



Annual Financial Report

People's Transit

Huron, South Dakota

For the year ended September 30, 2020



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People's Transit
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
People's Transit
Huron, South Dakota

Report on Financial Statements

We have audited the accompanying financial statements of People's Transit (the Organization), a South Dakota not-for-profit corporation, which comprise the statement of financial position as of September 30, 2020, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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 September 30, 2020, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Abdo
Minneapolis, Minnesota
November 23, 2021

FINANCIAL STATEMENTS

People's Transit
Statement of Financial Position
September 30, 2020

Assets	
Current Assets	
Cash and cash equivalents	\$ 443,750
Accounts receivable	1,577
Grants receivable	130,914
Prepaid expenses	23,306
Total Current Assets	599,547
Property and Equipment	
Land	21,155
Buildings	532,145
Equipment	116,121
Vehicles	552,545
Total Property and Equipment	1,221,966
Less Accumulated Depreciation	(648,517)
Total Property and Equipment, Net	573,449
Total Assets	\$ 1,172,996
Liabilities and Net Assets	
Current Liabilities	
Accrued expenses	\$ 24,569
Deferred revenue	28
Total Current Liabilities	24,597
Net Assets	
Without donor restriction	1,148,399
Total Liabilities and Net Assets	\$ 1,172,996

The notes to the financial statements are an integral part of this statement.

People's Transit
Statement of Activities
For the Year Ended September 30, 2020

	Without Donor Restriction
Support	
Grants and contributions	\$ 204,216
Revenue	
Government contracts	651,062
Program fares	72,925
Projects	77,141
Contract revenue	17,644
Miscellaneous revenue	4,654
Total Revenue	823,426
Total Support and Revenue	1,027,642
Expenses	
Program services	616,913
Management and general	183,959
Total Expenses	800,872
Change in Net Assets	226,770
Net Assets, Beginning	921,629
Net Assets, Ending	\$ 1,148,399

The notes to the financial statements are an integral part of this statement.

People's Transit
Statement of Functional Expenses
For the Year Ended September 30, 2020

	Program Services	Management and General	Total
Payroll and Related Expenses			
Salaries and wages	\$ 323,116	\$ 57,021	\$ 380,137
Benefits	76,665	13,529	90,194
Payroll taxes	23,799	4,200	27,999
Total Payroll and Related Expenses	<u>423,580</u>	<u>74,750</u>	<u>498,330</u>
Professional fees	-	14,023	14,023
Advertising	-	3,320	3,320
Office expense	-	9,353	9,353
Telephone	11,726	2,069	13,795
Occupancy	-	4,629	4,629
Repairs and maintenance	37,218	2,801	40,019
Travel and vehicle expenses	38,034	4,337	42,371
Insurance	20,495	1,543	22,038
Software service agreement	19,278	-	19,278
Miscellaneous	7,953	2,651	10,604
Grant related expense	-	29,026	29,026
Dues and memberships	1,259	-	1,259
Bad debt expense	-	29,083	29,083
Depreciation	<u>57,370</u>	<u>6,374</u>	<u>63,744</u>
Total Expenses	<u>\$ 616,913</u>	<u>\$ 183,959</u>	<u>\$ 800,872</u>

The notes to the financial statements are an integral part of this statement.

People's Transit
Statement of Cash Flows
For the Year Ended September 30, 2020

Cash Flows from Operating Activities	
Change in net assets	\$ 226,770
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	63,744
Change in assets and liabilities	
Account receivable	13,341
Grants receivable	(26,723)
Prepaid expenses	(3,867)
Accrued expenses	6,973
Deferred revenue	28
Net Cash Provided by Operating Activities	<u>280,266</u>
Cash Flows from Investing Activities	
Purchase of property and equipment	<u>(5,600)</u>
Net Change in Cash and Cash Equivalents	274,666
Beginning Cash and Cash Equivalents	<u>169,084</u>
Ending Cash and Cash Equivalents	<u>\$ 443,750</u>

The notes to the financial statements are an integral part of this statement.

People's Transit
Notes to the Financial Statements
September 30, 2020

Note 1: Summary of Significant Accounting Policies

A. Nature of Activities

People's Transit (the Organization) is a 501(c)(3) private, non-profit public transit service. We offer safe, reliable, convenient and affordable transportation for all people. We proudly serve the City of Huron and Beadle and Sanborn Counties in South Dakota.

B. Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions

Those resources over which the Organization has discretionary control. Designated amounts represent those revenues that the Board of Directors has set aside for a particular purpose.

Net Assets With Donor Restrictions

Those resources subject to donor imposed restrictions, which are satisfied by actions of the Organization or passage of time, or are to be maintained permanently by the Organization. The Organization did not have any net assets with donor restrictions at September 30, 2020.

C. Basis of Accounting

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

D. Use of Estimates

The preparation of financial statements in conformity 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

F. Accounts Receivable

Accounts receivable are reported at the amount the Organization expects to collect on balances outstanding at period end. The Organization uses the allowance method to account for uncollectible receivables. This method provides allowances for doubtful receivables based on historical experience and management's evaluation of estimated losses that will be incurred in the collection of receivables. The Organization had no allowance for uncollectible accounts as of September 30, 2020.

G. Grants Receivable

Grants receivable are due primarily from Federal, State and Local governmental units and agencies and arise primarily from the Organization's contracts with those agencies to administer various programs. All amounts are receivable within one year. All grants receivable are considered collectible by management based upon history and assessed risk of collection; therefore, no allowance for doubtful accounts is presented.

Note 1: Summary of Significant Accounting Policies (Continued)

H. Property and Equipment

Property, vehicles and equipment with an initial cost of \$500 or more are reported on the balance sheets and are stated at cost or fair market value at the date of acquisition. Depreciation is computed using appropriate straight-line methods over the estimated useful lives of the assets. Depreciation expense was \$63,744 for the year ended September 30, 2020.

I. Impairment of Long-lived Assets

The Organization reviews long-lived assets, including property and equipment and intangible assets, for any impairment whenever events or changes in business circumstances indicate the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of the asset. To date, there have been no such losses.

J. Accrued Expenses

Employees of the Organization are entitled to personal time off, depending on job classification, length of service and other factors. Accrued salary at September 30, 2020 was \$11,896. Accrued vacation at September 30, 2020 amounted to \$6,174. Other accrued expenses relate to employee benefits and taxes payable and were \$6,499 at year end.

K. Revenue Recognition

Revenues of the Organization are largely derived from grant awards from various sources. Revenues from grants that are accounted for as exchange transactions are recognized as income when earned. Grants received in advance are reported as deferred grant revenue and recognized when related expenses are incurred. Amounts earned in excess of receipts are reported as grants receivable.

Program, fare and contract income are recognized on the accrual basis. Revenues are recognized when earned, upon satisfaction of the relevant performance obligation, which is the completion of transportation services.

L. Contributions

Contributions received are recorded as donor restricted support depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for non-donor-restricted use unless specifically restricted by the donor. However, if a restriction is fulfilled in the same period in which the contribution is received, the Organization reports the support as being without donor restriction.

M. Advertising

The Organization expenses advertising costs as incurred. Advertising expense was \$3,320 for the year ended September 30, 2020.

N. Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Expense account relating directly to a function are categorized as that function. Other expense are allocated to functions by a percentage deemed by management to be appropriate for the account.

O. Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

People's Transit
Notes to the Financial Statements
September 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

P. Subsequent Events

In preparing these financial statements the Organization has evaluated events and transactions for potential recognition or disclosure through November 23, 2021, the date the financial statements were available to be issued.

Note 2: Concentration of Credit Risk

The Organization maintains cash balances at financial institutions where the accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000 at each institution. At certain times during the year, cash balances may be in excess of FDIC coverage. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Note 3: COVID-19

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world during 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Organization is unable to determine if it will have a material impact to its operations.

Note 4: Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and Cash Equivalents	\$ 443,750
Accounts Receivable	1,577
Grants Receivable	<u>130,914</u>
Financial Assets Available to Meet Cash Needs For General Expenditures Within One Year	<u>\$ 576,241</u>

As part of our liquidity management, The Organization structures its financial assets to be available as its general expenditures, liabilities, and obligations become due. The Organization has a line of credit it can draw upon if the need arises. The Organization invests cash more than monthly requirements in savings and money market funds which provides the Organization with the flexibility to match liquidity needs as they arise. The Organization's Board of Directors and Executive Directors continuously monitor the liquidity of the Organization. Management routinely monitors cash reserves which fund operations and program services and transfers funds as needed to ensure availability.