



## **Special Transit**

Years Ended December 31, 2008 and 2007  
with  
Independent Auditors' Report

## Special Transit

Years Ended December 31, 2008 and 2007  
(See Auditors' Report)

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**BRADLEY, ALLEN & ASSOCIATES, LLP**  
*certified public accountants & advisors*

Board of Directors  
Special Transit  
Boulder, Colorado

### Independent Auditors' Report

We have audited the accompanying statements of financial position of Special Transit as of December 31, 2008 and 2007, and the related statements of activities, changes in net assets 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 Special Transit as of December 31, 2008 and 2007, and the results of its activities, changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2009, on our consideration of Special Transit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Accounting Standards* and should be read in conjunction with this report in considering the results of our audits.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of Special Transit taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subject to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Bradley, Allen & Associates, LLP*  
*Certified Public Accountants*

March 27, 2009

## Special Transit

Statements of Financial Position  
December 31, 2008 and 2007  
(See Auditors' Report)

	<u>2008</u>	<u>2007</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 817,665	\$ 256,658
Accounts receivable:		
Trade	1,859,934	2,224,585
Other	504,023	226,813
Deposits	58,650	4,950
Prepaid expenses	<u>243,926</u>	<u>160,879</u>
Total current assets	<u>3,484,198</u>	<u>2,873,885</u>
Investments limited as to use	<u>704,218</u>	<u>802,089</u>
Property and equipment, at cost:		
CNG refueling facility	163,323	163,323
Facility	1,216,352	1,216,352
Maintenance equipment	93,244	90,249
Office furniture and equipment	505,373	575,460
Vehicles	<u>4,141,742</u>	<u>3,949,725</u>
	6,120,034	5,995,109
Accumulated depreciation	<u>4,321,387</u>	<u>3,840,500</u>
Total property and equipment	<u>1,798,647</u>	<u>2,154,609</u>
Other assets:		
Construction in progress	222,418	-
Inventory	76,822	70,662
Investments	<u>1,464,402</u>	<u>1,906,322</u>
Total other assets	<u>1,763,642</u>	<u>1,976,984</u>
Total assets	<u>\$ 7,750,705</u>	<u>\$ 7,807,567</u>

(See Notes to Financial Statements)

## Special Transit

Statements of Financial Position  
December 31, 2008 and 2007  
(See Auditors' Report)

### Liabilities and Net Assets

	<u>2008</u>	<u>2007</u>
Current and total liabilities:		
Accounts payable	\$ 188,011	\$ 221,481
Accrued payroll	524,836	478,238
Payroll taxes and related liabilities	6,062	12,016
Unearned income	<u>221,761</u>	<u>167,849</u>
Total liabilities	<u>940,670</u>	<u>879,584</u>
Net assets:		
Unrestricted	5,298,521	5,942,351
Temporarily restricted	807,296	183,543
Permanently restricted	91,556	123,940
Board designated	<u>612,662</u>	<u>678,149</u>
Total net assets	<u>6,810,035</u>	<u>6,927,983</u>
Total liabilities and net assets	<u><u>\$ 7,750,705</u></u>	<u><u>\$ 7,807,567</u></u>

(See Notes to Financial Statements)

## Special Transit

Statements of Activities  
Years Ended December 31, 2008 and 2007  
(See Auditors' Report)

	Unrestricted	Temporarily Restricted	Permanently Restricted
Revenue and other support:			
Grants:			
Federal	\$ 512,860	\$ 438,384	\$ -
Other	1,376,566	36,000	-
Contracted agencies	7,752,169	-	-
Capital campaign	-	306,480	-
Rider fares	268,929	-	-
Fund raising	472,481	3,235	550
In-kind donations	124,858	-	-
Interest and dividend income	83,095	-	2,875
Other revenue	128,136	-	-
	<u>10,719,094</u>	<u>784,099</u>	<u>3,425</u>
Total revenue and other support			
Expenses:			
Program services	9,434,875	-	-
Supporting services:			
General and administrative	1,299,939	-	-
Fundraising	290,150	-	-
	<u>11,024,964</u>	<u>-</u>	<u>-</u>
Total expenses			
Income (loss) from activities	(305,870)	784,099	3,425
Other expense:			
Gain on sale of assets	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	<u>\$ (305,870)</u>	<u>\$ 784,099</u>	<u>\$ 3,425</u>

(See Notes to Financial Statements)  
(continued)

