

Annual Report

FILED
MAY 01 2015
INDIANA UTILITY
REGULATORY COMMISSION

INDIANA TELEPHONE RELAY
ACCESS CORPORATION FOR THE
HEARING AND SPEECH IMPAIRED

For the fiscal year ended September 30, 2014

InTRAC's 2014 Annual Report

The Indiana Telephone Relay Access Corporation for the Hearing and Speech Impaired (“InTRAC”) continued to provide quality and efficient service in its twenty-second year of telephone relay services (“TRS”) for hearing and speech-impaired callers.

Description of Services. Beginning October 1, 1992, InTRAC began providing TRS to Indiana citizens through Sprint, its relay-services provider. TRS allows an individual who has a hearing or speech impairment to communicate over the telephone with a hearing individual who uses a standard telephone. Sprint provides this service through the operation of a Network Call Distribution system with six (6) TRS centers nationwide. Sprint currently provides relay service to 32 states, the Federal government, the Commonwealth of Puerto Rico, New Zealand, and the Virgin Islands. Individuals in Indiana with hearing or speech impairments can call these centers using a toll-free number (800-743-3333) or by dialing the three-digit number, 711. Persons with standard phones can also initiate calls to the center.

At the centers, specially trained relay operators receive the incoming calls from either a standard phone user or a deaf, hard of hearing, or speech-impaired relay user. The operator then dials the desired number and connects the two telephone users. The operator reads aloud the text telephone message to the standard telephone caller and transmits that caller’s oral responses back to the non-standard telephone user through the text telephone, computer, or video phone.

InTRAC offers a variety of relay services to meet the special needs in the deaf, hard of hearing, or speech-impaired community. Those relay services include:

- **TTY** – If a person is deaf and does not voice, he or she may use a text telephone.
- **VCO** – If a person is hard of hearing but is able to voice, he or she may use Voice Carry Over service.
- **Captioned Telephone** – If a person is hard of hearing but is able to voice, he or she may use this Enhanced VCO.
- **Captioned Telephone on the internet (WebCapTel)** – If a person is hard of hearing and able to voice, he or she can use a standard telephone and a computer screen for Enhanced VCO on the internet.
- **HCO** – If a person can hear, but is not able to voice, he or she may use Hearing Carry Over.
- **Speech to Speech** – If a person can hear but has difficulties with unclear speech, he or she may use this service.
- **Spanish to Spanish** – If a person is deaf and needs the conversation translated into Spanish, this option is available.
- **Video Relay Service (VRS)** – If a person is deaf and using American Sign Language, the interpreter/operator will appear on a screen of the computer, video phone, or smartphone and will place the call in the same way as a standard relay call.
- **Internet Relay** – If a person is deaf or hard of hearing, he or she may use a computer or smartphone to see what is typed by the operator (while the standard

phone user speaks) and can type so the relay operator can speak to the standard phone user.

- **Voice User** – If a person uses a standard phone and wishes to speak with others who use special equipment to communicate, he or she can connect to Relay.

The VRS provides the deaf community an opportunity to use their primary form of communication – sign language. The users must have high speed internet connection ability and either a webcam or a videophone. The users go online to any of the six video relay providers and see a live interpreter at the relay center on their screen. The relay users then sign their conversations to the interpreter who voices the call for them. The standard phone users' responses are then signed back to the deaf user. This is real-time communication and a much more natural form of conversation. Access to VRS or Internet Relay is also obtained via an app on any smartphone.

The WebCapTel service is popular with the hard of hearing. WebCapTel allows users to log onto an internet website and connect to an operator. The operator then calls the user on a standard telephone. Now the users can use their voice over the standard telephone but use their computer screen to view the text.

Currently, IP Relay, VRS, and WebCapTel are funded at the federal level. If InTRAC were to pay for IP and VRS calls terminating within Indiana at the current rate, the costs would more than double the costs currently funded by InTRAC.

The operators who staff the TRS centers are well trained. To be employed, each must pass an examination that covers spelling, typing, dictation, TRS procedures, certain aspects of American Sign Language, deaf culture, ethics, etiquette, and a confidentiality statement.

