



FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013



KEEP INDIANAPOLIS BEAUTIFUL, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Keep Indianapolis Beautiful, Inc.
Indianapolis, Indiana

We have audited the accompanying financial statements of Keep Indianapolis Beautiful, Inc., which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Keep Indianapolis Beautiful, Inc. as of December 31, 2014 and 2013 and the changes in net assets, functional expenses, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Alending CPA Group

April 16, 2015

KEEP INDIANAPOLIS BEAUTIFUL, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2014 AND 2013

	<u>ASSETS</u>	
	<u>2014</u>	<u>2013</u>
Assets:		
Cash and cash equivalents	\$ 1,181,742	\$ 1,377,993
Accounts receivable	221,818	242,918
Pledges receivable	32,644	282,244
Prepaid expenses and other assets	34,269	14,144
Property and equipment, net	3,117,294	2,793,328
Endowment investments	41,539	39,363
Total assets	<u>\$ 4,629,306</u>	<u>\$ 4,749,990</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Long-term debt	\$ 914,485	\$ 985,444
Accounts payable	40,330	42,423
Accrued expenses and other liabilities	26,096	40,645
Total liabilities	<u>980,911</u>	<u>1,068,512</u>
Net Assets:		
Unrestricted net assets	2,794,120	2,456,786
Temporarily restricted net assets	824,356	1,194,773
Permanently restricted net assets	29,919	29,919
Total net assets	<u>3,648,395</u>	<u>3,681,478</u>
Total liabilities and net assets	<u>\$ 4,629,306</u>	<u>\$ 4,749,990</u>

See accompanying Notes to Financial Statements.

KEEP INDIANAPOLIS BEAUTIFUL, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Changes in Unrestricted Net Assets		
Public Support and Revenues:		
Contributions	\$ 1,348,078	\$ 878,026
In-kind contributions - program supplies	<u>231,387</u>	<u>383,113</u>
Total public support and revenues	<u>1,579,465</u>	<u>1,261,139</u>
Program Revenues:		
Contract revenue	1,026,445	1,025,726
Fees for services	<u>14,453</u>	<u>13,609</u>
Total program revenues	<u>1,040,898</u>	<u>1,039,335</u>
Other Revenues:		
Interest and investment income	2,128	2,789
Other income, net	<u>55,675</u>	<u>46,077</u>
Total other revenues	<u>57,803</u>	<u>48,866</u>
Net Assets Released from Restrictions	<u>1,261,537</u>	<u>1,572,516</u>
Total unrestricted support and revenues	<u>3,939,703</u>	<u>3,921,856</u>
Expenses:		
Program services:		
Beautification and Placemaking	1,600,058	1,759,927
Community Forestry	612,125	808,702
Youth Programming	<u>545,669</u>	<u>541,971</u>
Total program services	2,757,852	3,110,600
Supporting services:		
Management and general	475,086	502,522
Fundraising	<u>369,431</u>	<u>285,501</u>
Total operating expenses	<u>3,602,369</u>	<u>3,898,623</u>
Increase in unrestricted net assets	<u>337,334</u>	<u>23,233</u>
Changes in Temporarily Restricted Net Assets		
Contributions	1,144,238	1,353,198
Cancellation of pledges receivable	(255,294)	-0-
Interest and investment income	2,176	4,482
Net assets released from restrictions	<u>(1,261,537)</u>	<u>(1,572,516)</u>
Decrease in temporarily restricted net assets	<u>(370,417)</u>	<u>(214,836)</u>
Total decrease in net assets	(33,083)	(191,603)
Net Assets, Beginning of Year	<u>3,681,478</u>	<u>3,873,081</u>
Net Assets, End of Year	<u>\$ 3,648,395</u>	<u>\$ 3,681,478</u>

See accompanying Notes to Financial Statements.

KEEP INDIANAPOLIS BEAUTIFUL, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2014 (WITH COMPARATIVE TOTALS FOR 2013)

	Program Services					2014 Total	2013 Total
	Beautification and Placemaking	Community Forestry	Youth Programming	Management and General	Fundraising		
Labor and Benefits:							
Salaries	\$ 278,111	\$ 168,853	\$ 254,801	\$ 268,180	\$ 198,651	\$ 1,168,596	\$ 1,111,410
Employee benefits	34,820	21,142	9,949	33,575	24,872	124,358	117,471
Payroll taxes and expense	21,941	13,322	22,605	21,158	15,672	94,698	89,053
Total labor and benefits	334,872	203,317	287,355	322,913	239,195	1,387,652	1,317,934
Other Expenses:							
Program supplies	753,030	277,669	98,471	11,026	18,163	1,158,359	1,350,753
In-kind contributions - program supplies	160,886	-	10,112	7,558	32,939	211,495	380,169
Advertising	1,877	1,641	1,641	547	547	6,253	4,172
Building repairs and maintenance	3,075	2,966	2,966	989	989	10,985	7,978
Depreciation	41,757	40,265	40,265	13,422	13,422	149,131	132,371
Dues and subscriptions	-	1,350	-	3,080	909	5,339	4,101
Insurance	5,582	5,122	4,886	6,001	2,080	23,671	30,250
Interest expense	15,017	14,480	14,480	4,828	4,826	53,631	56,875
Meals	8,817	2,628	-	4,161	9,444	25,050	39,085
Miscellaneous	-	7	-	71	5	83	220
Office expenses	2,869	2,767	2,767	922	1,204	10,529	16,169
Postage	645	633	633	211	1,749	3,871	3,313
Printing	-	-	-	4,297	9,950	14,247	10,913
Seminars	5,116	5,550	1,162	5,701	1,120	18,649	17,786
Loss on disposal of assets	-	-	-	5,880	-	5,880	-
Telephone	5,214	3,166	1,490	5,028	3,725	18,623	22,069
Travel	5,725	2,463	187	(133)	837	9,079	11,366
Utilities	6,966	6,717	6,717	2,239	2,238	24,877	21,685
Vehicle repairs and maintenance	4,871	4,870	2,436	-	-	12,177	13,109
Contract labor	-	200	-	554	500	1,254	606
Bad debt	-	-	-	950	-	950	-
Outside services	243,739	36,314	70,101	74,841	25,589	450,584	457,699
Total expenses	\$ 1,600,058	\$ 612,125	\$ 545,669	\$ 475,086	\$ 369,431	\$ 3,602,369	\$ 3,898,623