## Special Transit

Statements of Activities (continued)  
 Years Ended December 31, 2008 and 2007  
 (See Auditors' Report)

	Board Designated	2008 Total	2007 * Total
Revenue and other support:			
Grants:			
Federal	\$ -	\$ 951,244	\$ 911,117
Other	-	1,412,566	1,308,737
Contracted agencies	-	7,752,169	7,352,238
Capital campaign	-	306,480	-
Rider fares	-	268,929	264,090
Fund raising	-	476,266	416,012
In-kind donations	-	124,858	129,298
Interest and dividend income	18,995	104,965	168,130
Other revenue	-	128,136	10,523
	18,995	11,525,613	10,560,145
Total revenue and other support			
Expenses:			
Program services	-	9,434,875	8,632,042
Supporting services:			
General and administrative	-	1,299,939	1,234,787
Fundraising	-	290,150	236,189
	-	11,024,964	10,103,018
Total expenses			
Income from activities	18,995	500,649	457,127
Other expense:			
Gain on sale of assets	-	-	142
	-	-	142
Increase in net assets	\$ 18,995	\$ 500,649	\$ 457,269

\* - Restated to conform to 2008 presentation

(See Notes to Financial Statements)

## Special Transit

### Statement of Changes in Net Assets December 31, 2008 and 2007 (See Auditors' Report)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Board Designated</u>	<u>Total</u>
Balance at December 31, 2006	\$ 5,786,406	\$ 13,250	\$ 112,150	\$ 499,097	\$ 6,410,903
Change in net assets - 2007	(106,894)	527,298	1,943	34,921	457,268
Net asset increase (decrease) for:					
Unrealized gain on investments	40,634	-	9,847	9,331	59,812
Board of directors' designated contribution to quasi-endowment fund	(134,800)	-	-	134,800	-
Net assets released from restrictions	<u>357,005</u>	<u>(357,005)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2007	5,942,351	183,543	123,940	678,149	6,927,983
Change in net assets - 2008	(305,870)	784,099	3,425	18,995	500,649
Net asset increase (decrease) for:					
Unrealized loss on investments	(393,631)	-	(35,809)	(189,157)	(618,597)
Board of directors' designated contribution to quasi-endowment fund	(104,675)	-	-	104,675	-
Net assets released from restrictions	<u>160,346</u>	<u>(160,346)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2008	<u>\$ 5,298,521</u>	<u>\$ 807,296</u>	<u>\$ 91,556</u>	<u>\$ 612,662</u>	<u>\$ 6,810,035</u>

(See Notes to Financial Statements)

## Special Transit

### Statements of Cash Flows Years Ended December 31, 2008 and 2007 (See Auditors' Report)

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Cash received from grants, donors and customers	\$ 11,258,373	\$ 9,259,360
Cash paid to suppliers and employees	(10,217,278)	(9,147,340)
Interest received	<u>104,965</u>	<u>168,130</u>
Net cash provided by operating activities	<u>1,146,060</u>	<u>280,150</u>
Cash flows from investing activities:		
Proceeds from sale of investments	200,000	-
Proceeds from sale of property and equipment	-	227
Purchase of property and equipment	(214,515)	(509,385)
Acquisition of construction in progress	(222,418)	-
Purchase of investments	(294,420)	(618,936)
Increase in deposits	<u>(53,700)</u>	<u>-</u>
Net cash used by investing activities	<u>(585,053)</u>	<u>(1,128,094)</u>
Net increase (decrease) in cash and cash equivalents	561,007	(847,944)
Cash and cash equivalents, beginning	<u>256,658</u>	<u>1,104,602</u>
Cash and cash equivalents, ending	<u>\$ 817,665</u>	<u>\$ 256,658</u>

(See Notes to Financial Statements)  
(continued)

## Special Transit

Statements of Cash Flows (continued)  
Years Ended December 31, 2008 and 2007  
(See Auditors' Report)

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ 500,649	\$ 457,269
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gain on sale of assets	-	(142)
Investment fees deducted from fund balance	15,614	14,263
Depreciation	570,477	536,126
Decrease (increase) in:		
Accounts receivable, trade	364,651	(665,541)
Accounts receivable, other	(277,210)	(208,518)
Inventory	(6,160)	5,531
Prepaid expenses	(83,047)	(105,062)
Increase (decrease) in:		
Accounts payable	(33,470)	95,178
Accrued payroll	46,598	94,952
Payroll taxes and related liabilities	(5,954)	(51,650)
Unearned income	53,912	107,744
	<u>53,912</u>	<u>107,744</u>
Net cash provided by operating activities	<u>\$ 1,146,060</u>	<u>\$ 280,150</u>

