



LOCAL MOTION INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

**JMM & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS**

LOCAL MOTION INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

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, Vermont

Report on the Financial Statements

We have reviewed the accompanying financial statements of Local Motion Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, the related statements of activities and cash flows for the years then ended, the statement of functional expenses for the year ended December 31, 2016, 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 engagements 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 reviews, 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.

JMM & Associates

July 18, 2017

JMM & ASSOCIATES ■ CERTIFIED PUBLIC ACCOUNTANTS

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LOCAL MOTION INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

A S S E T S

	2016	2015
CURRENT ASSETS		
Cash	\$ 188,448	\$ 162,649
Cash - fiscal sponsorship funds	1,985	3,929
Grants receivable	47,815	51,383
Accounts receivable	10,600	11,655
Inventory	8,691	1,196
Prepaid expenses and deposits	9,615	10,459
	267,154	241,271
PROPERTY AND EQUIPMENT		
Property, plant and equipment	1,161,520	1,069,659
Less accumulated depreciation	(244,416)	(195,868)
	917,104	873,791
OTHER ASSETS		
Beneficial interest held by others	17,496	19,800
Cash - designated for capital	95,500	95,500
Long-term prepaid expenses	2,880	3,840
	115,876	119,140
TOTAL ASSETS	\$ 1,300,134	\$ 1,234,202

See accompanying notes and independent accountant's review report.

LIABILITIES AND NET ASSETS

	2016	2015
CURRENT LIABILITIES		
Accounts payable	\$ 16,419	\$ 19,075
Fiscal sponsorship funds	1,985	3,929
Accrued expenses	43,152	50,771
TOTAL CURRENT LIABILITIES	61,556	73,775
NET ASSETS		
Unrestricted:		
Undesignated	1,060,082	991,127
Designated for ferry capital expenses	95,500	95,500
Total unrestricted	1,155,582	1,086,627
Temporarily restricted	66,050	56,854
Permanently restricted	16,946	16,946
TOTAL NET ASSETS	1,238,578	1,160,427
TOTAL LIABILITIES AND NET ASSETS	\$ 1,300,134	\$ 1,234,202

See accompanying notes and independent accountant's review report.

LOCAL MOTION INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CHANGE IN UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUES		
Grant income	\$ 372,651	\$ 266,731
Contributions	219,484	293,626
Advertising and sponsorship income	14,030	28,275
Retail sales	9,355	5,376
Rental income	207,690	207,729
Service income	124,050	128,161
Insurance proceeds	-	95,500
Miscellaneous income	-	1,555
Investment income	2,803	533
Gain (loss) on asset disposal	589	(1,034)
Subtotal - Support and Revenues	<u>950,652</u>	<u>1,026,452</u>
Net assets released from restrictions	<u>52,988</u>	<u>59,366</u>
TOTAL SUPPORT AND REVENUES	<u>1,003,640</u>	<u>1,085,818</u>
EXPENSES		
Program Expenses:		
Advocacy	64,724	46,669
Education, outreach and safety	181,522	201,458
Trailside Center and other services	131,812	116,210
Bike ferry operations	199,689	190,569
Total Program Expenses	<u>577,747</u>	<u>554,906</u>
Support Expenses:		
General and administration	306,927	279,268
Fundraising	50,011	48,988
Total Support Expenses	<u>356,938</u>	<u>328,256</u>
TOTAL EXPENSES	<u>934,685</u>	<u>883,162</u>
CHANGE IN UNRESTRICTED NET ASSETS	68,955	202,656
BEGINNING UNRESTRICTED NET ASSETS	<u>1,086,627</u>	<u>883,971</u>
ENDING UNRESTRICTED NET ASSETS	<u>\$ 1,155,582</u>	<u>\$ 1,086,627</u>

See accompanying notes and independent accountant's review report.

LOCAL MOTION INC.

STATEMENTS OF ACTIVITIES (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
SUPPORT AND REVENUES		
Contributions	\$ 64,488	\$ 63,139
Change in beneficial interest	(2,304)	(426)
Subtotal - Support and Revenues	<u>62,184</u>	<u>62,713</u>
Net assets released from restrictions	<u>(52,988)</u>	<u>(59,366)</u>
TOTAL SUPPORT AND REVENUES	<u>9,196</u>	<u>3,347</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	9,196	3,347
BEGINNING TEMPORARILY RESTRICTED NET ASSETS	<u>56,854</u>	<u>53,507</u>
ENDING TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 66,050</u>	<u>\$ 56,854</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>\$ 78,151</u>	<u>\$ 206,003</u>

See accompanying notes and independent accountant's review report.

