ALLIED COORDINATED TRANSPORTATION SERVICES, INC.

Financial Report
June 30, 2018

Arnett Carbis Toothman llp
CPAs & Advisors

C O N T E N T S

Arnett Carbis Toothman llp
CPAs & Advisors

actcpas.com
2599 Wilmington Road
New Castle, PA 16105
724.658.1565 | 724.658.2402 fax
800.452.3003

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Allied Coordinated Transportation Services, Inc.
New Castle, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Allied Coordinated Transportation Services, Inc. (Organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Arnett Carbis Toothman LLP

New Castle, Pennsylvania
November 21, 2018

ALLIED COORDINATED TRANSPORTATION SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

	2018		
	Unrestricted	Temporarily Restricted	Total
ASSETS			
Cash	$ 51,574	$ 113,986	$ 165,560
Accounts receivable	343,827	-	343,827
Accounts receivable, related parties	76,973	-	76,973
Prepaid expenses	8,349	-	8,349
Inventory	32,201	-	32,201
Deposits	15,020	-	15,020
Land and land improvements, net of accumulated depreciation 2018 $173,959; 2017 $148,873	1,403,680	150,704	1,554,384
Buildings, net of accumulated depreciation 2018 $151,631; 2017 $154,896	1,375,759	-	1,375,759
Building improvements, net of accumulated depreciation 2018 $416,162; 2017 $360,344	857,321	255,246	1,112,567
Equipment and transportation vehicles, net of accumulated depreciation 2018 $872,279; 2017 $819,459	23,537	585,952	609,489
Construction in progress	23,471	-	23,471
Total assets	$ 4,211,712	$ 1,105,888	$ 5,317,600
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable	$ 281,623	$ -	281,623
Accounts payable, related parties	169,952	-	169,952
Accrued wages	20,233	-	20,233
Accrued leave costs	23,076	-	23,076
Accrued taxes	10,004	-	10,004
Accrued interest	17,451	-	17,451
Note payable, auto	11,581	-	11,581
Notes payable, related parties, less unamortized loan costs	2,460,051	-	2,460,051
Total liabilities	2,993,971	-	2,993,971
NET ASSETS	1,217,741	1,105,888	2,323,629
Total liabilities and net assets	$ 4,211,712	$ 1,105,888	$ 5,317,600

See Notes to Financial Statements

	2017	
Unrestricted	Temporarily Restricted	Total
$ 109,090	$ 98,126	$ 207,216
133,311	-	133,311
64,919	-	64,919
3,080	-	3,080
11,351	-	11,351
-	-	-
315,555	152,508	468,063
329,727	-	329,727
825,646	262,200	1,087,846
30,688	577,902	608,590
47,946	-	47,946
$ 1,871,313	$ 1,090,736	$ 2,962,049
$ 89,499	$ -	$ 89,499
46,265	-	46,265
19,045	-	19,045
26,934	-	26,934
12,791	-	12,791
-	-	-
14,734	-	14,734
382,759	-	382,759
592,027	-	592,027
1,279,286	1,090,736	2,370,022
$ 1,871,313	$ 1,090,736	$ 2,962,049

See Notes to Financial Statements

ALLIED COORDINATED TRANSPORTATION SERVICES, INC.

STATEMENTS OF ACTIVITIES
Years Ended June 30, 2018 and 2017

	2018		
	Unrestricted	Temporarily Restricted	Total
REVENUE			
Medical Assistance Transportation Program	$ 651,684	$ -	$ 651,684
Lottery Shared-Ride Program	345,447	-	345,447
Rent	257,500	-	257,500
Capital Assistance	11,890	207,623	219,513
Lawrence County Association of Retarded Citizens	172,115	-	172,115
LARK	97,548	-	97,548
Welfare to Work	71,315	-	71,315
New Castle Area Transit Authority	51,989	-	51,989
Susan G. Komen Race for the Cure	19,629	30,062	49,691
Client fares	41,433	-	41,433
Persons with Disabilities	30,469	-	30,469
#I Matter	19,872	-	19,872
Challenges, Options in Aging	17,060	-	17,060
Insurance	6,716	-	6,716
GED Testing Fees	5,518	-	5,518
Senior Citizen Nutritional Shopping	4,017	-	4,017
Mental Health / Developmental Services Promise	3,000	-	3,000
Mercer County Community Transit	1,700	-	1,700
Interest income	1,302	38	1,340
Mercer County Area Agency on Aging	405	-	405
Early Head Start	-	-	-
Iron and String Life Enhancement (ISLE)	-	-	-
Miscellaneous	19,870	-	19,870
Gain (loss) on disposal of equipment	-	400	400
Net assets released from restrictions	222,971	(222,971)	-
Total revenue	2,053,450	15,152	2,068,602
EXPENSES			
Program services	1,878,243	-	1,878,243
Support activities	214,435	-	214,435
Total expenses	2,092,678	-	2,092,678
Excess (deficiency) of revenue over expenses	(39,228)	15,152	(24,076)
OTHER CHANGES IN NET ASSETS			
Loss on demolition of building	(22,317)	-	(22,317)
Change in net assets	(61,545)	15,152	(46,393)
Net assets:			
Beginning	1,279,286	1,090,736	2,370,022
Ending	$ 1,217,741	$ 1,105,888	$ 2,323,629