(See Notes to Financial Statements)

## Special Transit

Notes to Financial Statements  
Years Ended December 31, 2008 and 2007  
(See Auditors' Report)

### 1. Nature of Operations and Summary of Significant Accounting Policies

#### Nature of operations

Special Transit (the Organization), which has been granted not-for-profit status under Internal Revenue Code Section 501(c)(3), provides transportation services for the elderly, disabled, low income, rural and general public residents of the City and County of Boulder, Colorado as well as surrounding Colorado cities and/or counties. Funding is received from federal, state and local governments, donations from individuals and local businesses and organizations and transportation contracts with various governmental and non-governmental entities.

Financial statements are prepared using the accrual method of accounting under accounting principles generally accepted in the United States of America whereby income is reported as earned and expenses reported as incurred.

#### Cash and cash equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents. The Organization maintains cash in bank deposit accounts at various financial institutions. The balances, at times, may exceed federally insured limits.

The Organization has entered into a "Repurchase Agreement" whereby the bank pledges an equitable interest in a United States Government Security. The agreement provides protection for an account balance up to \$1,000,000. At the end of each day all available balances in the operating bank account are used to buy the securities under the agreement.

#### Investments

Investments are comprised of cash, money market accounts and mutual funds. Donated investments, when received, are recorded as contributions at market value upon date of receipt.

#### Investments limited as to use

The balances of \$704,218 and \$802,089 as of December 31, 2008 and 2007, respectively, include funds designated by the board as well as from donors. The amounts are included in the investment portfolio maintained by the Organization and include permanently restricted funds of \$91,556 and \$123,940 as of December 31, 2008 and 2007, respectively.

## Special Transit

Notes to Financial Statements  
Years Ended December 31, 2008 and 2007  
(See Auditors' Report)

### 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

#### Accounts receivable

Accounts receivable, trade primarily includes amounts invoiced to contracted agencies for services performed by the Organization. The balance also includes federal grant funds that have been awarded to the Organization but have yet to be invoiced by the Organization. As of December 31, 2008 accounts receivable, trade included \$311,800 of Section 5309 funds and \$149,348 of Section 5310 funds granted to the Organization for future vehicle purchases. As of December 31, 2007, accounts receivable, trade included \$142,083 of Section 5309 funds and \$40,560 of Section 5311 funds granted to the Organization for future vehicle purchases.

No allowance for doubtful accounts is provided as the Organization expenses bad debts in the year they are deemed to be uncollectible.

Accounts receivable, other primarily includes estimated revenue amounts for contracted services that have yet to be invoiced by the Organization.

#### Property and equipment

Property and equipment are recorded at acquisition cost with donated property and equipment recorded at estimated fair market value. When items are disposed, the cost and related depreciation are removed from the accounts, with gains or losses on disposal recorded. Depreciation is computed by the straight-line method, over the estimated useful lives of the assets ranging from three to five years for equipment and vehicles. The building is being depreciated over 39 years.

#### Construction in progress

Construction in progress consists of facility design, architecture and consulting costs related to the construction of a new headquarter facility for the Organization. Included in construction in progress are legal fees paid to the spouse of the executive director of the Organization in the amount of approximately \$9,000 for legal services related to the facility. This relationship was initiated and is under the direction of the president of the Board of Directors of the Organization. The related party relationship has been disclosed and deemed not to be a conflict of interest by the Board of Directors.

#### Inventory

Inventory, consisting of parts and materials used in the maintenance of vehicles, is valued at cost using the first-in-first-out method.

## Special Transit

Notes to Financial Statements  
Years Ended December 31, 2008 and 2007  
(See Auditors' Report)

### 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

#### Donations

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose 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.

All donations are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

#### Contributions

Under Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

#### In-Kind contributions

Donated goods and professional services are reflected as "In-Kind" contributions in the accompanying statements at their estimated values at the date of service, with a corresponding entry to "In-Kind" goods and services.

#### Use of estimates in the preparation of financial statements

The preparation of financial statements in the 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.

## Special Transit

Notes to Financial Statements  
Years Ended December 31, 2008 and 2007  
(See Auditors' Report)

### 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

#### Advertising costs

Advertising costs, except for costs associated with direct-response advertising, are charged to operations when incurred. The costs of direct-response advertising are capitalized and amortized over the period which future benefits are expected to be received. There was no direct-response advertising incurred in 2008 or 2007. Advertising expense related to employment opportunities for the years ended December 31, 2008 and 2007 was approximately \$13,700 and \$27,900, respectively.

