



LOCAL MOTION INC.

FINANCIAL STATEMENTS

**DECEMBER 31, 2015 (UNAUDITED)
AND 2014 (AUDITED)**

**JMM & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS**

LOCAL MOTION INC.

FINANCIAL STATEMENTS

**DECEMBER 31, 2015 (UNAUDITED)
AND 2014 (AUDITED)**

LOCAL MOTION INC.

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VT License #92-0000171

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
Local Motion Inc.
Burlington, VT

Report on the Financial Statements

We have reviewed the accompanying financial statements of Local Motion Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Report on 2014 financial statements

We have previously audited Local Motion Inc.'s 2014 financial statements, and we expressed an unmodified opinion on them in our report dated October 22, 2015. We have not performed any auditing procedures since that date. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Jmm & Associates

September 23, 2016

LOCAL MOTION INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 (UNAUDITED) AND 2014 (AUDITED)

ASSETS

| | <u>2015</u> <u>(Unaudited)</u> | <u>2014</u> <u>(Audited)</u> |
|-------------------------------------|-----------------------------------|---------------------------------|
| CURRENT ASSETS | | |
| Cash | \$ 258,149 | \$ 63,623 |
| Cash - fiscal sponsorship funds | 3,929 | 146,148 |
| Grants receivable | 51,383 | 58,032 |
| Pledges receivable | - | 8,617 |
| Accounts receivable | 11,655 | 5,179 |
| Inventory | 1,196 | 947 |
| Prepaid expenses and deposits | 10,459 | 6,526 |
| TOTAL CURRENT ASSETS | <u>336,771</u> | <u>289,072</u> |
| PROPERTY AND EQUIPMENT | | |
| Property, plant and equipment | 1,069,659 | 1,022,649 |
| Less accumulated depreciation | <u>(195,868)</u> | <u>(143,344)</u> |
| TOTAL PROPERTY AND EQUIPMENT | <u>873,791</u> | <u>879,305</u> |
| OTHER ASSETS | | |
| Beneficial interest held by others | 19,800 | 20,226 |
| Long-term prepaid expenses | <u>3,840</u> | <u>-</u> |
| TOTAL OTHER ASSET | <u>23,640</u> | <u>20,226</u> |
| TOTAL ASSETS | <u><u>\$ 1,234,202</u></u> | <u><u>\$ 1,188,603</u></u> |

See accompanying notes and independent accountant's review report.

LIABILITIES AND NET ASSETS

| | <u>2015</u> <u>(Unaudited)</u> | <u>2014</u> <u>(Audited)</u> |
|-----------------------------------------|-----------------------------------|---------------------------------|
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 19,075 | \$ 27,542 |
| Note payable | - | 20,000 |
| Fiscal sponsorship funds | 3,929 | 146,148 |
| Accrued expenses | <u>50,771</u> | <u>40,489</u> |
| | | |
| TOTAL CURRENT LIABILITIES | <u>73,775</u> | <u>234,179</u> |
| | | |
| NET ASSETS | | |
| Unrestricted: | | |
| Undesignated | 991,127 | 883,971 |
| Designated for ferry capital expenses | <u>95,500</u> | <u>-</u> |
| Total unrestricted | <u>1,086,627</u> | <u>883,971</u> |
| Temporarily restricted | 56,854 | 53,507 |
| Permanently restricted | <u>16,946</u> | <u>16,946</u> |
| | | |
| TOTAL NET ASSETS | <u>1,160,427</u> | <u>954,424</u> |
| | | |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 1,234,202</u> | <u>\$ 1,188,603</u> |

See accompanying notes and independent accountant's review report.