InTRAC's TRS centers process several types of calls, including: local calls, intrastate long distance calls, interstate long distance, and international calls that originate in Indiana. Users of the centers can choose the carrier they wish to process their long distance calls to the same extent standard phone users may choose their long distance carriers.

No special charge for TRS is imposed on those who use the TRS centers. Neither the party originating nor the party receiving a call processed by the centers pay a surcharge for calls originating and terminating within the same toll-free, local calling area – even though the call must pass through the TRS centers located throughout the country. Similarly, those who use the centers to make long distance calls are charged rates no greater than the rates paid for functionally equivalent voice communication services.

Because InTRAC's relay services are processed through a Network Call Distribution system, and have the ability to automatically process calls through several TRS centers, it is unlikely that service will ever be disrupted by a cable cut, adverse weather or other event. Each TRS center provides relay services Indiana callers seven days a week, 52 weeks a year, and each is equipped with state-of-the-art telecommunications equipment and software. Each center can receive messages from text telephones that use Baudat and ASCII codes and can automatically identify the types of incoming signals.

Developments During the Year. During InTRAC's 2014 fiscal year, the following activities occurred.

Equipment Loaner Program. InTRAC initiated an equipment loaner program in 1997 for hearing and speech impaired persons unable to afford a TTY. Since that time, we have lent

more than 7,440 pieces of equipment. InTRAC repairs and replaces the units as necessary. As technology improves, InTRAC is committed to providing the most updated equipment to individuals who have a financial need in order that they too are able to utilize the relay service.

Currently, InTRAC lends a Superprint 4425 TTY; a multipurpose Uniphone 1140 for VCO/HCO/TTY users; a Dialogue VCO for either amplification or VCO users; and CapTel units for Enhanced VCO captioning relay calls. Indiana citizens who earn below the median income can apply to receive equipment on loan from InTRAC.

Service Volume. In the twelve months ending September 30, 2014, InTRAC/Relay Indiana has processed 434,072 minutes of TRS calls and 1,207,444 minutes of CapTel calls. The number of minutes for TRS and CapTel calls has decreased. Traditional TRS use continues to decline as users have migrated to VRS calls.

The chart below shows the number of minutes of use by InTRAC’s TRS and CapTel centers and the comparison over the last three years.

TRS Year of Operation	Inbound Calls	Outbound Calls	Session Minutes
2012	99,175	122,113	709,499
2013	73,453	89,747	560,563
2014	61,289	74,486	503,344
CapTel Year Of Operation	Data Calls	Voice Calls	Session Minutes
2012	364,591	81,854	1,468,127
2013	371,511	91,784	1,549,834
2014	346,272	86,271	1,486,373

Complaint Filing. On July 1, 2014, InTRAC filed with the FCC its Annual Report of Complaints. Users of InTRAC’s relay centers have been extremely pleased with the overall quality of the service. The 308,730 calls processed by the centers during June 2013 – May 2014 resulted in three commendations and two complaints.

Service levels. The FCC has established stringent operational, technical and functional standards for telecommunications relay services. For example, 85% of the calls to the relay center must be answered in ten seconds or less. During 2014, InTRAC’s numbers exceeded the FCC performance standard, with 95% of the calls answered in ten seconds or less. The average answer time for all calls was 1.6 seconds. A second important FCC requirement for relay service providers is that the grade of service must be a minimum of PO1. This means that if one hundred people simultaneously call the relay center during the busiest period of the day, only one call would be blocked due to the lack of available telephone equipment. InTRAC’s results have consistently exceeded this requirement.

Promotional Activities. An important part of InTRAC’s mission is to ensure that Indiana citizens are aware of the services InTRAC provides. Toward that end, InTRAC has engaged in a number of promotional activities.

In the 2013- 2014 fiscal year, InTRAC contacted over 24,250 people throughout the state at 103 events such as conferences, trade shows, Expos, town hall meetings, and other informational meetings in 36 cities. Additionally, Indiana residents were informed about Relay Indiana services by radio, television, and print advertisements.