#### Income taxes

No provision for taxes on earnings has been made in the financial statements as the Organization has qualified as a nonprofit organization under Section 501(c) (3) of the Internal Revenue Code.

### 2. Investments

Investments as of December 31, 2008 and 2007 are summarized as follows:

	<u>2008</u>	<u>2007</u>
Investments, at cost:		
Limited as to use:		
Board designated	\$ 773,718	\$ 645,711
Permanently restricted	110,710	105,390
	<u>884,428</u>	<u>751,101</u>
Unrestricted	<u>1,771,481</u>	<u>1,810,387</u>
Total	<u>\$ 2,655,909</u>	<u>\$ 2,561,488</u>
Market value:		
Limited as to use:		
Board designated	\$ 612,662	\$ 678,149
Permanently restricted	91,556	123,940
	<u>704,218</u>	<u>802,089</u>
Unrestricted	<u>1,464,402</u>	<u>1,906,322</u>
Total	<u>\$ 2,168,620</u>	<u>\$ 2,708,411</u>

The Board designated funds as detailed in Note 5, on which there was no donor restrictions, have been invested in endowment funds by the board of directors. Amounts reflected as permanently restricted have been restricted to the endowment fund by the donor.

## Special Transit

Notes to Financial Statements  
Years Ended December 31, 2008 and 2007  
(See Auditors' Report)

### 3. Temporarily Restricted Net Assets

The Organization receives funds from the State of Colorado to assist in the purchase of vehicles. The State retains an 80% interest and holds the title for those vehicles purchased with State funds within the past five years.

During 2008, the Organization received funds from various corporate grants and individuals to be used with the Section 5310 funds for future vehicle purchases. The Organization also received a grant from an outside foundation as well as individual contributions toward the capital campaign of the Organization further described in Note 11.

Funds received from an outside foundation for STS services vehicle replacement were utilized for vehicle purchases in 2007. Under SFAS No. 116, such contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the applicable restriction.

The Organization established an employee emergency assistance program and allocated an amount to be specifically used for support of this program. The unused allocated amount is reflected as temporarily restricted as of December 31, 2007. The Organization also has established a program to market the HOP transit services and has allocated an amount to be specifically used to support this program, with the unused amount reflected as temporarily restricted as of December 31, 2008.

Temporarily restricted net assets are available for the following purposes as of December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Section 5309 funds for future HOP services vehicle purchases	\$ 311,800	\$ 142,083
Section 5310 funds for future STS vehicle purchases	149,348	-
Section 5311 funds for future STS services vehicle purchase	-	40,560
Funds contributed from outside sources for future STS vehicle purchases	39,235	-
Funds contributed by outside foundation for capital campaign	300,000	-
Funds contributed from outside sources for capital campaign	6,480	-
Funds allocated for HOP marketing program	433	-
Funds allocated for employee emergency assistance program	-	900
Total temporarily restricted net assets	<u>\$ 807,296</u>	<u>\$ 183,543</u>

## Special Transit

Notes to Financial Statements  
Years Ended December 31, 2008 and 2007  
(See Auditors' Report)

### 4. Permanently Restricted Net Assets

In 1999, Special Transit established an endowment with a Foundation in the City of Boulder, Colorado and funds the endowment with available unrestricted net assets, which are included in Board Designated Net Assets. As part of the agreement, the Foundation sets aside internal funds to be utilized for the benefit of Special Transit. In addition, Special Transit and the Foundation seek support from the general public.

In 2001, Special Transit entered into a similar agreement with a Foundation in the City of Longmont, Colorado. However, as of December 31, 2008, no funds have been received from the Foundation. Special Transit and the Foundation seek support from the general public.