LOCAL MOTION INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	<u>Advocacy</u>	<u>Education Outreach & Safety</u>	<u>Trailside Ctr. & Other Services</u>	<u>Bike Ferry Operations</u>	<u>Total Program Expenses</u>
Wages	\$ 49,025	\$ 91,202	\$ 86,827	\$ 85,345	\$ 312,399
Payroll taxes	5,492	10,137	10,248	10,389	36,266
Employee benefits	-	-	-	2,126	2,126
Subtotal - Personnel costs	54,517	101,339	97,075	97,860	350,791
Program supplies	3,605	43,110	11,703	48,008	106,426
Depreciation	-	4,967	8,710	37,855	51,532
Professional fees	1,247	23,139	4,970	374	29,730
Occupancy	801	1,317	2,946	7,599	12,663
Marketing and promotion	808	3,791	2,314	1,473	8,386
Insurance	-	-	-	5,416	5,416
Information technology	-	530	-	-	530
Travel and entertainment	1,932	3,119	119	729	5,899
Cost of goods sold	491	-	3,828	-	4,319
Office expenses	1,323	210	147	166	1,846
Interest expense	-	-	-	-	-
Training and development	-	-	-	209	209
Miscellaneous expense	-	-	-	-	-
Bad debt expense	-	-	-	-	-
TOTAL EXPENSES	<u>\$ 64,724</u>	<u>\$ 181,522</u>	<u>\$ 131,812</u>	<u>\$ 199,689</u>	<u>\$ 577,747</u>

See accompanying notes and independent accountant's review report.

	General & Admini- stration	Fundraising	Total Support Expenses	2016 Total	2015 Total
Wages	\$ 162,598	\$ 23,772	\$ 186,370	\$ 498,769	\$ 503,430
Payroll taxes	15,999	2,431	18,430	54,696	54,767
Employee benefits	10,731	-	10,731	12,857	13,244
Subtotal - Personnel costs	189,328	26,203	215,531	566,322	571,441
Program supplies	446	395	841	107,267	88,742
Depreciation	13,340	-	13,340	64,872	54,864
Professional fees	23,979	2,079	26,058	55,788	38,809
Occupancy	40,667	-	40,667	53,330	54,424
Marketing and promotion	1,939	13,559	15,498	23,884	21,717
Insurance	17,816	-	17,816	23,232	17,891
Information technology	11,436	4,123	15,559	16,089	14,533
Travel and entertainment	3,107	1,332	4,439	10,338	8,643
Cost of goods sold	-	2,285	2,285	6,604	4,252
Office expenses	4,339	-	4,339	6,185	5,020
Interest expense	403	-	403	403	834
Training and development	127	35	162	371	940
Miscellaneous expense	-	-	-	-	1,050
Bad debt expense	-	-	-	-	2
TOTAL EXPENSES	\$ 306,927	\$ 50,011	\$ 356,938	\$ 934,685	\$ 883,162

See accompanying notes and independent accountant's review report.

LOCAL MOTION INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grants	\$ 376,219	\$ 273,380
Cash received from contributions	258,108	365,382
Other operating cash receipts	356,180	460,120
Interest and dividends received	499	533
Cash paid for personnel	(573,941)	(561,159)
Cash paid for operating goods and services	(312,619)	(274,669)
Interest paid	<u>(403)</u>	<u>(834)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>104,043</u>	<u>262,753</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Distribution from beneficial interest	3,488	-
Purchases of property and equipment	<u>(81,732)</u>	<u>(48,227)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(78,244)</u>	<u>(48,227)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash designated for capital	-	(95,500)
Repayments on note payable	<u>-</u>	<u>(20,000)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>-</u>	<u>(115,500)</u>
INCREASE IN CASH	25,799	99,026
BEGINNING CASH	<u>162,649</u>	<u>63,623</u>
ENDING CASH	<u><u>\$ 188,448</u></u>	<u><u>\$ 162,649</u></u>

See accompanying notes and independent accountant's review report.

LOCAL MOTION INC.

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ 78,151	\$ 206,003
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	64,872	54,864
Bad debt expense	-	2
(Gain) loss on sale of assets	(589)	1,034
Change in beneficial interest	(1,184)	426
Donated fixed assets	(25,864)	(2,159)
(Increase) decrease in:		
Grants receivable	3,568	6,649
Pledges receivable	-	8,617
Accounts receivable	1,055	(6,476)
Inventory	(7,495)	(249)
Prepaid expenses and deposits	1,804	(7,773)
Increase (decrease) in:		
Accounts payable	(2,656)	(8,467)
Accrued expenses	(7,619)	10,282
Total adjustments	<u>25,892</u>	<u>56,750</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 104,043</u>	<u>\$ 262,753</u>

See accompanying notes and independent accountant's review report.

LOCAL MOTION INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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 whose mission is to bring walking and biking within reach of all Vermonters. 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, 2016 and 2015.

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, 2015, 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.

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.

See independent accountant's review report.

LOCAL MOTION INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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

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. Donated service revenue was \$0 for the years ended December 31, 2016 and 2015.

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, 2016 and 2015.

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 \$25,864 and \$2,159 in donated fixed assets in the years ended December 31, 2016 and 2015, 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 \$64,872 and \$54,864 for the years ended December 31, 2016 and 2015, respectively.