See Notes to Financial Statements

2017		
Unrestricted	Temporarily Restricted	Total
$ 452,953	$ -	$ 452,953
349,051	-	349,051
258,600	-	258,600
-	179,385	179,385
189,517	-	189,517
96,093	-	96,093
81,377	-	81,377
56,501	-	56,501
-	-	-
46,998	-	46,998
43,774	-	43,774
34,157	-	34,157
13,259	-	13,259
5,472	-	5,472
5,645	-	5,645
3,924	-	3,924
2,440	-	2,440
2,600	-	2,600
49	64	113
462	-	462
687	86,171	86,858
47,564	-	47,564
14,122	100	14,222
-	(3,408)	(3,408)
238,758	(238,758)	-
1,944,003	23,554	1,967,557
1,659,641	-	1,659,641
219,915	-	219,915
1,879,556	-	1,879,556
64,447	23,554	88,001
(4,880)	-	(4,880)
59,567	23,554	83,121
1,219,719	1,067,182	2,286,901
$ 1,279,286	$ 1,090,736	$ 2,370,022

See Notes to Financial Statements

ALLIED COORDINATED TRANSPORTATION SERVICES, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2018 and 2017

	2018		
	Program Services	Support Activities	Total
Salaries	$ 451,856	$ -	$ 451,856
Leased employees expenses	460,256	34,384	494,640
Depreciation	213,899	78,728	292,627
Fuel	155,905	-	155,905
Insurance	138,398	4,709	143,107
Repairs and maintenance	100,948	15,207	116,155
Rent and utilities	46,243	38,734	84,977
Purchased services	52,704	11,166	63,870
Indirect cost	55,411	4,857	60,268
Payroll taxes	47,297	-	47,297
Supplies	37,325	2,040	39,365
Interest expense	18,588	11,067	29,655
Professional fees	24,059	2,293	26,352
Client vehicle purchase	22,500	-	22,500
Client vehicle repair	16,905	-	16,905
Telephone	14,483	448	14,931
Real estate taxes	2,323	10,338	12,661
Advertising	6,598	-	6,598
Travel and parking	5,493	351	5,844
Fees and registration	3,337	8	3,345
Staff development and conference	1,039	-	1,039
Dues and publications	367	105	472
Miscellaneous	2,309	-	2,309
Total functional expenses	$ 1,878,243	$ 214,435	$ 2,092,678

See Notes to Financial Statements

2017		
Program Services	Support Activities	Total
$ 474,786	$ -	$ 474,786
326,057	33,029	359,086
190,727	80,924	271,651
142,674	-	142,674
127,765	5,978	133,743
68,875	22,954	91,829
20,470	33,910	54,380
66,886	7,344	74,230
41,183	5,885	47,068
54,828	-	54,828
19,055	2,766	21,821
2,557	14,580	17,137
31,000	2,500	33,500
39,900	-	39,900
23,419	-	23,419
16,074	637	16,711
528	5,108	5,636
1,864	298	2,162
3,469	624	4,093
3,074	369	3,443
790	-	790
293	134	427
3,367	2,875	6,242
$ 1,659,641	$ 219,915	$ 1,879,556

See Notes to Financial Statements

ALLIED COORDINATED TRANSPORTATION SERVICES, INC.