The balance of permanently restricted net assets is comprised of the following as of December 31, 2008 and 2007:

	2008	2007
Boulder Foundation:		
General public donations:		
2006 and prior	\$ 42,601	\$ 42,601
2007 - Receipts	200	200
2008 - Receipts	400	-
	43,201	42,801
Appreciation (depreciation)	(821)	14,478
Total from general public	42,380	57,279
Foundation donations:		
2006 and prior	50,000	50,000
2007 - Receipts	-	-
2008 - Receipts	-	-
	50,000	50,000
Appreciation (depreciation)	(1,149)	16,486
Total from Boulder Foundation	48,851	66,486
Longmont Foundation:		
General public donations:		
2006 and prior	75	75
2007 - Receipts	100	100
2008 - Receipts	150	-
	325	175
Total from all sources	\$ 91,556	\$ 123,940

## Special Transit

Notes to Financial Statements  
Years Ended December 31, 2008 and 2007  
(See Auditors' Report)

### 5. Board Designated Net Assets

As discussed in Note 4, Special Transit has established endowments with two Foundations and funds these endowments with available unrestricted net assets. In addition, the Board established a quasi-endowment fund during 2004 and transferred available unrestricted net assets of \$225,000.

It is the intent of the Board that the principal of the quasi-endowment fund shall not be invaded until the principal value of the fund reaches a minimum of one million dollars, and any or all income earned in the quasi-endowment may be distributed for purposes of Special Transit as approved by the Board.

The balance of board designated net assets is comprised of the following as of December 31, 2008 and 2007:

	2008	2007
Boulder Foundation contributions:		
2007 and prior	\$ 35,000	\$ 35,000
Appreciation (depreciation)	(516)	11,933
Total to Boulder Foundation	34,484	46,933
Longmont Foundation contributions:		
2006 and prior	12,550	12,550
2007	50	50
2008	-	-
	12,600	12,600
Appreciation	150	4,330
Total to Longmont Foundation	12,750	16,930
Quasi-Endowment contributions:		
2006 and prior	395,146	395,146
2007	134,750	134,750
2008	104,675	-
	634,571	529,896
Appreciation (depreciation)	(69,143)	84,390
Total to Quasi-Endowment	565,428	614,286
Total board designated funds	\$ 612,662	\$ 678,149

## **Special Transit**

Notes to Financial Statements  
Years Ended December 31, 2008 and 2007  
(See Auditors' Report)

### **6. Net Assets Released from Donor or Board Restrictions**

The net assets released from restrictions for the year ended December 31, 2008 represents federal funds provided through the Federal Transportation Administration and the Department of Health and Human Services that were utilized for rehabilitation services on two busses, the purchase of one additional bus and one vehicle, and for the installation of an automated transit information system in a number of busses.

The net assets released from restrictions for the year ended December 31, 2007 represents funds received from an outside foundation along with federal funds provided through the Federal Transportation Administration and the Department of Housing and Urban Development that were utilized to purchase eight busses as well as funds contributed during 2006 for specific transportation services and funds contributed during 2007 for technology support for the Organization that were utilized for such services during the year.

### **7. Retirement Plan**

The Organization has a Trusteed Internal Revenue Code 403(b) Plan covering substantially all employees who meet specified service requirements. The Plan allows for employee contributions up to the maximum allowable by the Internal Revenue Code. Contributions by the Organization are up to 3% of gross eligible salary and totaled approximately \$77,100 and \$78,300 for the years ended December 31, 2008 and 2007, respectively.

### **8. Concentrations**

The Organization has been contracted by the Denver Regional Transportation District (RTD) to provide services under the Americans with Disabilities Act. The revenue from this contract was approximately 35% and 33% of the Organization's total revenue for the years ended December 31, 2008 and 2007, respectively. The expenditures to support this contract were approximately 36% and 33% of the total unrestricted expenses for the years ended December 31, 2008 and 2007, respectively. The current contract with RTD covers a three year period expiring in 2010, with options in the contract to extend through the end of 2012.

### **9. Commitments**

The Organization leases the land for its facility in Boulder, Colorado under two lease agreements. The leases expire in 2022 and include annual rental increase provisions for increases in cost of living indices, as defined in each agreement. Current monthly rental payments required under the leases are \$540 and \$1,427. The Organization also leases vehicle storage and office space in Denver, Colorado under an agreement which expires in 2012 and requires monthly rental payments of \$6,667, increasing to \$7,000 in 2009.

The Organization has also executed numerous lease agreements for office equipment and services. These lease agreements range from \$100 to \$1,025 in monthly payments.

## Special Transit

Notes to Financial Statements  
Years Ended December 31, 2008 and 2007  
(See Auditors' Report)

### 9. Commitments (continued)

The following is a summary of the minimum annual commitments under the terms of the leases for years ending after December 31, 2008:

<u>Year Ended</u> <u>December 31,</u>	
2009	\$ 133,625
2010	124,410
2011	124,410
2012	110,054
2013	23,602
Thereafter	<u>203,856</u>
	<u>\$ 719,957</u>

Rent expense for the years ended December 31, 2008 and 2007 was approximately \$155,400 and \$150,200, respectively.

