



**LOCAL MOTION INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2018 (UNAUDITED)  
AND 2017 (AUDITED)**

**JMM & ASSOCIATES  
CERTIFIED PUBLIC ACCOUNTANTS**

**LOCAL MOTION INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 (UNAUDITED)**  
**AND 2017 (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, 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, 2018, 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 2017 financial statements

We have previously audited Local Motion Inc.'s 2017 financial statements, and we expressed an unmodified opinion on them in our report dated July 12, 2018. 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, 2017, is consistent, in all material aspects, with the audited financial statements from which it has been derived.

*Jmm & Associates*

June 28, 2019

LOCAL MOTION INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 (UNAUDITED) AND 2017 (AUDITED)

ASSETS

	<u>2018</u> <u>(Unaudited)</u>	<u>2017</u> <u>(Audited)</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 265,146	\$ 335,639
Cash - fiscal sponsorship funds	3,787	2,986
Grants receivable	31,286	73,289
Accounts receivable	17,991	37,623
Inventory	16,505	13,165
Prepaid expenses and deposits	12,852	9,795
<b>TOTAL CURRENT ASSETS</b>	<u>347,567</u>	<u>472,497</u>
<b>PROPERTY AND EQUIPMENT</b>		
Property, plant and equipment	1,185,299	1,216,893
Less accumulated depreciation	<u>(340,662)</u>	<u>(308,971)</u>
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<u>844,637</u>	<u>907,922</u>
<b>OTHER ASSETS</b>		
Beneficial interest held by others	19,284	20,537
Cash - designated for capital	74,748	70,192
Long-term prepaid expenses	960	1,920
<b>TOTAL OTHER ASSETS</b>	<u>94,992</u>	<u>92,649</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,287,196</u>	<u>\$ 1,473,068</u>

See accompanying notes and independent accountant's review report.

**LIABILITIES AND NET ASSETS**

	<u>2018</u> <u>(Unaudited)</u>	<u>2017</u> <u>(Audited)</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 5,767	\$ 46,582
Fiscal sponsorship funds	3,787	2,986
Accrued expenses	<u>70,879</u>	<u>32,570</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>80,433</u>	<u>82,138</u>
<b>NET ASSETS</b>		
Without donor restrictions:		
Undesignated	990,399	1,117,385
Board designated for ferry capital expenses	<u>74,748</u>	<u>70,192</u>
Total net assets without donor restrictions	<u>1,065,147</u>	<u>1,187,577</u>
With donor restrictions:		
Restricted for future periods	124,670	186,407
Restricted in perpetuity	<u>16,946</u>	<u>16,946</u>
Total net assets with donor restrictions	<u>141,616</u>	<u>203,353</u>
<b>TOTAL NET ASSETS</b>	<u>1,206,763</u>	<u>1,390,930</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,287,196</u>	<u>\$ 1,473,068</u>

See accompanying notes and independent accountant's review report.

LOCAL MOTION INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2018 (UNAUDITED) AND 2017 (AUDITED)

	<u>2018</u> <u>(Unaudited)</u>	<u>2017</u> <u>(Audited)</u>
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
<b>SUPPORT AND REVENUES</b>		
Grant income	\$ 355,631	\$ 368,377
Contributions	138,802	163,087
Advertising and sponsorship income	36,780	28,445
Retail sales	2,637	3,787
Rental income	270,676	234,059
Service income	141,910	163,326
Miscellaneous income	3,564	1,963
Investment income	827	451
Gain (loss) on asset disposal	(2,902)	918
Subtotal - Support and Revenues	<u>947,925</u>	<u>964,413</u>
Net assets released from restrictions	<u>80,485</u>	<u>37,634</u>
<b>TOTAL SUPPORT AND REVENUES</b>	<u>1,028,410</u>	<u>1,002,047</u>
<b>EXPENSES</b>		
Program Expenses:		
Community, education and safety	328,257	272,964
Trailside Center and other services	167,845	137,563
Bike ferry operations	187,734	194,935
Total Program Expenses	<u>683,836</u>	<u>605,462</u>
Support Expenses:		
General and administration	357,766	275,580
Fundraising	109,238	89,010
Total Support Expenses	<u>467,004</u>	<u>364,590</u>
<b>TOTAL EXPENSES</b>	<u>1,150,840</u>	<u>970,052</u>
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	(122,430)	31,995
<b>BEGINNING NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u>1,187,577</u>	<u>1,155,582</u>
<b>ENDING NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u>\$ 1,065,147</u>	<u>\$ 1,187,577</u>

See accompanying notes and independent accountant's review report.



