obligations for each of the five years subsequent to June 30, 2010 are as follows:

2011	\$ 22,942
2012	24,539
2013	26,248
2014	28,075
2015	30,030
Thereafter	<u>75,412</u>
Total	<u>\$ 207,246</u>

### NOTE H - PRIOR PERIOD ADJUSTMENT AND RECLASSIFICATION

The Organization changed its method of accounting for net assets to reflect the release of vehicle assets to unrestricted net assets to match depreciation expense for the vehicles obtained via the EOTC. This change more closely reflects the time and usage restrictions placed on vehicle assets acquired through contracts received from EOTC.

Due to this accounting policy change, an adjustment was made to unrestricted and temporarily restricted net assets as of June 30, 2009 to reflect the difference in net asset value of vehicle assets at such date. While the net effect to net assets is \$0, beginning temporarily restricted net assets increased by \$505,065, offset by the decrease in beginning unrestricted net assets of an equal amount.



# SCM COMMUNITY TRANSPORTATION CORPORATION

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

**June 30, 2010 and 2009**

### **NOTE I - SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through November 8, 2010, which is the date the financial statements were available to be issued. There are no recognized subsequent events that provide additional evidence about conditions that existed at the statement of financial position date, or non-recognized subsequent events, or events that provide evidence about conditions that did not exist at the statement of financial position date, which are necessary to disclose to keep the financial statements from being misleading.