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	**$ (46,393)**	$ 83,121
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**292,627**	271,651
Amortization of loan issuance costs	**567**	1,520
(Gain) loss on disposal of equipment	**(400)**	3,408
Loss on extinguishment of debt	**-**	4,880
Loss on demolition of building	**22,317**	-
(Increase) decrease in assets:		
Accounts receivable	**(210,516)**	25,857
Accounts receivable, related parties	**(6,448)**	1,408
Prepaid expenses	**(5,269)**	2,589
Inventory	**(20,850)**	(3,492)
Deposits	**(15,020)**	-
Increase (decrease) in liabilities:		
Accounts payable	**192,124**	33,068
Accounts payable, related parties	**123,687**	(133,003)
Accrued wages	**1,188**	(16,373)
Accrued leave costs	**(3,858)**	2,621
Accrued taxes	**(2,787)**	1,498
Accrued interest	**17,451**	-
Net cash provided by operating activities	**338,420**	278,753
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in restricted cash	**(15,860)**	53,962
Purchase of property, equipment and transportation vehicles	**(2,430,577)**	(298,354)
Construction in progress	**(23,471)**	(47,946)
Proceeds from disposal of equipment	**400**	200
Net cash (used in) investing activities	**(2,469,508)**	(292,138)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan costs	**-**	(11,342)
Borrowings on note payable, auto	**-**	16,863
Borrowings on note payable, related party	**2,100,000**	402,370
Principal payments on note payable, auto	**(3,153)**	(2,514)
Principal payments on note payable, bank	**-**	(257,454)
Principal payments on note payable, related party	**(23,275)**	(118,522)
Net cash provided by financing activities	**2,073,572**	29,401
Net increase (decrease) in cash	**(57,516)**	16,016
Cash:		
Beginning	**109,090**	93,074
Ending	**$ 51,574**	$ 109,090

See Notes to Financial Statements

	2018	2017
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for:		
Interest	**$ 11,637**	$ 15,617
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
(Increase) decrease in accounts receivable, related parties through (increase) decrease in property, equipment, and transportation vehicles	**$ (5,606)**	$ (4,568)

See Notes to Financial Statements

Note 1. Organization and Significant Accounting Policies

Allied Coordinated Transportation Services, Inc. (Organization) is a private, not-for-profit organization developed to broker and/or provide for the delivery of public transportation services to individuals offered under broker authorization from the Pennsylvania Public Utility Commission or the Interstate Commerce Commission.

A summary of the Organization's significant accounting policies follows:

Basis of accounting: The financial statements have been prepared using the accrual basis of accounting and are in conformity with accounting principles generally accepted in the United States of America.

Deposit risk: The Organization maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts.

Accounts receivable: Accounts receivable are stated at the amount the Organization expects to collect.

Bad debts: The Organization has elected to record bad debts using the direct write-off method. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognized bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Inventory: Inventory is stated at the lower of cost (first-in, first-out) or net realizable value and consists of automobile parts and supplies. Net realizable value is the estimated selling price used in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.

Property, equipment, and transportation vehicles: Land, buildings, related improvements, equipment, and transportation vehicles are stated at cost. Depreciation is provided generally on a straight-line basis over the estimated useful lives of the assets.

Many of the Organization’s funding sources require that, upon termination or cancellation of a grant, equipment or transportation vehicles which have a remaining useful life and to which the Organization holds title shall be returned to the funding source or disposed of as required by the funding source. The net book value of this equipment or transportation vehicles amounted to $585,952 and $577,902 as of June 30, 2018 and 2017, respectively.

Maintenance and repairs of property, equipment, and transportation vehicles are charged to operations and major improvements are capitalized. Upon retirement, sale, or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and gain or loss is included in operations.

Loan costs: Costs incurred in relation to the issuance of long-term debt are deferred and amortized over the life of the debt using the straight-line method, which does not differ significantly from the effective interest method of amortization. Amortization expense amounted to $567 and $1,520 for the years ended June 30, 2018 and 2017, respectively, and is included in interest expense on the statements of functional expenses. Amortization expense is expected to be $567 for each of the next five years. Unamortized loan costs have been netted against long-term debt in accordance with authoritative guidance.

Net assets: Unrestricted net assets are neither permanently nor temporarily restricted by donor or grantor imposed restrictions.

Temporarily restricted net assets result from contributions, grants, or other inflows of assets whose use by the Organization is limited by donor or grantor imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations, from other asset enhancements and diminishments subject to the same kinds of stipulations, or from reclassifications to or from other classes of net assets as a consequence of donor or grantor imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Organization pursuant to those stipulations.