LOCAL MOTION INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2015 (UNAUDITED) AND 2014 (AUDITED)

| | <u>2015</u> <u>(Unaudited)</u> | <u>2014</u> <u>(Audited)</u> |
|------------------------------------------|-----------------------------------|---------------------------------|
| CHANGE IN UNRESTRICTED NET ASSETS | | |
| SUPPORT AND REVENUES | | |
| Grant income | \$ 266,731 | \$ 1,051,846 |
| Contributions | 293,626 | 184,380 |
| Advertising and sponsorship income | 28,275 | 60,160 |
| Retail sales | 5,376 | 30,679 |
| Rental income | 207,729 | 173,739 |
| Service income | 128,161 | 96,301 |
| Insurance proceeds | 95,500 | - |
| Miscellaneous income | 1,555 | - |
| Investment income | 533 | 178 |
| Gain (loss) on asset disposal | (1,034) | 1,625 |
| Subtotal - Support and Revenues | <u>1,026,452</u> | <u>1,598,908</u> |
| Net assets released from restrictions | <u>59,366</u> | <u>42,009</u> |
| TOTAL SUPPORT AND REVENUES | <u>1,085,818</u> | <u>1,640,917</u> |
| EXPENSES | | |
| Program Expenses: | | |
| Advocacy | 46,669 | 171,339 |
| Education and safety | 170,030 | 121,896 |
| Outreach | 31,428 | 14,433 |
| Trailside Center and other services | 116,210 | 237,211 |
| Bike ferry operations | 190,569 | 182,121 |
| Causeway development | - | 250,294 |
| Total Program Expenses | <u>554,906</u> | <u>977,294</u> |
| Support Expenses: | | |
| General and administration | 279,268 | 232,438 |
| Fundraising | 48,988 | 68,820 |
| Total Support Expenses | <u>328,256</u> | <u>301,258</u> |
| TOTAL EXPENSES | <u>883,162</u> | <u>1,278,552</u> |
| CHANGE IN UNRESTRICTED NET ASSETS | 202,656 | 362,365 |
| BEGINNING UNRESTRICTED NET ASSETS | <u>883,971</u> | <u>521,606</u> |
| ENDING UNRESTRICTED NET ASSETS | <u>\$ 1,086,627</u> | <u>\$ 883,971</u> |

See accompanying notes and independent accountant's review report.

LOCAL MOTION INC.

STATEMENTS OF ACTIVITIES (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2015 (UNAUDITED) AND 2014 (AUDITED)

| | <u>2015</u> <u>(Unaudited)</u> | <u>2014</u> <u>(Audited)</u> |
|----------------------------------------------------|-----------------------------------|---------------------------------|
| CHANGE IN TEMPORARILY RESTRICTED NET ASSETS | | |
| SUPPORT AND REVENUES | | |
| Grant income | \$ - | \$ 29,880 |
| Contributions | 63,139 | - |
| Change in beneficial interest | (426) | 616 |
| Subtotal - Support and Revenues | <u>62,713</u> | <u>30,496</u> |
| Net assets released from restrictions | <u>(59,366)</u> | <u>(42,009)</u> |
| TOTAL SUPPORT AND REVENUES | <u>3,347</u> | <u>(11,513)</u> |
| CHANGE IN TEMPORARILY RESTRICTED NET ASSETS | 3,347 | (11,513) |
| BEGINNING TEMPORARILY RESTRICTED NET ASSETS | <u>53,507</u> | <u>65,020</u> |
| ENDING TEMPORARILY RESTRICTED NET ASSETS | <u>\$ 56,854</u> | <u>\$ 53,507</u> |
| CHANGE IN PERMANENTLY RESTRICTED NET ASSETS | | |
| CHANGE IN PERMANENTLY RESTRICTED NET ASSETS | \$ - | \$ - |
| BEGINNING PERMANENTLY RESTRICTED NET ASSETS | <u>16,946</u> | <u>16,946</u> |
| ENDING PERMANENTLY RESTRICTED NET ASSETS | <u>\$ 16,946</u> | <u>\$ 16,946</u> |
| TOTAL CHANGE IN NET ASSETS | <u>\$ 206,003</u> | <u>\$ 350,852</u> |

See accompanying notes and independent accountant's review report.