- **Outreach Personnel** – InTRAC employs a member of the Deaf community to travel throughout the state to communicate the role of InTRAC, the telecommunications providers, Federal Communications Commission rules and orders, and the relay service as well as support the expanding office operations. He then provides feedback to InTRAC about concerns of the Deaf and hard of hearing community regarding Relay Indiana or the Equipment Distribution Program.
- **Contracted Outreach.** – InTRAC continues to contract with an individual to provide community outreach for the CapTel units and the captioning service through relay. As the outreach has increased, so has the distribution of CapTel units. This person is providing presentations to a variety of clubs, churches, nursing homes, disability expos, and hospitals to reach the hard of hearing community. As more organizations learn about our CapTel presentations, we are being contacted and invited to attend many more events.
- **TRS & CapTel Outreach** – Events were held in 36 different cities: Andrews, Batesville, Bloomington, Bluffton, Brownsburg, Clarksville, Columbus, Crown Point, Evansville, Fishers, Fort Wayne, Fortville, Franklin, Goshen, Henryville, Indianapolis, Kokomo, Lawrenceburg, Gary, Greenfield, Greenwood, Marion, Merrillville, New Albany, Noblesville, Pendleton, Plainfield, Seymour, South Bend, Spencer, Tipton, Waveland, West Lafayette, Whitestown and Zionsville.
- **Major Promotional TRS Events** – Events were held at the Fort Wayne Deaf Festival, Northwest Indiana Deaf Festival, Indiana Deaf School basketball and football homecomings, IU basketball game, WTHR Health and Wellness Fair, Indiana Deaf Education conference, National Deaf Youth Sports Festival, Council of Educators and Administrators of Schools for the Deaf national conference, DeafNation Expo, Three Rivers Festival, and Relay Indiana Day at two minor league baseball games.
- **Indiana University** – Relay Indiana sponsored the IU-Penn State basketball game on December 10, 2014 in Bloomington. Exposure included 17,000 fans at Assembly Hall via the logo on the front of the program book, a page ad inside, a radio interview, the halftime presentation of the game ball at center court, and the opportunity to view the Relay Indiana logo on the floor billboards and scoreboard during the game. The radio interview, Relay Indiana ads, and mention of our name were heard by many citizens throughout the state of Indiana on IU broadcasting stations.
- **WTHR Health and Wellness Fair** – InTRAC was a day sponsor at the two-day health fair which drew nearly 8,000 attendees. The event featured such personalities as Andrew Luck, the WTHR newscast team and other celebrities.
- **Television Advertisements.** InTRAC continued to advertise on WTHR in 2014. Our CapTel ad depicts a hard-of-hearing person who is trying to use the phone but cannot hear the person on the other end. Information is then given to the viewer of the ad how to obtain a CapTel phone and learn more about the service. WISH-TV aired ads during the Mini-Marathon in the month of May activities in Indianapolis. Patty Spittler, a long time Indiana celebrity, continues to star in an ad promoting CapTel and Relay Indiana. This ad

runs on her show PetPalsTV each Saturday morning as well on WISH-TV throughout the week.

- **Print Advertisements.** InTRAC is currently advertising in the *SeniorLife* newspaper which reaches more than 130,000 readers monthly within central and northern Indiana. We also reach central Indiana with ads in the *Indy Bi-Weekly Post*, and the Bluffton area with ads in the *News-Banner/Echo Ossian Journal/Sunriser News*.
- **Radio Advertisements.** InTRAC continued to advertise on Network Indiana/WIBC which covers 65 radio stations within Indiana. The ads explain how the captioned telephone can help users increase their self esteem and regain their independence. The ads vary from actual interviews with CapTel users and a promotion by a local celebrity about using the phone in the business world. IU Sports Radio aired Relay Indiana ads on the sponsored night. iHeart Radio Channel airs ads focusing on audiences who attended too many concerts and now have trouble with their hearing.

Annual Meeting. On December 12, 2014, InTRAC held its annual meeting. To maintain continuity in its membership, InTRAC's directors are elected to staggered three-year terms. Consequently, only two of the seven directors' seats are up for election at each annual meeting. Elected to a three-year term were Sharon McKay, NITCO, and Robert Stewart, Frontier Communications.