### 10. Income Taxes

In July, 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" (FIN 48). FIN 48 clarifies the accounting for uncertainty in income tax positions and defines the threshold for recognizing the tax benefits of tax return filing positions in the financial statements as "more likely than not" to be sustained upon examination, based on the technical merits of the positions. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized. Tax positions which previously would have failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which the threshold is met. Conversely, previously recognized tax positions which no longer meet the more-likely-than-not recognition should be derecognized in the first subsequent financial reporting period in which the threshold is no longer met.

## Special Transit

Notes to Financial Statements  
Years Ended December 31, 2008 and 2007  
(See Auditors' Report)

### 10. Income Taxes (continued)

In December, 2008, FASB issued FASB Staff Position FIN 48-3, "Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises" (FIN 48-3). FIN 48-3 defers the effective date of FIN 48 for certain nonpublic enterprises to financial statements for fiscal years beginning after December 15, 2008. Under the guidance of FIN 48-3, the Organization has elected to defer the application of FIN 48. For financial statements of the Organization issued in the deferral period under FIN 48-3, management will continue to recognize the best estimate of the impact of any applicable tax positions only when a position is "probable" of being sustained on audit based solely on the technical merits of the position. As the Organization is qualified as a nonprofit organization under the Internal Revenue Code, any income tax position would be primarily related to unrelated business activities outside the core mission of the Organization. Based on prior examinations of contractual arrangements of the Organization and correspondence received from the Internal Revenue Service, management believes there to be no potential income tax positions that would result in related tax liability for the Organization. Management will continue to evaluate any future contractual arrangements with respect to potential income tax positions under this guidance.

### 11. Capital Campaign and Subsequent Event

During 2008, the Organization initiated a capital campaign to raise funds toward the construction of a new headquarters and maintenance facility. The Organization anticipates the total cost of the facility to be approximately \$11 million.

During 2009, the Department of Transportation of the State of Colorado entered into a grant agreement to provide funding of \$1,955,000 toward activities comprising Phase I of construction, including costs of land acquisition, site development, facility design and engineering, and project management. The Organization, under the terms of the grant, is committed to match the funds provided by the state from any combination of various resources, including internal facility reserve funds, proceeds from capital campaign efforts, and contributions from outside sources toward the campaign. During 2008, the Organization raised approximately \$306,500 toward the capital campaign, which is reflected as temporarily restricted net assets as of December 31, 2008.

The grant agreement with the State of Colorado calls for funding of Phase II costs related to the construction of the facility in an additional amount not to exceed \$3,295,000 upon the execution of an appropriate change order. As of the date of this report, the Organization is in the process of finalizing efforts with the City of Boulder for annexation of identified land for the new facility.

Accompanying Supplemental Information  
(See Auditors' Report on Additional Information)



**BRADLEY, ALLEN & ASSOCIATES, LLP**  
*certified public accountants & advisors*

Board of Directors  
Special Transit  
Boulder, Colorado

Independent Auditors' Report on Additional Information

Our report on our audits of the basic financial statements of Special Transit as of December 31, 2008 and 2007 appears on page 1. We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subject to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Bradley, Allen & Associates, LLP*  
*Certified Public Accountants*

March 27, 2009

## Special Transit

Schedules of Program Services Expenses  
 Years Ended December 31, 2008 and 2007  
 (See Auditors' Report on Additional Information)

	2008		2007 *	
		Percentage of unrestricted support		Percentage of unrestricted support
Program services:				
Depreciation	\$ 544,461	5.1 %	\$ 513,259	5.1 %
Fuel and oil	311,413	2.9	247,393	2.5
In-kind goods and service	124,858	1.2	129,298	1.3
Insurance	467,669	4.4	406,079	4.1
Office supplies	52,511	0.5	54,916	0.5
Outside services	13,241	0.1	10,631	0.1
Purchased transportation	112,947	1.1	41,266	0.4
Rents and leases	108,157	1.0	102,844	1.0
Salaries and related expenses	7,212,774	67.3	6,675,476	66.8
Taxes and licenses	7,009	0.1	8,197	0.1
Telephone	30,035	0.3	34,809	0.3
Travel and meetings	30,920	0.3	29,072	0.3
Utilities	11,606	0.1	10,832	0.1
Vehicle and facility maintenance	407,274	3.8	367,971	3.7
 Total program services	 \$ 9,434,875	 88.0 %	 \$ 8,632,042	 86.4 %