LOCAL MOTION INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2015 (UNAUDITED)
(WITH COMPARATIVE TOTALS FOR 2014 - AUDITED)

| | <u>Advocacy</u> | <u>Education and Safety</u> | <u>Outreach</u> | <u>Trailside Ctr. & Other Services</u> | <u>Bike Ferry Operations</u> |
|----------------------------|------------------|-------------------------------------|------------------|----------------------------------------------------|--------------------------------------|
| Wages | \$ 33,465 | \$ 112,417 | \$ 15,626 | \$ 77,455 | \$ 82,036 |
| Payroll taxes | 3,478 | 12,665 | 1,660 | 8,944 | 9,406 |
| Employee benefits | - | - | - | - | 2,289 |
| Subtotal - Personnel costs | 36,943 | 125,082 | 17,286 | 86,399 | 93,731 |
| Program supplies | 2,320 | 22,367 | 7,638 | 10,234 | 42,460 |
| Depreciation | - | 2,359 | - | 6,700 | 37,617 |
| Occupancy | 671 | 1,948 | 1,200 | 728 | 7,384 |
| Professional fees | 880 | 12,443 | 2,056 | 5,595 | 961 |
| Marketing and promotion | 1,510 | 3,467 | 103 | 1,773 | 3,707 |
| Insurance | - | 112 | - | - | 3,517 |
| IT, telephone and internet | 243 | 262 | 2,567 | 145 | - |
| Travel and entertainment | 1,878 | 1,741 | 543 | 390 | 916 |
| Office expenses | - | 199 | 35 | 1,192 | 106 |
| Cost of goods sold | 1,259 | - | - | 2,993 | - |
| Miscellaneous expense | - | - | - | - | - |
| Training and development | 531 | 50 | - | 61 | 170 |
| Interest expense | 434 | - | - | - | - |
| Bad debt expense | - | - | - | - | - |
| TOTAL EXPENSES | <u>\$ 46,669</u> | <u>\$ 170,030</u> | <u>\$ 31,428</u> | <u>\$ 116,210</u> | <u>\$ 190,569</u> |

See accompanying notes and independent accountant's review report.

| | Total Program Expenses | General & Admini- stration | Fundraising | Total Support Expenses | 2015 Total (Unaudited) | 2014 Total (Audited) |
|----------------------------|---------------------------------------|-----------------------------------------------|--------------------|---------------------------------------|---------------------------------------|-------------------------------------|
| Wages | \$ 320,999 | \$ 157,230 | \$ 25,201 | \$ 182,431 | \$ 503,430 | \$ 610,854 |
| Payroll taxes | 36,153 | 16,130 | 2,484 | 18,614 | 54,767 | 67,050 |
| Employee benefits | 2,289 | 10,955 | - | 10,955 | 13,244 | 16,325 |
| Subtotal - Personnel costs | 359,441 | 184,315 | 27,685 | 212,000 | 571,441 | 694,229 |
| Program supplies | 85,019 | 3,723 | - | 3,723 | 88,742 | 365,992 |
| Depreciation | 46,676 | 8,188 | - | 8,188 | 54,864 | 30,176 |
| Occupancy | 11,931 | 42,193 | 300 | 42,493 | 54,424 | 54,993 |
| Professional fees | 21,935 | 14,081 | 2,793 | 16,874 | 38,809 | 33,493 |
| Marketing and promotion | 10,560 | 1,006 | 10,151 | 11,157 | 21,717 | 25,267 |
| Insurance | 3,629 | 14,262 | - | 14,262 | 17,891 | 18,603 |
| IT, telephone and internet | 3,217 | 5,628 | 5,688 | 11,316 | 14,533 | 15,440 |
| Travel and entertainment | 5,468 | 1,929 | 1,246 | 3,175 | 8,643 | 16,688 |
| Office expenses | 1,532 | 3,413 | 75 | 3,488 | 5,020 | 5,396 |
| Cost of goods sold | 4,252 | - | - | - | 4,252 | 6,045 |
| Miscellaneous expense | - | - | 1,050 | 1,050 | 1,050 | 690 |
| Training and development | 812 | 128 | - | 128 | 940 | 6,239 |
| Interest expense | 434 | 400 | - | 400 | 834 | 301 |
| Bad debt expense | - | 2 | - | 2 | 2 | 5,000 |
| TOTAL EXPENSES | \$ 554,906 | \$ 279,268 | \$ 48,988 | \$ 328,256 | \$ 883,162 | \$ 1,278,552 |

See accompanying notes and independent accountant's review report.