LOCAL MOTION INC.

STATEMENTS OF ACTIVITIES (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2018 (UNAUDITED) AND 2017 (AUDITED)

	<u>2018</u> <u>(Unaudited)</u>	<u>2017</u> <u>(Audited)</u>
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</b>		
<b>SUPPORT AND REVENUES</b>		
Contributions	\$ 20,000	\$ 154,950
Change in beneficial interest	(1,252)	3,041
Subtotal - Support and Revenues	<u>18,748</u>	<u>157,991</u>
Net assets released from restrictions	<u>(80,485)</u>	<u>(37,634)</u>
<b>TOTAL SUPPORT AND REVENUES</b>	<u>(61,737)</u>	<u>120,357</u>
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</b>	(61,737)	120,357
<b>BEGINNING NET ASSETS WITH DONOR RESTRICTIONS</b>	<u>203,353</u>	<u>82,996</u>
<b>ENDING NET ASSETS WITH DONOR RESTRICTIONS</b>	<u>\$ 141,616</u>	<u>\$ 203,353</u>
<b>TOTAL CHANGE IN NET ASSETS</b>	<u>\$ (184,167)</u>	<u>\$ 152,352</u>

See accompanying notes and independent accountant's review report.

LOCAL MOTION INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2018 (UNAUDITED)  
(WITH COMPARATIVE TOTALS FOR 2017 (AUDITED))

	Community, Education & Safety	Trailside Ctr. & Other Services	Bike Ferry Operations	Total Program Expenses
Wages	\$ 189,630	\$ 92,358	\$ 91,125	\$ 373,113
Payroll taxes	17,422	10,052	9,404	36,878
Employee benefits	3,392	1,334	2,296	7,022
Subtotal - Personnel costs	210,444	103,744	102,825	417,013
Program supplies	41,935	16,587	27,797	86,319
Depreciation	26,648	8,635	39,565	74,848
Occupancy	3,887	19,479	7,657	31,023
Professional fees	16,758	6,970	50	23,778
Marketing and promotion	7,316	6,352	3,934	17,602
Insurance	-	-	5,206	5,206
Information technology	1,184	914	40	2,138
Travel and entertainment	8,772	199	451	9,422
Cost of goods sold	6,928	4,941	-	11,869
Office expenses	1,486	24	116	1,626
Training and development	2,899	-	93	2,992
Bad debt	-	-	-	-
Miscellaneous expense	-	-	-	-
<b>TOTAL EXPENSES</b>	<b>\$ 328,257</b>	<b>\$ 167,845</b>	<b>\$ 187,734</b>	<b>\$ 683,836</b>

See accompanying notes and independent accountant's review report.

	<u>General &amp; Admini- stration</u>	<u>Fundraising</u>	<u>Total Support Expenses</u>	<u>2018 Total (Unaudited)</u>	<u>2017 Total (Audited)</u>
Wages	\$ 210,822	\$ 81,453	\$ 292,275	\$ 665,388	\$ 517,851
Payroll taxes	18,944	8,364	27,308	64,186	56,257
Employee benefits	6,827	685	7,512	14,534	12,258
Subtotal - Personnel costs	236,593	90,502	327,095	744,108	586,366
Program supplies	1,535	193	1,728	88,047	81,488
Depreciation	13,177	-	13,177	88,025	79,262
Occupancy	37,365	-	37,365	68,388	56,602
Professional fees	28,390	2,416	30,806	54,584	54,473
Marketing and promotion	1,956	10,761	12,717	30,319	39,198
Insurance	18,454	-	18,454	23,660	23,016
Information technology	13,211	-	13,211	15,349	13,833
Travel and entertainment	2,107	2,368	4,475	13,897	10,412
Cost of goods sold	-	-	-	11,869	15,650
Office expenses	4,825	213	5,038	6,664	5,338
Training and development	30	560	590	3,582	1,472
Bad debt	-	2,225	2,225	2,225	-
Miscellaneous expense	123	-	123	123	2,942
<b>TOTAL EXPENSES</b>	<u>\$ 357,766</u>	<u>\$ 109,238</u>	<u>\$ 467,004</u>	<u>\$ 1,150,840</u>	<u>\$ 970,052</u>

See accompanying notes and independent accountant's review report.