\* - Restated to conform to 2008 presentation

## Special Transit

Schedules of Supporting Services Expenses  
Years Ended December 31, 2008 and 2007  
(See Auditors' Report on Additional Information)

	2008		2007 *	
		Percentage of unrestricted support		Percentage of unrestricted support
General and administrative:				
Depreciation	\$ 26,016	0.2 %	\$ 22,869	0.2 %
Insurance	23,361	0.2	26,884	0.3
Interest and penalties	925	-	1,386	-
Marketing	9,790	0.1	16,431	0.2
Miscellaneous	64,752	0.6	75,024	0.8
Office supplies	52,511	0.5	54,916	0.5
Outside services	1,238	0.0	84	-
Professional fees	78,142	0.7	51,577	0.5
Rents and leases	47,231	0.4	47,329	0.5
Salaries and related expense	796,551	7.4	757,969	7.6
Taxes and licenses	11,596	0.1	7,994	0.1
Telephone	32,098	0.3	29,786	0.3
Travel and meetings	30,920	0.3	29,072	0.3
Utilities	35,168	0.3	34,690	0.3
Vehicle and facility maintenance	89,640	0.8	78,777	0.8
 Total general and administrative	 \$ 1,299,939	 12.1 %	 \$ 1,234,787	 12.3 %
 Fund Raising:				
Miscellaneous	\$ 78,225	0.7 %	\$ 57,077	0.6 %
Office supplies	13,009	0.1	6,692	0.1
Salaries and related expense	194,956	1.8	171,738	1.7
Travel and meetings	3,960	-	682	-
 Total fund raising	 \$ 290,150	 2.7 %	 \$ 236,189	 2.4 %

\* - Restated to conform to 2008 presentation

## Special Transit

Schedule of Program Activities  
Year Ended December 31, 2008  
(See Auditors' Report on Additional Information)

	<u>Mission Services</u>		<u>Earned Income Contracts</u>	
	<u>Special Transit Services</u>	<u>Easy Rider Program (Mobility)</u>	<u>Access-a-Ride Program</u>	<u>Call-N-Ride Program</u>
Revenue and other support:				
Grants:				
Federal	\$ 512,860	\$ -	\$ -	\$ -
Other	1,349,648	26,918	-	-
Contracted agencies	169,195	-	3,915,718	1,638,245
Capital campaign	-	-	-	-
Rider fares	82,428	100	67,895	45,617
Fund raising	440,819	34,897	-	-
In-kind donations	124,858	-	-	-
Interest and dividend income	83,095	-	-	-
Other revenue	128,136	-	-	-
	<u>2,891,039</u>	<u>61,915</u>	<u>3,983,613</u>	<u>1,683,862</u>
Total revenue and other support				
Expenses:				
Program services	2,439,003	134,779	3,705,583	1,195,262
Supporting services:				
General and administrative	628,231	32,146	257,527	217,730
Fundraising	290,150	-	-	-
	<u>3,357,384</u>	<u>166,925</u>	<u>3,963,110</u>	<u>1,412,992</u>
Total expenses				
Income (loss) from activities	<u>\$ (466,345)</u>	<u>\$ (105,010)</u>	<u>\$ 20,503</u>	<u>\$ 270,870</u>

(continued)

## Special Transit

Schedule of Program Activities (continued)  
 Year Ended December 31, 2008  
 (See Auditors' Report on Additional Information)

	<b>Earned Income Contracts</b>	<b>Capital revenues and expenses</b>	<b>Total</b>
	<b>HOP Services</b>		
Revenue and other support:			
Grants:			
Federal	\$ -	\$ 438,384	\$ 951,244
Other	-	36,000	1,412,566
Contracted agencies	2,029,011	-	7,752,169
Capital campaign	-	306,480	306,480
Rider fares	72,889	-	268,929
Fund raising	-	-	475,716
In-kind donations	-	-	124,858
Interest and dividend income	-	-	83,095
Other revenue	-	-	128,136
	<u>2,101,900</u>	<u>780,864</u>	<u>11,503,193</u>
Total revenue and other support			
Expenses:			
Program services	1,960,248	-	9,434,875
Supporting services:			
General and administrative	164,305	-	1,299,939
Fundraising	-	-	290,150
	<u>2,124,553</u>	<u>-</u>	<u>11,024,964</u>
Total expenses			
Income (loss) from activities	<u>\$ (22,653)</u>	<u>\$ 780,864</u>	<u>\$ 478,229</u>