Advertising

Advertising costs are charged to expense when incurred. Total advertising costs were \$23,884 and \$21,717 for the years ended December 31, 2016 and 2015, respectively.

Fair value measurements

Fair value for the beneficial interest held by others is measured annually using statements provided by the Vermont Community Foundation.

See independent accountant's review report.

LOCAL MOTION INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

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

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method. When evidence exists that the net realizable value of the inventory is lower than its cost, the difference is recognized as a loss in the Statements of Activities in the period in which it occurs.

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 Bike Fest and, until December 2016, was the fiscal agent for Burlington Bike Project (BBP) while they sought non-profit status. In December 2016, the fiscal agent relationship with BBP was terminated.

3) PROPERTY, PLANT AND EQUIPMENT

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

	<u>2016</u>	<u>2015</u>
Boats	\$ 262,347	\$ 276,932
Docks	681,474	681,474
Program equipment	151,541	102,953
Rest area improvements	32,423	-
Vehicles	14,828	6,500
Office equipment	18,907	1,800
	<u>1,161,520</u>	<u>1,069,659</u>
Less accumulated depreciation	<u>(244,416)</u>	<u>(195,868)</u>
	<u>\$ 917,104</u>	<u>\$ 873,791</u>

See independent accountant's review report.

LOCAL MOTION INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

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 of the donor was imposed. In 2016 the Company took a distribution from earnings, as allowed by the terms of the fund, for the purpose of supporting the strategic plan process initiated by the Board of Directors. The balance of the fund, including accumulated earnings net of distribution and fees, was \$17,496 and \$19,800 as of December 31, 2016 and 2015, respectively.

Fair value for the beneficial interest held by the Vermont Community Foundation is measured using the statement of the assets held by the Foundation and reported by them as of December 31, 2016. The statements report the Organization's share of the Foundation's audited holdings. The Organization considers the measurement of its beneficial interest in the Foundation to be a Level 2 measurement within the fair value measurement hierarchy.

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 2016, 36% of Local Motion Inc.'s total support and revenue and 26% of grants receivable as of December 31, 2016 were from one grant source. 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.

7) RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Bike Smart	\$ 40,000	\$ 19,000
Unappropriated earnings on endowment fund	550	2,854
Advocacy	3,500	35,000
Island Line/Bike ferry	22,000	-
	<u>\$ 66,050</u>	<u>\$ 56,854</u>

See independent accountant's review report.

LOCAL MOTION INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

7) RESTRICTIONS ON NET ASSETS (continued)

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.

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 2015 and \$95,500 for future repairs. The Board of Directors has designated these funds for future ferry capital expenses. There were no ferry capital expenses in 2016.

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, 2016 AND 2015

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, 2016 and 2015.

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, 2016</u>				
Donor-restricted endowment funds	\$ -	\$ 550	\$ 16,946	\$ 17,496
<u>December 31, 2015</u>				
Donor-restricted endowment funds	\$ -	\$ 2,854	\$ 16,946	\$ 19,800

See independent accountant's review report.

LOCAL MOTION INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

9) ENDOWMENT FUNDS (continued)

Changes in endowment net assets were as follows for the years ended December 31, 2015 and 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2015	\$ -	\$ 3,280	\$ 16,946	\$ 20,226
Change in beneficial interest	-	(426)	-	(426)
Distributions	-	-	-	-
Endowment net assets, December 31, 2015	<u>\$ -</u>	<u>\$ 2,854</u>	<u>\$ 16,946</u>	<u>\$ 19,800</u>
Endowment net assets, January 1, 2016	\$ -	\$ 2,854	\$ 16,946	\$ 19,800
Change in beneficial interest	-	1,184	-	1,184
Distributions	-	(3,488)	-	(3,488)
Endowment net assets, December 31, 2016	<u>\$ -</u>	<u>\$ 550</u>	<u>\$ 16,946</u>	<u>\$ 17,496</u>

10) 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% (3.75% at December 31, 2016). It is secured with a security agreement on the assets of the Organization. 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, 2016 or 2015. Local Motion Inc.'s assets, including the bike ferry, are used as collateral for the line of credit.

11) OPERATING LEASES

Local Motion Inc. leases its administrative office and Trailside Center under two operating leases that are on a month-to-month basis. The leases currently require monthly payments totaling \$3,081. Total lease expenses for this space were \$36,979 and \$35,951 for the years ended December 31, 2016 and 2015, respectively.

See independent accountant's review report.

LOCAL MOTION INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

12) 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 \$4,177 and \$4,599 for the years ended December 31, 2016 and 2015, respectively.

13) 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.

14) SUBSEQUENT EVENTS

The Executive Director of Local Motion Inc. resigned effective March 3, 2017. An Interim Executive Director has been appointed while the Organization conducts a search for a new Director.

Local Motion Inc. has evaluated events and transactions for potential recognition or disclosure through July 18, 2017, the date the financial statements were available to be issued.

See independent accountant's review report.