Board of Directors. Members of the Board are as follows: Alan Matsumoto, Century Link Telephone, President; Martha Niehaus, Perry Spencer R.T.C., Secretary; Sharon McKay, NITCO, Treasurer; Cindy Taylor, Ligonier Telephone; Robert Stewart, Frontier Communications; Pepper Mulherin, AT&T; and Rhonda Marcum, Deaf and Hard of Hearing Services, State of Indiana.

Test of Surcharge Collected and Remitted by Members. InTRAC's accounting firm, Kehlenbrink, Lawrence & Pauckner, has been engaged to perform tests of the books and records of the local exchange carriers and cellular providers that are members of InTRAC, to determine whether the members are collecting and remitting properly the surcharge that funds InTRAC's operations.

Audit of Sprint Billings. Telecommunication relay services are provided in Indiana on behalf of InTRAC under a contract with Sprint Services. InTRAC pays Sprint based upon the number of minutes of relay service that Sprint provides. Under the contract with Sprint, InTRAC has the right to audit and test Sprint's books and records to ensure that InTRAC is billed properly for the services that Sprint provides. As a result, InTRAC employed the accounting firm of Kehlenbrink, Lawrence & Pauckner.

Financial Statements. Financial statements prepared by the independent accounting firm of VonLehman & Company Inc. meeting the requirements of Ind. Code § 8-1-2.8-21(6)(D) are attached.



November 25, 2014

To the Board of Directors
InTRAC

We have audited the financial statements of Indiana Telephone Relay Access Corporation for the Hearing and Speech Impaired (InTRAC) for the year ended September 30, 2014, and have issued our report thereon dated November 25, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 28, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by InTRAC are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the collectibility of accounts receivable is based on historical collection rates and an analysis of the collectibility of balances due. We evaluated the key factors and assumptions used to develop the collectibility of accounts receivable in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of investments in Note 3 to the financial statements. The disclosure of the fair market value of investments along with investment gain is based on quoted market prices. Other relevant information as it relates to investments is generated by market transactions which are considered to be Level 1 inputs.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

To the Board of Directors
InTRAC
November 25, 2014
Page 2

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 25, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors of InTRAC and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

VorLehman & Company Inc.

INDIANA TELEPHONE RELAY ACCESS
CORPORATION FOR THE HEARING AND
SPEECH IMPAIRED

September 30, 2014

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS'
REPORT

In TRAC
Indiana Telephone Relay Access Corporation
for the Hearing and Speech Impaired



VonLehman & Company Inc. Kentucky Ohio Indiana 800.887.0437 vicpa.com

**INDIANA TELEPHONE RELAY ACCESS CORPORATION
FOR THE HEARING AND SPEECH IMPAIRED
TABLE OF CONTENTS**

	PAGE
Independent Auditors' Report	
Financial Statements	
Statements of Financial Position	1
Statements of Activities and Changes in Unrestricted Net Assets	2
Statements of Cash Flows	3
Notes to Financial Statements	4



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Indiana Telephone Relay Access Corporation
for the Hearing and Speech Impaired
Indianapolis, Indiana

We have audited the accompanying financial statements of Indiana Telephone Relay Access Corporation for the Hearing and Speech Impaired (InTRAC) (a nonprofit organization), which comprise the statements of financial position as of September 30, 2014 and 2013, and the related statements of activities and changes in unrestricted net assets 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.

Auditors' 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 InTRAC as of September 30, 2014 and 2013, 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.

VonLehman & Company Inc.

Indianapolis, Indiana
November 25, 2014

INDIANA TELEPHONE RELAY ACCESS CORPORATION
 FOR THE HEARING AND SPEECH IMPAIRED
 (InTRAC)
 STATEMENTS OF FINANCIAL POSITION

	September 30,	
	2014	2013
Assets		
Cash and Cash Equivalents	\$ 116,315	\$ 236,470
Investments - Money Funds	86,028	75,343
Estimated Accounts Receivable	223,452	228,378
Interest Receivable	-	464
Investments	5,124,699	5,333,231
Prepaid Expenses	8,594	5,181
Deposits	1,000	1,000
Furniture and Equipment	71,262	70,158
Accumulated Depreciation	(57,749)	(54,829)
Total Assets	\$ 5,573,601	\$ 5,895,396
Liabilities		
Accounts Payable	\$ 222,641	\$ 418,908
Accrued Payroll Taxes	4,679	4,530
Total Liabilities	227,320	423,438
Net Assets		
Unrestricted Net Assets	5,346,281	5,471,958
Total Liabilities and Net Assets	\$ 5,573,601	\$ 5,895,396

See accompanying notes.