LOCAL MOTION INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 (UNAUDITED) AND 2014 (AUDITED)

| | 2015 (Unaudited) | 2014 (Audited) |
|---------------------------------------------------------|-----------------------------|---------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from grants | \$ 273,380 | \$ 1,095,366 |
| Cash received from contributions | 365,382 | 223,196 |
| Other operating cash receipts | 460,120 | 359,050 |
| Interest and dividends received | 533 | 178 |
| Cash paid for personnel | (561,159) | (683,736) |
| Cash paid for operating goods and services | (274,669) | (826,557) |
| Interest paid | (834) | (301) |
| | <u>262,753</u> | <u>167,196</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of property and equipment | - | 4,444 |
| Purchases of property and equipment | (48,227) | (865,881) |
| | <u>(48,227)</u> | <u>(861,437)</u> |
| NET CASH USED BY INVESTING ACTIVITIES | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Transfer of restricted cash for capital purposes | - | 472,990 |
| Proceeds (repayments) on note payable | (20,000) | 20,000 |
| | <u>(20,000)</u> | <u>492,990</u> |
| NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES | | |
| INCREASE (DECREASE) IN CASH | 194,526 | (201,251) |
| BEGINNING CASH | <u>63,623</u> | <u>264,874</u> |
| ENDING CASH | <u>\$ 258,149</u> | <u>\$ 63,623</u> |

See accompanying notes and independent accountant's review report.

LOCAL MOTION INC.

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2015 (UNAUDITED) AND 2014 (AUDITED)

| | <u>2015</u> <u>(Unaudited)</u> | <u>2014</u> <u>(Audited)</u> |
|---------------------------------------------------------------------------------------------|-----------------------------------|---------------------------------|
| RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Change in net assets | \$ 206,003 | \$ 350,852 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation expense | 54,864 | 30,176 |
| Bad debt expense | 2 | 5,000 |
| (Gain) loss on sale of assets | 1,034 | (1,625) |
| Change in beneficial interest | 426 | (616) |
| Donated fixed assets | (2,159) | (2,750) |
| (Increase) decrease in: | | |
| Grants receivable | 6,649 | 13,024 |
| Pledges receivable | 8,617 | 38,816 |
| Accounts receivable | (6,476) | (1,829) |
| Inventory | (249) | 2,828 |
| Prepaid expenses and deposits | (7,773) | (1,781) |
| Increase (decrease) in: | | |
| Accounts payable | (8,467) | (275,392) |
| Accrued expenses | 10,282 | 10,493 |
| Total adjustments | <u>56,750</u> | <u>(183,656)</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 262,753</u> | <u>\$ 167,196</u> |

See accompanying notes and independent accountant's review report.

LOCAL MOTION INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 (UNAUDITED) AND 2014 (AUDITED)

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Summary of operations

Local Motion Inc. (the Organization) was formed in 1999 as Burlington Bikeways, Inc. and changed to its present name in 2001. Local Motion Inc. is a greater Burlington nonprofit organization promoting people-powered transportation and recreation for healthy and sustainable Vermont communities. The Organization generates its revenue through grants, contributions, sponsorships, and related program services.

Financial statement presentation

Local Motion Inc. prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. The Organization is required to report information regarding its financial position according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Cash and cash equivalents

For purposes of the Statements of Cash Flows, Local Motion Inc. considers all unrestricted, highly-liquid securities with an initial maturity of three months or less to be cash equivalents.