Permanently restricted net assets result from contributions, grants, or other inflows of assets whose use by the Organization is limited by donor or grantor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization, from other asset enhancements and diminishments subject to the same kinds of stipulations, or from reclassifications to or from other classes of net assets as a consequence of donor or grantor imposed stipulations.

The Organization does not have any permanently restricted net assets.

Grants: Grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any grantor restrictions.

Advertising: The Organization follows the policy of charging the cost of advertising to expense as incurred. Advertising expense amounted to $6,598 and $2,162 for the years ended June 30, 2018 and 2017, respectively.

Loss on extinguishment of debt: During the year ended June 30, 2017, the Organization entered into an agreement with Lawrence County Social Services, Inc. (LCSS, Inc.), a related party (Note 2) that involved the issuance of a note payable. The proceeds from this note were used to pay off the outstanding balances of the Wesbanco note and the original note payable to LCSS, Inc. This transaction resulted in the recognition of a loss from extinguishment of debt in the amount of $4,880 for the year ended June 30, 2017.

Use of estimates: The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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 revenue, expenses, and functional allocations during the reporting period. Actual results could differ from those estimates.

Income taxes: The Organization is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code (Code) and has been recognized as tax exempt under Section 501(a) of the Code. Accordingly, no provision for income taxes has been provided.

The Organization follows the guidance for accounting for uncertainty in income taxes recognized in a company's financial statements that prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. The guidance also addresses derecognition, classification, interest and penalties, accounting in interim periods, and disclosure.

Management has determined that this guidance had no material effect on the financial statements. The Organization's policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in operating expenses. There were no interest or penalties recognized on the statements of activities as a result of this guidance. Generally, tax returns for years ended June 30, 2015, and thereafter remain subject to examination by federal and state tax authorities.

Reclassifications: Certain minor reclassifications have been made to the 2017 financial statements to conform to the presentation used in 2018.

Subsequent events: In preparing these financial statements, the Organization evaluated events that occurred through November 21, 2018, the date the financial statements were available to be issued, for potential recognition or disclosure.

Recent Accounting Pronouncements

Revenue Recognition: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which clarifies the principles for recognizing revenue and develops a common revenue standard for U.S. GAAP. This ASU attempts to remove inconsistencies and weaknesses in the current revenue recognition requirements, provides a more robust framework for addressing issues, improves comparability across entities and industries, provides more useful information to the users of the financial statements, and simplifies the preparation of financial statements by consolidating the number of requirements required to be referenced. Early adoption is not permitted. The guidance permits the use of either a retrospective or modified retrospective (cumulative effect) transition method. The Organization is currently evaluating the impact, if any, that adoption will have on its June 30, 2020, financial statements. Management has not yet selected a transition method nor has the effect of this guidance on the Organization's ongoing financial reporting been determined.

Inventory: In July 2015, the FASB issued ASU 2015-11, *Inventory* (Topic 330): *Simplifying the Measurement of Inventory*, with the purpose of simplifying that inventory currently be measured at the lower of cost or market. This guidance applies to inventory that is measured using first-in, first-out or average cost but not using last-in, first-out or the retail inventory method. This guidance states that inventory should be measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price used in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. This guidance was effective for the Organization's fiscal year ended June 30, 2018. Adoption of this guidance did not have a material impact on the Organization's financial statements.

Leases: In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842) which supersedes FASB ASC Topic 840, *Leases*, and makes other conforming amendments to U.S. GAAP. This ASU requires, among other changes to the lease accounting guidance, lessees to recognize most leases on the balance sheet via a right-of-use asset and lease liability, and additional qualitative and quantitative disclosures. In addition, the updated guidance requires that lessors separate lease and non-lease components in a contract in accordance with the new revenue guidance in ASU 2014-09. Transition guidance is provided within the ASU and generally requires a retrospective approach. The Organization is currently evaluating the impact, if any, that adoption will have on its June 30, 2021, financial statements.

Not-for-Profit Entities: In August 2016, the FASB issued ASU 2016-14, (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The amendments of this ASU change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. The amendments include qualitative and quantitative requirements in the financial statement presentation and disclosures regarding net asset classes, investment return, expenses, liquidity and availability of resources, and presentation of operating cash flows. The Organization will implement the provisions of ASU 2016-14 as of July 1, 2018. The Organization is currently evaluating the impact that adoption will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments of this ASU assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958 or as exchange (reciprocal) transactions subject to other guidance and determining whether a contribution is conditional. The Organization is currently evaluating the impact, if any, that adoption of ASU 2018-08 will have on its June 30, 2020, financial statements.