LOCAL MOTION INC.

STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2017 (AUDITED)

	Community, Education & Safety	Trailside Ctr. & Other Services	Bike Ferry Operations	Total Program Expenses
Wages	\$ 142,809	\$ 93,326	\$ 89,159	\$ 325,294
Payroll taxes	14,981	10,323	9,567	34,871
Employee benefits	2,880	1,242	2,837	6,959
Subtotal - Personnel costs	160,670	104,891	101,563	367,124
Program supplies	32,991	9,071	35,583	77,645
Depreciation	18,535	8,674	40,329	67,538
Occupancy	2,844	2,916	7,749	13,509
Professional fees	29,163	5,660	266	35,089
Marketing and promotion	8,398	2,077	3,276	13,751
Insurance	-	-	5,239	5,239
Cost of goods sold	11,479	4,171	-	15,650
Information technology	1,516	-	-	1,516
Travel and entertainment	6,158	84	507	6,749
Office expenses	816	19	269	1,104
Miscellaneous expense	100	-	-	100
Training and development	294	-	154	448
<b>TOTAL EXPENSES</b>	<b>\$ 272,964</b>	<b>\$ 137,563</b>	<b>\$ 194,935</b>	<b>\$ 605,462</b>

See accompanying notes and independent accountant's review report.

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

See accompanying notes and independent accountant's review report.

**LOCAL MOTION INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 (UNAUDITED) AND 2017 (AUDITED)**

	<u>2018</u> <u>(Unaudited)</u>	<u>2017</u> <u>(Audited)</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from grants	\$ 397,634	\$ 342,903
Cash received from contributions	155,149	312,141
Other operating cash receipts	475,199	404,557
Interest and dividends received	828	451
Cash paid for personnel	(705,799)	(596,948)
Cash paid for operating goods and services	(364,959)	(272,014)
Interest paid	-	(2,942)
	<u>                    </u>	<u>                    </u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>(41,948)</u>	<u>188,148</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property and equipment	20,607	-
Purchases of property and equipment	(44,596)	(66,265)
	<u>                    </u>	<u>                    </u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(23,989)</u>	<u>(66,265)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash designated (used) for capital	(4,556)	25,308
	<u>                    </u>	<u>                    </u>
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<u>(4,556)</u>	<u>25,308</u>
 <b>INCREASE (DECREASE) IN CASH</b>	 (70,493)	 147,191
 <b>BEGINNING CASH</b>	 <u>335,639</u>	 <u>188,448</u>
 <b>ENDING CASH</b>	 <u>\$ 265,146</u>	 <u>\$ 335,639</u>

See accompanying notes and independent accountant's review report.

## LOCAL MOTION INC.

### NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 (UNAUDITED) AND 2017 (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 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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

##### 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, and those accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. Amounts on deposit in excess of the FDIC limit were \$23,224 and \$0 as of December 31, 2018 and 2017, respectively.

##### 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.

##### Contributions

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions 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 net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.

##### 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, 2018 and 2017.

**See independent accountant's review report.**

LOCAL MOTION INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 (UNAUDITED) AND 2017 (AUDITED)

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

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, 2018 and 2017.

Property and equipment

Purchases of property and equipment are recorded at cost. Donations of property and equipment received without stipulations regarding how long those donated assets must be used are recorded as revenue without donor restrictions at their estimated fair value. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as donor restricted support and are released from restrictions by reclassifying net assets with donor restrictions to net assets without donor restrictions when the asset is placed in service, unless the donor also placed a time restriction on the use of the long-lived asset, in which case the release occurs over the life of the time restriction. Local Motion Inc. received \$0 and \$2,897 in donated fixed assets in the years ended December 31, 2018 and 2017, 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 \$88,025 and \$79,262 for the years ended December 31, 2018 and 2017, respectively.

Advertising

Advertising costs are charged to expense when incurred. Total advertising costs were \$30,319 and \$39,198 for the years ended December 31, 2018 and 2017, 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.

See independent accountant's review report.