Local Motion Inc. maintains all of its cash in Vermont banks and credit unions. Amounts on deposit are insured up to \$250,000 per bank per depositor. There were no amounts on deposit in excess of the federally insured limit as of December 31, 2015 and 2014.

Estimates

The preparation of financial statements in accordance 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.

Comparative financial information

The financial statements include certain prior year, summarized information in total, but does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2014, from which summarized information was derived.

Contributions

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

See independent accountant's review report.

LOCAL MOTION INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 (UNAUDITED) AND 2014 (AUDITED)

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions (continued)

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets.

Donated services

The Organization receives noncash contributions in the form of volunteers performing various functions to support various program activities. Donated services are recognized if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. No amounts have been reflected in the financial statements for donated services since they do not meet the criteria for recognition.

Accounts receivable

Local Motion Inc. uses the allowance method for recording uncollectible accounts receivable. The allowance is based on experience, third-party contracts and other circumstances which may affect the ability of clients to meet their obligations. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. The allowance for doubtful accounts was \$0 at December 31, 2015 and 2014.

Property and equipment

Property and equipment are stated at cost. Donations of property and equipment are recorded as support at their estimated market value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, Local Motion Inc. reports expirations of donor restrictions when the donated assets or acquired assets are placed in service as instructed by the donor. The Organization reclasses temporarily restricted net assets to unrestricted net assets at that time. Local Motion Inc. received \$2,159 and \$2,750 in donated fixed assets in the years ended December 31, 2015 and 2014, respectively.

The cost of maintenance and repairs is charged to expense as incurred. Renewals and betterments costing greater than \$500 are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the underlying assets. Depreciation expense was \$54,864 and \$30,176 for the years ended December 31, 2015 and 2014, respectively.

Advertising

Advertising costs are charged to expense when incurred. Total advertising costs were \$21,717 and \$25,267 for the years ended December 31, 2015 and 2014, respectively.

See independent accountant's review report.

LOCAL MOTION INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 (UNAUDITED) AND 2014 (AUDITED)

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Local Motion Inc. is a nonprofit corporation exempt from income taxes under IRC Section 501(c)(3). It has been classified as an organization that is not a private foundation under IRC 509(a)(2), and donations to the Organization qualify as charitable contributions. The Organization believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

Functional expenses

The costs of providing various programs and activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

2) CASH - FISCAL SPONSORSHIP FUNDS

Local Motion Inc. is the fiscal sponsor for Burlington Bike Project (BBP) and Bike Fest. Prior to January 1, 2015, BBP was Bike Recycle Vermont, a program of Local Motion Inc. On January 1, 2015, BBP separated from Local Motion Inc. and formed a new organization. Local Motion Inc. has agreed to act as BBP's fiscal agent while BBP seeks nonprofit status. Local Motion held \$1,378 and \$141,009 in funds for BBP as of December 31, 2015 and 2014, respectively.

3) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following at December 31, 2015 and 2014:

| | 2015 (Unaudited) | 2014 (Audited) |
|-------------------------------|---------------------|-------------------|
| Boats | \$ 276,932 | \$ 276,932 |
| Docks | 681,474 | 681,474 |
| Program equipment | 102,953 | 56,693 |
| Vehicles | 6,500 | 5,750 |
| Office equipment | 1,800 | 1,800 |
| | <u>1,069,659</u> | <u>1,022,649</u> |
| Less accumulated depreciation | <u>(195,868)</u> | <u>(143,344)</u> |
| | <u>\$ 873,791</u> | <u>\$ 879,305</u> |

See independent accountant's review report.

LOCAL MOTION INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 (UNAUDITED) AND 2014 (AUDITED)

4) BENEFICIAL INTEREST HELD BY OTHERS

In 2008, Local Motion Inc. received a \$16,946 endowment gift which is part of a component fund of the Vermont Community Foundation. The Organization granted the Foundation variance power which gives the Foundation's Board of Trustees the power to vary the terms of the gift if conditions or circumstances change after the restriction by the donor was imposed. The balances of the fund, including accumulated earnings, were \$19,800 and \$20,226 as of December 31, 2015 and 2014, respectively.

