



LOCAL MOTION INC.

FINANCIAL STATEMENTS

**DECEMBER 31, 2017 (AUDITED)
AND 2016 (REVIEWED)**

**JMM & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS**

LOCAL MOTION INC.

FINANCIAL STATEMENTS

**DECEMBER 31, 2017 (AUDITED)
AND 2016 (REVIEWED)**

LOCAL MOTION INC.

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VT License #92-0000171

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Local Motion Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

JMM & ASSOCIATES ■ CERTIFIED PUBLIC ACCOUNTANTS

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Local Motion Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The 2016 financial statements were reviewed by us and our report thereon, dated July 18, 2017, stated that we were not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

Jmm & Associates

July 12, 2018

LOCAL MOTION INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 (AUDITED) AND 2016 (REVIEWED)

A S S E T S

	2017 (Audited)	2016 (Reviewed)
CURRENT ASSETS		
Cash	\$ 335,639	\$ 188,448
Cash - fiscal sponsorship funds	2,986	1,985
Grants receivable	73,289	47,815
Accounts receivable	37,623	10,600
Inventory	13,165	8,691
Prepaid expenses and deposits	9,795	9,615
TOTAL CURRENT ASSETS	472,497	267,154
PROPERTY AND EQUIPMENT		
Property, plant and equipment	1,216,893	1,161,520
Less accumulated depreciation	(308,971)	(244,416)
TOTAL PROPERTY AND EQUIPMENT	907,922	917,104
OTHER ASSETS		
Beneficial interest held by others	20,537	17,496
Cash - designated for capital	70,192	95,500
Long-term prepaid expenses	1,920	2,880
TOTAL OTHER ASSETS	92,649	115,876
TOTAL ASSETS	\$ 1,473,068	\$ 1,300,134

See accompanying notes.

LIABILITIES AND NET ASSETS

	<u>2017</u> <u>(Audited)</u>	<u>2016</u> <u>(Reviewed)</u>
CURRENT LIABILITIES		
Accounts payable	\$ 46,582	\$ 16,419
Fiscal sponsorship funds	2,986	1,985
Accrued expenses	<u>32,570</u>	<u>43,152</u>
TOTAL CURRENT LIABILITIES	<u>82,138</u>	<u>61,556</u>
NET ASSETS		
Unrestricted:		
Undesignated	1,117,385	1,060,082
Designated for ferry capital expenses	<u>70,192</u>	<u>95,500</u>
Total unrestricted	1,187,577	1,155,582
Temporarily restricted	186,407	66,050
Permanently restricted	<u>16,946</u>	<u>16,946</u>
TOTAL NET ASSETS	<u>1,390,930</u>	<u>1,238,578</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,473,068</u>	<u>\$ 1,300,134</u>

See accompanying notes.

LOCAL MOTION INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2017 (AUDITED) AND 2016 (REVIEWED)

	<u>2017</u> <u>(Audited)</u>	<u>2016</u> <u>(Reviewed)</u>
CHANGE IN UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUES		
Grant income	\$ 368,377	\$ 372,651
Contributions	163,087	219,484
Advertising and sponsorship income	28,445	14,030
Retail sales	3,787	9,355
Rental income	234,059	207,690
Service income	163,326	124,050
Miscellaneous income	1,963	-
Investment income	451	2,803
Gain on asset disposal	918	589
Subtotal - Support and Revenues	<u>964,413</u>	<u>950,652</u>
Net assets released from restrictions	<u>37,634</u>	<u>52,988</u>
TOTAL SUPPORT AND REVENUES	<u>1,002,047</u>	<u>1,003,640</u>
EXPENSES		
Program Expenses:		
Advocacy	36,189	64,724
Education, outreach and safety	236,775	181,522
Trailside Center and other services	137,563	131,812
Bike ferry operations	194,935	199,689
Total Program Expenses	<u>605,462</u>	<u>577,747</u>
Support Expenses:		
General and administration	275,580	306,927
Fundraising	89,010	50,011
Total Support Expenses	<u>364,590</u>	<u>356,938</u>
TOTAL EXPENSES	<u>970,052</u>	<u>934,685</u>
CHANGE IN UNRESTRICTED NET ASSETS	31,995	68,955
BEGINNING UNRESTRICTED NET ASSETS	<u>1,155,582</u>	<u>1,086,627</u>
ENDING UNRESTRICTED NET ASSETS	<u>\$ 1,187,577</u>	<u>\$ 1,155,582</u>

See accompanying notes.

LOCAL MOTION INC.

STATEMENTS OF ACTIVITIES (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2017 (AUDITED) AND 2016 (REVIEWED)

	<u>2017</u> <u>(Audited)</u>	<u>2016</u> <u>(Reviewed)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
SUPPORT AND REVENUES		
Contributions	\$ 154,950	\$ 64,488
Change in beneficial interest	3,041	(2,304)
Subtotal - Support and Revenues	<u>157,991</u>	<u>62,184</u>
Net assets released from restrictions	<u>(37,634)</u>	<u>(52,988)</u>
TOTAL SUPPORT AND REVENUES	<u>120,357</u>	<u>9,196</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	120,357	9,196
BEGINNING TEMPORARILY RESTRICTED NET ASSETS	<u>66,050</u>	<u>56,854</u>
ENDING TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 186,407</u>	<u>\$ 66,050</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>\$ 152,352</u>	<u>\$ 78,151</u>

See accompanying notes.