Statement of Cash Flows: In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows* (Topic 230), which requires companies to include cash and cash equivalents that have restrictions on withdrawal or use in total cash and cash equivalents on the statement of cash flows. The Organization is required to adopt ASU No. 2016-18 as of June 30, 2020. The Organization is currently evaluating the impact, if any, that adoption will have on its financial statements.

Note 2. Related Party Transactions and Notes Payable

Related party transactions: The Organization, LCSS, Inc., and United Community Services of Lawrence County, Inc. (UCS, Inc.) are considered related parties with shared management. LCSS, Inc. provides administrative management services and leased employees to the Organization. In addition to the leased employees' salaries and benefits, LCSS, Inc. also allocates certain additional costs based on the leased employees' salaries. The Organization leases office space to LCSS, Inc. and, also, the buildings owned by the Organization are used as collateral for debt of LCSS, Inc. These activities occasionally result in an amount payable or receivable due to the timing of the billing and payment. Total amounts payable to LCSS, Inc. and UCS, Inc. amounted to $169,952 and $46,265 as of June 30, 2018 and 2017, respectively. Total amounts receivable from LCSS, Inc. and UCS, Inc. amounted to $76,793 and $64,919 as of June 30, 2018 and 2017, respectively.

Notes payable, related parties: Notes payable, related parties, consist of the following as of June 30:

	2018	2017
Note payable, LCSS, Inc. to refinance a previous not payable to LCSS, Inc. and the Organization's not payable to Wesbanco through issuance of a new note. The note is payable in monthly principal and interest payments of $2,235 with interest at 2.69% with the remaining balance due in full with payment due January 2037.	**$ 370,542**	$ 393,817
Note payable, LCSS, Inc. to finance the purchase of property. The note is payable in monthly installments commencing May 1, 2018, of $16,612, plus interest of 4.75% with final payment due May 1, 2029.	**1,600,000**	-
Note payable, UCS, Inc. finance the purchase of property. The note is payable in monthly installments commencing May 1, 2018 of $4,886, plus interest at 4.75% with the final payment due May 1, 2029.	**500,000**	-
Total notes payable, related parties	**2,470,542**	393,817
Less unamortized loan costs	**10,491**	11,058
Total notes payable, related parties, less unamortized loan costs	**$ 2,460,051**	$ 382,759

Aggregate annual maturities required on notes payable, related parties as of June 30, 2018, are as follows:

Years Ending June 30:	
2019	$ 101,464
2020	176,096
2021	184,259
2022	192,808
2023	201,763
Thereafter	1,614,152

Note 3. Letter of Credit

As required by the Public Utility Commission, the Organization maintains an open letter of credit of $10,000 with First Commonwealth Bank, with interest to be determined by the bank at the time of withdrawals.

Note 4. Line of Credit

The Organization has a $250,000 line of credit with a local banking institution, bearing interest at the London InterBank Offered Rate (LIBOR) plus 2.103%. The line is collateralized by all inventory, chattel paper, accounts, equipment, and general intangibles and is guaranteed by UCS, Inc. and LCSS, Inc., which are related parties to the Organization. There were no borrowings on the line of credit as of June 30, 2018.

Note 5. Note Payable, Auto

Note payable, auto consist of the following as of June 30:

	2018	2017
Ford Credit, due in monthly installments of $325, including interest at 5.79%, collateralized by a vehicle, due September 2021.	**$ 11,581**	$ 14,734

Aggregate annual maturities required as of June 30, 2018, are as follows:

Year Ending June 30:	
2019	$ 3,324
2020	3,521
2021	3,731
2022	1,005

Note 6. Retained Earnings Provision Under Lottery Shared-Ride Program Transportation

The Lottery Shared-Ride retained earnings provision is determined based on guidelines issued on December 16, 2004, which supersedes the January 22, 1988, policy. The revised policy permits the Organization to retain a percentage of excess revenue, generated through shared-ride fares, to establish a retained earnings reserve, and to use the retained earnings to address unanticipated circumstances which could otherwise result in a deficit in shared-ride service.