5) COMMITMENTS AND CONTINGENCIES

Grants and contracts require the fulfillment of certain conditions as set forth in the instrument of the grant or contract. Failure to fulfill the conditions could result in the return of funds to the grantors. Although that is a possibility, management deems the contingency remote, since by accepting the awards and their terms, it has accommodated the objectives of Local Motion Inc. to the provisions of the grant.

6) CONCENTRATIONS

In 2015, 40% of Local Motion Inc.'s total support and revenue and 41% of grants receivable as of December 31, 2015 were from one grant source. In 2014, 46% of Local Motion Inc.'s total support and revenue and 30% of grants receivable as of December 31, 2014 were from one grant source.

7) RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2015 and 2014:

| | <u>2015</u> <u>(Unaudited)</u> | <u>2014</u> <u>(Audited)</u> |
|-------------------------------------------|-----------------------------------|---------------------------------|
| Bike Smart | \$ 19,000 | \$ 23,880 |
| Unappropriated earnings on endowment fund | 2,854 | 3,280 |
| Advocacy | 35,000 | - |
| Island Line/Bike ferry | - | 26,347 |
| | <u>\$ 56,854</u> | <u>\$ 53,507</u> |

Permanently restricted net assets consist of a beneficial interest in an endowment fund administered by the Vermont Community Foundation (VCF) to be held indefinitely, the income of which is to be used to support Local Motion Inc.'s programs. The VCF Board of Directors exercises variance power over the investment, giving it the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to a specified organization if, in the sole judgement of the VCF Board, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community served.

See independent accountant's review report.

LOCAL MOTION INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 (UNAUDITED) AND 2014 (AUDITED)

8) BOARD-DESIGNATED NET ASSETS

In 2015, Local Motion Inc.'s ferry dock was damaged and an insurance claim against the defendant resulted in an award of \$100,782. The settlement covered \$5,282 in repairs made in early 2015 and \$95,500 for future repairs. The Board of Directors has designated these funds for future ferry capital expenses.

9) ENDOWMENT FUNDS

Implementation of FSP FAS 117-1

In August 2008, the Financial Accounting Standards Board issued a FASB Staff Position (formerly referred to as No. FAS 117-1), "Endowments of Not-for-Profit Organizations Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds." The Staff Position provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The Staff Position also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

Interpretation of Relevant Law

The State of Vermont enacted UPMIFA effective May 5, 2009, the provisions of which apply to endowment funds existing or established after that date. Local Motion Inc. adopted the FASB Staff Position for the year ended December 31, 2014. The Board of Directors has determined that Local Motion Inc.'s permanently restricted net assets meet the definition of endowment funds under UPMIFA.

The Board of Directors of Local Motion Inc. has interpreted State of Vermont law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Local Motion Inc. classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. There are no explicit donor stipulations that govern Local Motion Inc.'s permanently restricted endowment funds. Investment loss from these funds decreases unrestricted net assets. Local Motion Inc. considers the duration and preservation of the fund, general economic conditions, the possible effect of inflation or deflation, the expected total return of the fund, the availability of other resources, and the general investment policies of the Organization when establishing the investment allocation of the fund.

See independent accountant's review report.

LOCAL MOTION INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 (UNAUDITED) AND 2014 (AUDITED)

9) ENDOWMENT FUNDS (continued)

Endowment Investment and Spending Policies

Local Motion Inc. has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets over the long term. Local Motion Inc.'s spending and investment policies work together to achieve this objective. The investment policy has provided variance power to Vermont Community Foundation to invest endowment assets in order to achieve this objective.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, Local Motion Inc. relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Local Motion Inc. targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Funds With Deficiencies

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level the donors or UPMIFA requires the Council to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$0 as of December 31, 2015 and 2014.