LOCAL MOTION INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2017 (AUDITED)
(WITH COMPARATIVE TOTALS FOR 2016 (REVIEWED))

	<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	\$ 14,574	\$ 128,235	\$ 93,326	\$ 89,159	\$ 325,294
Payroll taxes	1,508	13,473	10,323	9,567	34,871
Employee benefits	572	2,308	1,242	2,837	6,959
Subtotal - Personnel costs	16,654	144,016	104,891	101,563	367,124
Program supplies	8,755	24,236	9,071	35,583	77,645
Depreciation	-	18,535	8,674	40,329	67,538
Occupancy	450	2,394	2,916	7,749	13,509
Professional fees	6,006	23,157	5,660	266	35,089
Marketing and promotion	2,344	6,054	2,077	3,276	13,751
Insurance	-	-	-	5,239	5,239
Cost of goods sold	668	10,811	4,171	-	15,650
Information technology	797	719	-	-	1,516
Travel and entertainment	345	5,813	84	507	6,749
Office expenses	16	800	19	269	1,104
Miscellaneous expense	100	-	-	-	100
Training and development	54	240	-	154	448
Interest expense	-	-	-	-	-
TOTAL EXPENSES	<u>\$ 36,189</u>	<u>\$ 236,775</u>	<u>\$ 137,563</u>	<u>\$ 194,935</u>	<u>\$ 605,462</u>

See accompanying notes.

	<u>General & Admini- stration</u>	<u>Fundraising</u>	<u>Total Support Expenses</u>	<u>2017 Total (Audited)</u>	<u>2016 Total (Reviewed)</u>
Wages	\$ 137,544	\$ 55,013	\$ 192,557	\$ 517,851	\$ 498,769
Payroll taxes	16,155	5,231	21,386	56,257	54,696
Employee benefits	4,628	671	5,299	12,258	12,857
Subtotal - Personnel costs	158,327	60,915	219,242	586,366	566,322
Program supplies	1,624	2,219	3,843	81,488	107,267
Depreciation	11,724	-	11,724	79,262	64,872
Occupancy	43,093	-	43,093	56,602	53,330
Professional fees	16,526	2,858	19,384	54,473	55,788
Marketing and promotion	4,360	21,087	25,447	39,198	23,884
Insurance	17,777	-	17,777	23,016	23,232
Cost of goods sold	-	-	-	15,650	6,604
Information technology	12,177	140	12,317	13,833	16,089
Travel and entertainment	2,115	1,548	3,663	10,412	10,338
Office expenses	4,191	43	4,234	5,338	6,185
Miscellaneous expense	2,842	-	2,842	2,942	-
Training and development	824	200	1,024	1,472	371
Interest expense	-	-	-	-	403
TOTAL EXPENSES	<u>\$ 275,580</u>	<u>\$ 89,010</u>	<u>\$ 364,590</u>	<u>\$ 970,052</u>	<u>\$ 934,685</u>

See accompanying notes.

LOCAL MOTION INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 (AUDITED) AND 2016 (REVIEWED)

	2017 (Audited)	2016 (Reviewed)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grants	\$ 342,903	\$ 376,219
Cash received from contributions	312,141	258,108
Other operating cash receipts	404,557	356,180
Interest and dividends received	451	499
Cash paid for personnel	(596,948)	(573,941)
Cash paid for operating goods and services	(272,014)	(312,619)
Interest paid	(2,942)	(403)
	188,148	104,043
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Distribution from beneficial interest	-	3,488
Purchases of property and equipment	(66,265)	(81,732)
	(66,265)	(78,244)
NET CASH USED BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash designated for capital	25,308	-
	25,308	-
NET CASH PROVIDED BY FINANCING ACTIVITIES		
INCREASE IN CASH	147,191	25,799
BEGINNING CASH	188,448	162,649
ENDING CASH	\$ 335,639	\$ 188,448

See accompanying notes.

LOCAL MOTION INC.

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2017 (AUDITED) AND 2016 (REVIEWED)

	<u>2017</u> <u>(Audited)</u>	<u>2016</u> <u>(Reviewed)</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ 152,352	\$ 78,151
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	79,262	64,872
Gain on sale of assets	(918)	(589)
Change in beneficial interest	(3,041)	(1,184)
Donated fixed assets	(2,897)	(25,864)
(Increase) decrease in:		
Grants receivable	(25,474)	3,568
Accounts receivable	(27,023)	1,055
Inventory	(4,474)	(7,495)
Prepaid expenses and deposits	780	1,804
Increase (decrease) in:		
Accounts payable	30,163	(2,656)
Accrued expenses	(10,582)	(7,619)
Total adjustments	<u>35,796</u>	<u>25,892</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 188,148</u>	<u>\$ 104,043</u>

See accompanying notes.