INDIANA TELEPHONE RELAY ACCESS CORPORATION
FOR THE HEARING AND SPEECH IMPAIRED
(InTRAC)
STATEMENTS OF ACTIVITIES AND CHANGES IN UNRESTRICTED NET ASSETS

	<u>Years Ended September 30,</u>	
	<u>2014</u>	<u>2013</u>
Revenues		
Local Exchange Carriers	\$ 748,010	\$ 796,116
Wireless Carriers	<u>1,845,770</u>	<u>1,780,312</u>
Total Revenues	2,593,780	2,576,428
Direct Expenses		
Contract Relay Service	<u>2,306,399</u>	<u>2,424,030</u>
Gross Margin	<u>287,381</u>	<u>152,398</u>
Program Expenses		
TTY Equipment	62,922	88,162
TTY Promotion	<u>28,221</u>	<u>38,617</u>
Total Program Expenses	<u>91,143</u>	<u>126,779</u>
General and Administrative Expenses		
Accounting	23,754	25,143
Advertising	206,228	193,790
Depreciation	4,589	5,027
Dues and Subscriptions	2,574	2,919
Fringe Benefits and Other Related		
Employee Expenses	109,622	89,598
Insurance Expense	13,420	12,774
Interpreter Fees	2,133	1,865
Investment Advisory Fees	35,686	35,666
Legal	2,326	27,446
Lobbyist Expense	6,100	5,500
Meals	2,970	4,225
Meeting Expense	1,300	792
Miscellaneous	910	1,945
Office Rent	37,444	36,140
Office Supplies	25,291	31,835
Outreach Program	54,638	44,603
Public Relations	6,000	5,489
Salaries	195,659	191,489
Telephone	10,100	12,023
Travel and Entertainment	<u>12,136</u>	<u>15,314</u>
Total General and Administrative Expenses	<u>752,880</u>	<u>743,583</u>
Loss from Operations	(556,642)	(717,964)
Other Income		
Investment Income	<u>430,965</u>	<u>318,839</u>
Changes in Unrestricted Net Assets	(125,677)	(399,125)
Unrestricted Net Assets - Beginning	<u>5,471,958</u>	<u>5,871,083</u>
Unrestricted Net Assets - Ending	<u>\$ 5,346,281</u>	<u>\$ 5,471,958</u>

See accompanying notes.

**INDIANA TELEPHONE RELAY ACCESS CORPORATION
FOR THE HEARING AND SPEECH IMPAIRED
(InTRAC)
STATEMENTS OF CASH FLOWS**

	<u>Years Ended September 30,</u>	
	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities		
Changes in Unrestricted Net Assets	\$ (125,677)	\$ (399,125)
Adjustments to Reconcile Changes in Unrestricted Net Assets to Net Cash Used in Operating Activities:		
Depreciation	4,589	5,027
Unrealized/Realized Gain on Investments	(275,352)	(140,767)
Increase or Decrease in Operating Assets and Liabilities:		
Estimated Accounts Receivable	4,926	16,270
Prepaid Expenses	(3,413)	8,846
Interest Receivable	464	5,875
Accounts Payable	(196,267)	(249,119)
Accrued Payroll Taxes	149	377
	<u>(590,581)</u>	<u>(752,616)</u>
Net Cash Used in Operating Activities		
Cash Flows from Investing Activities		
Purchase of Furniture and Equipment	(1,104)	(6,697)
Net Change in Money Market Funds	10,685	(226,259)
Purchase of Investments	(2,421,824)	(4,832,244)
Proceeds on Sale of Investments	<u>2,882,669</u>	<u>5,686,180</u>
	<u>470,426</u>	<u>620,980</u>
Net Cash from Investing Activities		
Net (Decrease) Increase in Cash	(120,155)	(131,636)
Cash and Cash Equivalents - Beginning	<u>236,470</u>	<u>368,106</u>
Cash and Cash Equivalents - Ending	<u>\$ 116,315</u>	<u>\$ 236,470</u>

See accompanying notes.