## LOCAL MOTION INC.

### NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 (UNAUDITED) AND 2017 (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. Indirect costs are allocated across programs based on the proportion of indirect costs to direct wages plus fringe benefits.

##### Change in accounting principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

#### 2) LIQUIDITY MANAGEMENT

Local Motion Inc. has a relatively diversified funding structure that helps to mitigate liquidity risk. The three principal funding sources are as follows:

*Grants and contracts*: Local Motion Inc.'s grants and contracts present a range of cash flow implications. Some contracts are reimbursement-type contracts where Local Motion Inc. is reimbursed for work performed and expenses incurred. Some contracts involve upfront lump sum payments. Because most contracts have a one to two year term, Local Motion Inc. is able to project grant and contract revenue six to twenty-four months in the future, allowing reasonable cash flow projections over the period of a specific contract. The timing of payments on reimbursement contracts largely depends on billing efficiency at the close of the period (monthly or quarterly).

*Earned income*: Local Motion Inc. operates a bike rental center and a bike ferry that are open seasonally from May through October. The main risk is weather-related. Good weather could increase revenue, rainy weather may negatively impact revenue.

See independent accountant's review report.

LOCAL MOTION INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 (UNAUDITED) AND 2017 (AUDITED)

2) LIQUIDITY MANAGEMENT (continued)

*Contributions:* Local Motion Inc. relies on contributions from individuals and businesses. There are typically two fundraising appeals per year, one in the late Spring, when biking and walking become viable after the winter, and another in December, like most nonprofits. Over the past four years, Local Motion Inc. has been able to rely on a pattern of giving that is helpful in predicting cash flow. Additionally, the business member program generates sponsorship revenue for the Organization's individual programs throughout the year.

Cash flow

The cash flow generated from the main operating season is able to sustain the organization through the first few months of the following year, enhanced by the year-end annual fundraising appeal.

Cash needs are lowest from November through February, but begin to increase in March due to program start-up costs, such as new bike purchases for the rental fleet, inventory purchases, and print materials for outreach and education programs.

In order to bridge the gap before cash once again starts flowing from the Organization's seasonal services, Local Motion Inc. maintains a line of credit for \$200,000 with Vermont Federal Credit Union.

Once the cash balance turns positive again, the excess cash is maintained in the regular bank accounts. Excess cash beyond weekly needs is moved to the savings account to earn interest.

Operating reserve

Local Motion Inc. does not currently maintain a formal operating reserve fund. The Organization plans to create an operating reserve policy in 2019 and begin funding such a reserve in 2020. It is anticipated that full funding to the three to six month level may take five years.

See independent accountant's review report.

LOCAL MOTION INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 (UNAUDITED) AND 2017 (AUDITED)

2) LIQUIDITY MANAGEMENT (continued)

Liquidity analysis

The table below shows the amount of funds available for general use within one year of the December 31, 2018 statement date. Additionally, about half of the assets with donor restrictions are available to the Organization for program needs, including wages and overhead allocation. The board designated fund for ferry capital expenses of \$74,748 could also be released in an emergency situation. Therefore, the Organization believes there are sufficient assets on hand to support operations and cash needs for general expenditures within one year of the statement date.

	<b>2018</b> <b>(Unaudited)</b>
Total assets from Statements of Financial Position	\$ 1,287,196
Less:	
Fixed assets	(844,637)
Prepaid expenses	(13,812)
Inventory	(16,505)
Subtotal financial assets	<u>412,242</u>
Less:	
Board designated funds	(74,748)
Endowment fund	(16,946)
Other assets with donor restrictions	<u>(124,670)</u>
Funds available for general use within one year	<u>\$ 195,878</u>

3) CASH - FISCAL SPONSORSHIP FUNDS

Local Motion Inc. is the fiscal sponsor for Bike Fest, and in 2018 received a fiscal agent grant for the Old East End Neighborhood. The funds will be spent in 2019 and Local Motion Inc. will recognize a fee for their services at that time.

See independent accountant's review report.

LOCAL MOTION INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 (UNAUDITED) AND 2017 (AUDITED)

4) PROPERTY, PLANT AND EQUIPMENT

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

	2018 (Unaudited)	2017 (Audited)
Boats	\$ 226,895	\$ 287,655
Docks	681,474	681,474
Program equipment	201,535	176,119
Rest area improvements	39,205	39,205
Vehicles	11,828	11,828
Office equipment	24,362	20,612
	<u>1,185,299</u>	<u>1,216,893</u>
Less accumulated depreciation	<u>(340,662)</u>	<u>(308,971)</u>
	<u>\$ 844,637</u>	<u>\$ 907,922</u>

5) 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 \$19,284 and \$20,537 as of December 31, 2018 and 2017, 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, 2018. 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.