## Special Transit

Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2008

Federal Grantor/Program Title	Federal CFDA Number	Federal Expenditures
<b>U.S. Department of Transportation:</b>		
(Passed through Regional Transportation District)		
Non-major programs:		
Section 5309 of the Federal Transit Administration	N/A	\$ 169,717
(Passed through State of Colorado)		
Major programs:		
Section 5311 of the Federal Transit Administration	20.509	303,500
Title I of the Transportation Equity Act		75,000
Non-major programs:		
Section 5310 of the Federal Transit Administration	20.513	163,690
Section 5317 of the Federal Transit Administration		<u>59,363</u>
<b>Total Department of Transportation</b>		<u><u>\$ 771,270</u></u>
<b>U.S. Department of Health and Human Services:</b>		
(Passed through Boulder County Aging Services Division)		
Non-major programs:		
Title III of the Older Americans Act	93.044	\$ 153,949
(Passed through Larimer County Aging Services Division)		
Non-major programs:		
Title III of the Older Americans Act	93.044	<u>26,025</u>
<b>Total Department of Health and Human Services</b>		<u><u>\$ 179,974</u></u>
<b>Total expenditures of federal awards</b>		<u><u>\$ 951,244</u></u>

(continued)

## Special Transit

### Schedule of Expenditures of Federal Awards (continued) Year Ended December 31, 2008

All Federal grant operations of Special Transit are included in the scope of the Office of Management and Budget (“OMB”) Circular A-133 audit (the “Single Audit”). The single audit was performed in accordance with the provisions of the OMB Circular A-133 Compliance Supplement (the “Compliance Supplement”). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the grant programs noted below. The amount awarded under Section 5311 of the Federal Transit Administration exceeded the limit of \$300,000 as defined under OMB Circular A-133 for risk assessment consideration in determining major programs for compliance testing. The grant programs noted below were selected for compliance testing based on additional selection criteria provided in OMB Circular A-133. The grant programs selected ensure coverage of at least twenty-five percent of Federally granted funds. Actual coverage is approximately forty percent of total cash and non-cash Federal award program expenditures.

<u>Major Federal Award Program description</u>	<u>2008 Expenditures</u>
Section 5311 of the Federal Transit Administration	\$ 303,500
Title I of the Transportation Equity Act	<u>75,000</u>
	<u>\$ 378,500</u>



BRADLEY, ALLEN & ASSOCIATES, LLP  
*certified public accountants & advisors*

Board of Directors  
Special Transit  
Boulder, Colorado

Report on Compliance and on Internal Control Over Financial  
Reporting Based on an Audit of Financial Statements Performed  
in Accordance with Government Auditing Standards

We have audited the financial statements of Special Transit, as of and for the year ended December 31, 2008, and have issued our report thereon dated March 27, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Special Transit's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Special Transit's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and others within the organization, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Bradley, Allen & Associates, LLP*  
*Certified Public Accountants*

March 27, 2009



**BRADLEY, ALLEN & ASSOCIATES, LLP**  
*certified public accountants & advisors*

Board of Directors  
Special Transit  
Boulder, Colorado

Report on Compliance with Requirements  
Applicable to Each Major Program  
and Internal Control Over Compliance

Compliance

We have audited the compliance of Special Transit with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended December 31, 2008. Special Transit's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Special Transit's management. Our responsibility is to express an opinion on Special Transit based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Special Transit's compliance with those requirements.

In our opinion, Special Transit complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

### Internal Control Over Compliance

The management of Special Transit is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of the laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and others within the Organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Bradley, Allen & Associates, LLP*  
*Certified Public Accountants*

March 27, 2009

## Special Transit

Schedule of Findings and Questioned Costs  
Year Ended December 31, 2008

### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes  X  No

Reportable conditions(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes  X  None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes  X  No

#### Federal Awards

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes  X  No

Reportable conditions(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes  X  None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_\_\_\_\_ Yes  X  No

Identification of major programs:

Dollar threshold used to distinguish between Type A and Type B programs \$ 300,000

Auditee qualified as low-risk auditee?  X  Yes \_\_\_\_\_ No

(continued)

**Special Transit**

Schedule of Findings and Questioned Costs (continued)  
Year Ended December 31, 2008

**SECTION II - FINANCIAL STATEMENT FINDINGS**

No matters reported.

**SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

No matters reported.