**INDIANA TELEPHONE RELAY ACCESS CORPORATION
FOR THE HEARING AND SPEECH IMPAIRED
(InTRAC)
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

Indiana Telephone Relay Access Corporation for the Hearing and Speech Impaired (InTRAC) is an Indiana non-profit corporation established by state statute on February 25, 1991. Its purpose is to provide telephone relay service for people who are deaf, hard-of-hearing or speech impaired throughout the state of Indiana. InTRAC's responsibility is to coordinate the efforts of the Indiana telephone company members to comply with the laws of the Federal Communication Commission (FCC) concerning telephone relay service. Before telephone relay service, people using a TTY (text telephone) were limited to conversing with others also using a TTY. Since 1992, the relay service has opened up the lines of communication for many different styles of communicating. Funding for the relay program is provided by a surcharge on wireless and wire telecommunications customers in the State of Indiana.

Method of Accounting

InTRAC records revenue and expense using the accrual method of accounting.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Estimated Accounts Receivable

All accounts receivable are from Local Exchange Carriers (LECs) or wireless companies and are comprised of charges that are expected to have been collected by them but not remitted to InTRAC. Because these receivables are estimated, it is possible, though not expected, that the estimated amount could change in the near term. Since the surcharge revenues are mandated by the Indiana Utility Regulatory Commission, no allowance for doubtful accounts has been established.

Investments

Investments are composed of money market funds, annuities and mutual funds investing in equity securities. These investments are carried at market value.

Property and Equipment

Property and equipment are recorded at cost. Maintenance and repairs are expensed as incurred. It is the policy of InTRAC to capitalize cost of equipment which exceeds \$500. Depreciation is provided using straight-line and accelerated methods over the estimated useful lives of the assets.

Basis of Presentation

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board (FASB). Under FASB, InTRAC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. All net assets of InTRAC are unrestricted.

**INDIANA TELEPHONE RELAY ACCESS CORPORATION
FOR THE HEARING AND SPEECH IMPAIRED
(InTRAC)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue

InTRAC's main source of funding is a surcharge of \$0.03 per access line which is levied monthly by LECs on all business and residential telephone access lines.

In addition, InTRAC has contracted with most of the wireless telephone companies to provide relay service. These contracts call for wireless customers to be assessed a surcharge equal to the surcharge assessed to LEC customers of \$0.03 per line.

Advertising

InTRAC has a policy of charging the costs of advertising to expense as incurred.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(4) of the Internal Revenue Code. It is also exempt from Indiana income taxes. However, should the Organization ever have income from certain activities not directly related to its tax-exempt purpose, that income would be subject to taxation as unrelated business income. The Organization's policy is to include interest and penalties related to its tax positions in income tax expense.

The Organization files annual returns in the U. S. Federal and Indiana jurisdictions. Currently the prior three tax years are open and subject to examination by the Internal Revenue Service and the Indiana Department of Revenue. However, the Organization is not currently under audit nor has it been contacted by these jurisdictions. Based on the evaluation of the Organization's tax positions, management believes all significant positions taken would be upheld under an examination.

Subsequent Events

Management has evaluated subsequent events through November 25, 2014, which is the date the financial statements were available to be issued.

NOTE 2 - CASH AND CASH FLOW INFORMATION

For the purposes of the statements of cash flows, InTRAC considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

InTRAC maintains cash and cash equivalent balances at financial institutions. At September 30, 2014 and 2013, the FDIC insured limit is \$250,000. InTRAC had no uninsured cash balances held at financial institutions at September 30, 2014 and 2013. Investments consisting of cash and securities are maintained with a brokerage firm. These balances are insured up to \$500,000 with a limit of \$250,000 for cash by the Securities Investor Protection Corporation (SIPC). InTRAC has not experienced any losses on such accounts. Management believes InTRAC is not exposed to any significant credit risk related to those accounts.