This reserve is generated through fare revenue in excess of operating expenses, not to exceed an amount equal to 10% of total eligible operating expenses. Eligible expenses are defined as operating expenses, and exclude depreciation and capital expenditures.

The Department of Transportation will authorize expenditures from the reserve in case of "extraordinary" circumstances and to cover operating expenses during the fare increase application process. There was a deduction of $14,482 and $19,295 in the reserve for the years ended June 30, 2018 and 2017, respectively.

The retained earnings reserve and expenditures should be evaluated annually to ensure that the balance does not exceed 10% of eligible operating expenses and that expenditures from retained earnings are appropriate. If the retained earnings reserve balance is greater than 10% of eligible expenses, then the amount in excess of the 10% threshold would be subject to recovery through a future grant payment adjustment.

The retained earnings reserves as of June 30 are as follows:

	2018	2017
Retained earnings reserve, beginning	**$ 92,206**	$ 111,501
Fare revenue in excess of (under) operating expenses	**(14,482)**	(19,295)
Retained earnings reserve, ending	**$ 77,724**	$ 92,206
10% of eligible operating expenses	**$ 79,180**	$ 128,877

Note 7. Pennsylvania Department of Transportation, Shared-Ride Program

The following is required information relevant to the shared-ride program for the years ended June 30:

	2018	2017
Third-party contributors and amount received:		
Challenges, Options in Aging	**$ 13,781**	$ 12,673
Various other agencies	**20,872**	20,140
Clients	**26,308**	28,785
Total	**$ 60,961**	$ 61,598
Breakdown of shared-ride revenue:		
Lottery Shared-Ride Program Transportation	**$ 345,447**	$ 349,051
Medical Assistance Transportation Program	**12,319**	451,233
Lawrence County Association of Retarded Citizens Retarded Citizens	**147,941**	161,077
Welfare to Work	**17,822**	1,908
LARK	**92,928**	96,093
Client fares	**41,433**	46,909
Persons with Disabilities	**30,469**	43,774
New Castle Area Transit Authority	**39,489**	56,501
Mental Health / Developmental Services Promise	**3,000**	2,440
Mercer County Community Transit	**1,700**	2,600
Challenges, Options in Aging	**17,060**	13,259
ISLE	**-**	24,087
Susan G. Komen Race for the Cure	**432**	2,534
Insurance	**6,716**	5,472
Senior Citizen Nutritional Shopping	**4,017**	3,924
Mercer County Area Agency on Aging	**405**	462
Miscellaneous contributions	**19,109**	14,096
Total	**$ 780,287**	$ 1,275,420

Note 8. Support from Governmental Units

The Organization receives the majority of its support from state and local governments. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Organization's programs and activities.

Note 9. Lease and License Commitments

The Organization leases portions of its buildings and land to tenants under six license agreements.

The first license commitment is a cancelable agreement with LCSS, Inc. (Note 2) and requires an annual rental of $85,800, payable in monthly installments of $7,150, plus the payment of utilities and insurance.

The second license commitment is a cancelable agreement with LCSS, Inc. – Head Start Program for use of the West End School Building and requires an annual rental of $63,120, payable in monthly installments of $5,260. The Organization is responsible for insurance, utilities, taxes, and major repairs.

The third license commitment in a cancelable agreement with LCSS, Inc. for use of property at 699 N. Mercer Street and requires an annual rental of $24,780, payable in monthly installments of $2,065. The Organization is responsible for insurance, utilities, taxes, and major repairs.

The fourth license commitment is a cancelable agreement with LCSS, Inc. for use of property at 701 N. Mercer Street and requires an annual rental of $79,980, payable in monthly installments of $6,665 The Organization is responsible for insurance, utilities, taxes, and major repairs.

The fifth license commitment was a cancelable agreement with LCSS, Inc. for use of property at 614 N. Jefferson Street and required an annual rental of $13,920, payable in month installments of $1,160. The lease expired on August 31, 2017. The Organization was responsible for insurance, utilities, taxes, and major repairs.

The sixth license commitment is a cancelable agreement with LCSS, Inc. for the use of property at 1745 Frew Mill Road and requires an annual lease of $18,000, payable in monthly installments of $1,500, starting June 1, 2018. The Organization is responsible for utilities, taxes, major repairs and real estate taxes.