Endowment net asset composition was as follows as of:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|----------------------------------|---------------------|-----------------------------------|-----------------------------------|------------------|
| <u>December 31, 2014</u> | | | | |
| Donor-restricted endowment funds | <u>\$ -</u> | <u>\$ 3,280</u> | <u>\$ 16,946</u> | <u>\$ 20,226</u> |
| <u>December 31, 2015</u> | | | | |
| Donor-restricted endowment funds | <u>\$ -</u> | <u>\$ 2,854</u> | <u>\$ 16,946</u> | <u>\$ 19,800</u> |

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LOCAL MOTION INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 (UNAUDITED) AND 2014 (AUDITED)

9) ENDOWMENT FUNDS (continued)

Changes in endowment net assets were as follows for the years ended December 31, 2014 and 2015:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|----------------------------------------------------|---------------------|-----------------------------------|-----------------------------------|------------------|
| Endowment net assets, January 1, 2014 | \$ - | \$ 2,664 | \$ 16,946 | \$ 19,610 |
| Change in beneficial interest | - | 616 | - | 616 |
| Endowment net assets, December 31, 2014 | <u>\$ -</u> | <u>\$ 3,280</u> | <u>\$ 16,946</u> | <u>\$ 20,226</u> |
| Endowment net assets, January 1, 2015 | \$ - | \$ 3,280 | \$ 16,946 | \$ 20,226 |
| Change in beneficial interest | - | (426) | - | (426) |
| Endowment net assets, December 31, 2015 | <u>\$ -</u> | <u>\$ 2,854</u> | <u>\$ 16,946</u> | <u>\$ 19,800</u> |

10) NOTE PAYABLE

Note payable at December 31, 2014 consists of a \$20,000 promissory note from the Vermont Land Trust bearing interest of 3%. The balance was paid in full with interest on January 27, 2015.

11) LINE OF CREDIT

Local Motion Inc. has a line of credit with Vermont Federal Credit Union available for working capital purposes. The line accrues interest at the Wall Street Journal Prime rate plus .25% (3.5% at December 31, 2015). It is secured with a security agreement on the assets of the Organization. At December 31, 2014, the line of credit had a limit of \$75,000 and a maturity date of April 20, 2015. On February 10, 2015, the line of credit was modified to increase the limit to \$100,000, and on June 4, 2015 was again modified to increase the limit to \$125,000 and extend the maturity date to April 30, 2016. On April 28, 2016, the line of credit was renewed with a maturity date of April 20, 2018. There was no outstanding balance on the line of credit at December 31, 2015 or 2014. Local Motion Inc.'s assets, including the bike ferry, are used as collateral for the line of credit.

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LOCAL MOTION INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 (UNAUDITED) AND 2014 (AUDITED)

12) OPERATING LEASES

Local Motion Inc. leases its administrative office and Trailside Center under two operating leases that expired in April and July 2015, respectively, but continue on a month-to-month basis under the same terms. The leases currently require monthly payments totaling \$3,051. Total lease expenses for this space were \$35,951 and \$35,517 for the years ended December 31, 2015 and 2014, respectively.

13) RETIREMENT PLAN

Local Motion Inc. has a Simplified Employee Retirement (SEP) Plan that provides benefits for employees who have worked for at least two years, earned over \$600 each year and are at least 21 years old as of December 31 of the year in question. The amount of the annual contribution is determined by the Board of Directors. Retirement expenses were \$4,599 and \$4,220 for the years ended December 31, 2015 and 2014, respectively.

14) VBPC MERGER

On June 1, 2015, Local Motion Inc. merged with the Vermont Bicycle and Pedestrian Coalition (VBPC). In the merger, VBPC transferred cash and assets totaling approximately \$22,000, and liabilities of approximately \$2,000 to Local Motion Inc.

15) SUBSEQUENT EVENTS

As disclosed in Note 11, the Organization renewed its line of credit with the Vermont Federal Credit Union on April 28, 2016. The maturity date was extended to April 20, 2018.

Local Motion Inc. has evaluated events and transactions for potential recognition or disclosure through September 23, 2016 the date the financial statements were available to be issued.

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