6) 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.

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LOCAL MOTION INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 (UNAUDITED) AND 2017 (AUDITED)

7) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31:

	<u>2018</u> <u>(Unaudited)</u>	<u>2017</u> <u>(Audited)</u>
Subject to expenditure for specified purpose:		
Advocacy	\$ 107,332	\$ 130,900
Bike Smart	10,000	32,922
Other programs	5,000	18,994
Unappropriated earnings on endowment fund	<u>2,338</u>	<u>3,591</u>
	124,670	186,407
Endowment:		
Beneficial interest held by others	<u>16,946</u>	<u>16,946</u>
	<u>\$ 141,616</u>	<u>\$ 203,353</u>

8) BOARD-DESIGNATED NET ASSETS

The Board of Directors designated funds from a 2015 settlement for future ferry capital expenses. The sale of equipment resulted in the addition of \$8,000 to the fund for the year ended December 31, 2018. Ferry capital expenses were \$3,444 and \$25,308 for the years ended December 31, 2018 and 2017, respectively. Board designated net assets were \$74,748 and \$70,192 for the years ended December 31, 2018 and 2017, 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.

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## LOCAL MOTION INC.

### NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 (UNAUDITED) AND 2017 (AUDITED)

#### 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 Organization to retain as a fund of perpetual duration (underwater endowments). In accordance with GAAP, deficiencies of this nature that are reported in net assets with restrictions were \$0 as of December 31, 2018 and 2017.

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LOCAL MOTION INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 (UNAUDITED) AND 2017 (AUDITED)

9) ENDOWMENT FUNDS (continued)

Endowment net asset composition was as follows as of:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>December 31, 2018 (Unaudited):</b>			
Donor-restricted endowment funds	\$ -	\$ 16,946	\$ 16,946
Accumulated investment gains	-	2,338	2,338
	<u>\$ -</u>	<u>\$ 19,284</u>	<u>\$ 19,284</u>
<b>December 31, 2017 (Audited):</b>			
Donor-restricted endowment funds	\$ -	\$ 16,946	\$ 16,946
Accumulated investment gains	-	3,591	3,591
	<u>\$ -</u>	<u>\$ 20,537</u>	<u>\$ 20,537</u>

Changes in endowment net assets were as follows for the years ended December 31, 2018 and 2017:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Endowment net assets, January 1, 2018</b>			
Donations to be maintained in perpetuity	\$ -	\$ 16,946	\$ 16,946
Accumulated investment gains	-	3,591	3,591
Change in beneficial interest	-	(1,253)	(1,253)
Distributions	-	-	-
	<u>\$ -</u>	<u>\$ 19,284</u>	<u>\$ 19,284</u>
<b>Endowment net assets, December 31, 2018</b>			
<b>Endowment net assets, January 1, 2017</b>			
Donations to be maintained in perpetuity	\$ -	\$ 16,946	\$ 16,946
Accumulated investment gains	-	550	550
Change in beneficial interest	-	3,041	3,041
Distributions	-	-	-
	<u>\$ -</u>	<u>\$ 20,537</u>	<u>\$ 20,537</u>
<b>Endowment net assets, December 31, 2017</b>			

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**LOCAL MOTION INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2018 (UNAUDITED) AND 2017 (AUDITED)**

**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). 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 5.5% and is payable on demand. There was no outstanding balance on the line at December 31, 2018 or 2017.

**11) OPERATING LEASES**

Local Motion Inc. leases its administrative office and Trailside Center under operating leases that are on a month-to-month basis. The leases currently require monthly payments totaling \$4,452. Total lease expenses for this space were \$49,918 and \$40,475 for the years ended December 31, 2018 and 2017, 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 \$4,043 and \$3,513 for the years ended December 31, 2018 and 2017, respectively.

**13) SUBSEQUENT EVENTS**

Local Motion Inc. has evaluated events and transactions for potential recognition or disclosure through June 28, 2019, the date the financial statements were available to be issued.

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