Note 10. Temporarily Restricted Net Assets

Temporarily restricted net assets are comprised of the following as of June 30:

	2018	2017
Proceeds from the sale of equipment and transportation vehicles to be used for purchase of like property	**$ 6,197**	$ 5,759
Grant monies received and unexpended by year end	**107,784**	92,367
Equipment and transportation vehicles purchased with grant monies with grantor imposed restrictions on disposal	**991,907**	992,610
Total	**$ 1,105,888**	$ 1,090,736

Note 11. Net Assets Released from Restrictions

Net assets are released from donor restrictions by incurring expenses or satisfying the restrictive purpose of the grant. Net assets released from restrictions consisted of the following for the years ended June 30:

	2018	2017
Depreciation - vehicles - PA DOT	**$ 208,330**	$ 184,430
Retained revenue	**14,482**	54,328
Susan G. Komen for the Cure	**159**	-
	$ 222,971	$ 238,758

Arnett Carbis Toothman llp
CPAs & Advisors

actcpas.com

2599 Wilmington Road
New Castle, PA 16105
724.658.1565 | 724.658.2402 fax
800.452.3003

INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

Board of Directors
Allied Coordinated Transportation Services, Inc.
New Castle, Pennsylvania

We have audited the financial statements of Allied Coordinated Transportation Services, Inc. as of and for the years ended June 30, 2018 and 2017, and have issued our report thereon, which contains an unmodified opinion on those financial statements. See page 1. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information for the year ended June 30, 2018 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Arnett Carbis Toothman LLP

New Castle, Pennsylvania
November 21, 2018

ALLIED COORDINATED TRANSPORTATION SERVICES, INC.

STATEMENT OF TRANSPORTATION ACTIVITIES - BY PROGRAM
Year Ended June 30, 2018

	Shared-Ride Program	Contract Services (1) Lawrence County Association of Retarded Citizens (2) Human Services Development (3) Other	Welfare to Work
REVENUE			
Grant/contract	$ 780,287	$ 24,174	$ 71,315
Miscellaneous	-	-	1,454
Total revenue	780,287	24,174	72,769
EXPENSES			
Salaries	248,429	4,920	-
Leased employees expenses	222,117	6,321	9,856
Fuel	84,597	2,406	-
Insurance	67,628	2,127	163
Repairs and maintenance	46,208	1,402	429
Purchased services	18,163	620	19,540
Indirect costs	25,443	764	1,209
Payroll taxes	25,892	314	-
Rent and utilities	13,771	350	593
Professional fees	11,484	434	558
Client vehicle purchase	-	-	22,500
Supplies	10,182	351	198
Client vehicle repair	-	-	16,905
Telephone	7,214	211	381
Advertising	3,940	63	93
Depreciation	2,964	73	72
Travel and parking	2,051	50	86
Fees and registration	1,396	167	63
Real estate taxes	1,191	97	-
Staff development and conference	471	1	30
Dues and publications	184	4	8
Miscellaneous	1,444	36	85
Total expenses	794,769	20,711	72,769
Excess (deficiency) of revenue over expenses	$ (14,482)	$ 3,463	$ -

Susan G. Komen for the Cure	MATP Contracted	#I Matter	New Castle Area Transit Authority Operator's Fee	Miscellaneous	Total
$ 19,356	$ 635,844	$ 19,872	$ 12,500	$ 8,381	$ 1,571,729
308	-	-	-	-	1,762
19,664	635,844	19,872	12,500	8,381	1,573,491
-	194,788	2,064	-	1,655	451,856
2,233	183,536	3,646	10,723	912	439,344
-	67,481	698	-	723	155,905
34	54,222	539	35	484	125,232
81	37,978	381	86	288	86,853
16,587	14,922	154	44	130	70,160
267	23,161	158	277	74	51,353
-	20,701	207	-	183	47,297
123	11,692	208	171	62	26,970
130	10,153	61	95	30	22,945
-	-	-	-	-	22,500
22	8,303	63	25	39	19,183
-	-	-	-	-	16,905
80	6,407	47	89	22	14,451
22	2,369	20	25	14	6,546
11	2,398	24	-	27	5,569
32	1,878	9	37	5	4,148
18	964	10	3	6	2,627
-	1,000	14	-	21	2,323
3	513	3	16	2	1,039
2	165	1	2	1	367
19	1,259	11	14	7	2,875
19,664	643,890	8,318	11,642	4,685	1,576,448
$ -	$ (8,046)	$ 11,554	$ 858	$ 3,696	$ (2,957)