**INDIANA TELEPHONE RELAY ACCESS CORPORATION
FOR THE HEARING AND SPEECH IMPAIRED
(InTRAC)**

NOTE 3 - INVESTMENTS

InTRAC's investments were comprised of the following at September 30, 2014:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Merrill Lynch Cash and Money Market Funds	\$ 86,028	\$ 86,028	\$ 86,028
Mutual Funds	3,029,698	3,021,482	3,021,482
Equity Funds	<u>2,063,875</u>	<u>2,103,217</u>	<u>2,103,217</u>
Total Investments - Other	<u>5,093,573</u>	<u>5,124,699</u>	<u>5,124,699</u>
Total	<u>\$ 5,179,601</u>	<u>\$ 5,210,727</u>	<u>\$ 5,210,727</u>

InTRAC's investments were comprised of the following at September 30, 2013:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Merrill Lynch Cash and Money Market Funds	\$ 75,343	\$ 75,343	\$ 75,343
Corporate Obligations	75,042	78,041	78,041
Mutual Funds	3,468,608	3,696,956	3,696,956
Equity Funds	<u>1,281,325</u>	<u>1,558,234</u>	<u>1,558,234</u>
Total Investments - Other	<u>4,824,975</u>	<u>5,333,231</u>	<u>5,333,231</u>
Total	<u>\$ 4,900,318</u>	<u>\$ 5,408,574</u>	<u>\$ 5,408,574</u>

Investment income consisted of the following at September 30:

	<u>2014</u>	<u>2013</u>
Unrealized/Realized Gain on Investments	\$ 275,352	\$ 140,767
Dividend and Interest Income	<u>155,613</u>	<u>178,072</u>
	<u>\$ 430,965</u>	<u>\$ 318,839</u>

Generally accepted accounting principles establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

**INDIANA TELEPHONE RELAY ACCESS CORPORATION
FOR THE HEARING AND SPEECH IMPAIRED
(InTRAC)**

NOTE 3 - INVESTMENTS (Continued)

The three levels of the fair value hierarchy are as follows:

- Level 1 - inputs are unadjusted quoted market prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.
- Level 2 - inputs are based on significant observable inputs, including unadjusted quoted market prices for similar assets and liabilities in active markets, unadjusted quoted prices for identical or similar assets and liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.
- Level 3 - inputs are significant unobservable inputs for the asset or liability.

Fair value of assets measured on a recurring basis at September 30, 2014 and 2013 are as follows:

<u>September 30, 2014:</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level I)</u>
Short-Term Investments	\$ 86,028	\$ 86,028
Investments	<u>5,124,699</u>	<u>5,124,699</u>
	<u>\$ 5,210,727</u>	<u>\$ 5,210,727</u>
<u>September 30, 2013:</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level I)</u>
Short-Term Investments	\$ 75,343	\$ 75,343
Investments	<u>5,333,231</u>	<u>5,333,231</u>
	<u>\$ 5,408,574</u>	<u>\$ 5,408,574</u>

NOTE 4 - LEASES

InTRAC entered into a lease agreement for administrative office space, expiring on November 17, 2017. Total office rent expense for the years ended September 30, 2014 and 2013 was \$37,444 and \$36,140, respectively. Future minimum lease rentals for the year ending September 30 are as follows:

<u>Years Ending</u>	<u>Amount</u>
2015	\$ 35,772
2016	36,324
2017	36,875
2018	<u>6,161</u>
	<u>\$ 115,132</u>

INDIANA TELEPHONE RELAY ACCESS CORPORATION
FOR THE HEARING AND SPEECH IMPAIRED
(InTRAC)

NOTE 5 - ADVERTISING

Advertising expense for the years ended September 30, 2014 and 2013 was \$193,790 and \$217,932, respectively.

NOTE 6 - PENSION PLAN

InTRAC adopted a 403(b) retirement plan covering all eligible employees. The contribution made by InTRAC is in the amount of 10% of the employee's salary. Retirement plan expense was \$20,991 and \$20,578 for the years ended September 30, 2014 and 2013, respectively.

NOTE 7 - CONTRACTS AND COMMITMENTS

InTRAC contracts with an independent contractor (Sprint) to provide all of the relay service, based on a per-minute charge. Effective November 1, 2011, InTRAC renewed the contract with Sprint. The initial term of the agreement is through October 31, 2016, with extended options for up to two additional one-year periods.