LOCAL MOTION INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 (AUDITED) AND 2016 (REVIEWED)

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, 2017 and 2016.

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, 2016, from which the 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.

LOCAL MOTION INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 (AUDITED) AND 2016 (REVIEWED)

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. Donated service revenue was \$0 for the years ended December 31, 2017 and 2016.

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, 2017 and 2016.

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 \$2,897 and \$25,864 in donated fixed assets in the years ended December 31, 2017 and 2016, respectively.

The cost of maintenance and repairs is charged to expense as incurred. Renewals and betterments costing greater than \$1,000 are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the underlying assets. Depreciation expenses were \$79,262 and \$64,872 for the years ended December 31, 2017 and 2016, respectively.

LOCAL MOTION INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 (AUDITED) AND 2016 (REVIEWED)

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

Advertising

Advertising costs are charged to expense when incurred. Total advertising costs were \$39,198 and \$23,884 for the years ended December 31, 2017 and 2016, respectively.

Fair value measurements

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

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.

LOCAL MOTION INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 (AUDITED) AND 2016 (REVIEWED)

3) PROPERTY, PLANT AND EQUIPMENT

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

	<u>2017</u>	<u>2016</u>
Boats	\$ 287,655	\$ 262,347
Docks	681,474	681,474
Program equipment	176,119	151,541
Rest area improvements	39,205	32,423
Vehicles	11,828	14,828
Office equipment	20,612	18,907
	<u>1,216,893</u>	<u>1,161,520</u>
Less accumulated depreciation	<u>(308,971)</u>	<u>(244,416)</u>
	<u>\$ 907,922</u>	<u>\$ 917,104</u>

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 balances of the fund, including accumulated earnings net of distribution and fees, were \$20,537 and \$17,496 as of December 31, 2017 and 2016, 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, 2017. 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.

LOCAL MOTION INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 (AUDITED) AND 2016 (REVIEWED)

6) CONCENTRATIONS

In 2017, 36% of Local Motion Inc.'s total support and revenue and 47% of grants receivable as of December 31, 2017 were from one grant source. 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.

7) RESTRICTIONS ON NET ASSETS

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

	<u>2017</u>	<u>2016</u>
Bike Smart	\$ 32,922	\$ 40,000
Unappropriated earnings on endowment fund	3,591	550
Advocacy	130,900	3,500
Island Line/Bike ferry	18,994	22,000
	<u>\$ 186,407</u>	<u>\$ 66,050</u>

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. Ferry capital expenses were \$25,308 and \$0 for the years ended December 31, 2017 and 2016, respectively.

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.

LOCAL MOTION INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 (AUDITED) AND 2016 (REVIEWED)

9) ENDOWMENT FUNDS (continued)

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.

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 require 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, 2017 and 2016.

LOCAL MOTION INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 (AUDITED) AND 2016 (REVIEWED)

9) ENDOWMENT FUNDS (continued)

Endowment net asset composition was as follows as of:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
December 31, 2017:				
Donor-restricted endowment funds	\$ -	\$ 3,591	\$ 16,946	\$ 20,537
December 31, 2016				
Donor-restricted endowment funds	\$ -	\$ 550	\$ 16,946	\$ 17,496

Changes in endowment net assets were as follows for the years ended December 31, 2016 and 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</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	\$ -	\$ 550	\$ 16,946	\$ 17,496
Endowment net assets, January 1, 2017	\$ -	\$ 550	\$ 16,946	\$ 17,496
Change in beneficial interest	-	3,041	-	3,041
Distributions	-	-	-	-
Endowment net assets, December 31, 2017	\$ -	\$ 3,591	\$ 16,946	\$ 20,537

10) LINE OF CREDIT

Local Motion Inc. has a line of credit with Vermont Federal Credit Union, available for working capital purposes. In 2017 the line, secured by assets of the Organization, was \$125,000 and accrued interest at the Wall Street Journal Prime rate plus .25% (4.75% at December 31, 2017). There were no outstanding balance on the line at December 31, 2017 and 2016. On April 15, 2018, the line of credit was renewed and the limit increased to \$200,000. The line of credit carries the Wall Street Journal Prime rate of 4.75% and is payable on demand.

LOCAL MOTION INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 (AUDITED) AND 2016 (REVIEWED)

11) OPERATING LEASES

Local Motion Inc. leases its administrative office and Trailside Center under three operating leases that are on a month-to-month basis. The leases currently require monthly payments totaling \$3,865. Total lease expenses for this space were \$40,475 and \$36,979 for the years ended December 31, 2017 and 2016, respectively.

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 \$3,513 and \$4,177 for the years ended December 31, 2017 and 2016, respectively.

13) SUBSEQUENT EVENTS

Local Motion Inc. has evaluated events and transactions for potential recognition or disclosure through July 12, 2018, the date the financial statements were available to be issued.