See accompanying Notes to Financial Statements.

KEEP INDIANAPOLIS BEAUTIFUL, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2013

	Program Services			Management and General	Fundraising	2013 Total
	Beautification and Placemaking	Community Forestry	Youth Programming			
Labor and Benefits:						
Salaries	\$ 273,735	\$ 188,783	\$ 252,449	\$ 235,978	\$ 160,465	\$ 1,111,410
Employee benefits	34,066	23,495	10,573	29,366	19,971	117,471
Payroll taxes and expense	<u>21,384</u>	<u>14,748</u>	<u>21,951</u>	<u>18,435</u>	<u>12,535</u>	<u>89,053</u>
Total labor and benefits	329,185	227,026	284,973	283,779	192,971	1,317,934
Other Expenses:						
Program supplies	843,965	376,949	107,203	13,988	8,648	1,350,753
In-kind contributions - program supplies	199,134	92,812	2,050	64,902	21,271	380,169
Advertising	2,172	728	486	543	243	4,172
Building repairs and maintenance	2,393	2,393	1,596	798	798	7,978
Depreciation	39,711	39,711	26,475	13,237	13,237	132,371
Dues and subscriptions	-0-	1,025	195	2,491	390	4,101
Insurance	7,938	7,366	4,636	7,199	3,111	30,250
Interest expense	17,063	17,063	11,375	5,687	5,687	56,875
Meals	8,437	1,945	-0-	6,254	22,449	39,085
Miscellaneous	11	15	15	136	43	220
Office expenses	4,951	4,757	3,171	1,586	1,704	16,169
Postage	572	572	381	191	1,597	3,313
Printing	922	-0-	-0-	3,736	6,255	10,913
Seminars	1,271	6,337	1,903	7,971	304	17,786
Telephone	6,400	4,414	1,986	5,517	3,752	22,069
Travel	5,006	5,193	955	38	174	11,366
Utilities	6,506	6,506	4,337	2,168	2,168	21,685
Vehicle repairs and maintenance	5,244	5,244	2,621	-0-	-0-	13,109
Contract labor	100	-0-	-0-	406	100	606
Outside services	<u>278,946</u>	<u>8,646</u>	<u>87,613</u>	<u>81,895</u>	<u>599</u>	<u>457,699</u>
Total expenses	<u>\$ 1,759,927</u>	<u>\$ 808,702</u>	<u>\$ 541,971</u>	<u>\$ 502,522</u>	<u>\$ 285,501</u>	<u>\$ 3,898,623</u>

See accompanying Notes to Financial Statements.

KEEP INDIANAPOLIS BEAUTIFUL, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities:		
Decrease in net assets	\$ (33,083)	\$ (191,603)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	149,131	132,371
Cancellation of pledges receivable	255,294	-0-
Loss on disposal of asset	5,880	-0-
Net realized and unrealized gains on investments	(2,244)	(4,562)
Changes in operating assets and liabilities:		
Accounts receivable	21,100	(34,681)
Pledges receivable	(5,694)	46,711
Prepaid expenses and other assets	(20,125)	19,341
Accounts payable and accrued expenses	<u>(16,642)</u>	<u>(5,437)</u>
Net cash provided by (used in) operating activities	<u>353,617</u>	<u>(37,860)</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	(442,142)	(103,313)
Proceeds received from sale of investments	607	538
Purchase of investments	<u>(539)</u>	<u>(458)</u>
Net cash used in investing activities	<u>(442,074)</u>	<u>(103,233)</u>
Cash Flows from Financing Activities:		
Principal payments on long-term debt	<u>(107,794)</u>	<u>(56,000)</u>
Net decrease in cash and cash equivalents	(196,251)	(197,093)
Cash and Cash Equivalents, Beginning of Year	<u>1,377,993</u>	<u>1,575,086</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,181,742</u>	<u>\$ 1,377,993</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	<u>\$ 53,631</u>	<u>\$ 56,875</u>
Non-Cash Investing and Financing Activities		
Office equipment purchased under capital lease	<u>\$ 36,835</u>	<u>\$ 36,046</u>

See accompanying Notes to Financial Statements.

KEEP INDIANAPOLIS BEAUTIFUL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

1. SIGNIFICANT ACCOUNTING POLICIES

Keep Indianapolis Beautiful, Inc. (“KIB”) is a not-for-profit organization located in Indianapolis, Indiana (the “City”). KIB, founded in 1976, engages diverse communities to create vibrant public places, helping people and nature thrive. KIB receives contributions from foundations, corporations and the general public for beautification and placemaking, community forestry and youth programming. KIB also contracts with the City and other local entities on community improvement and green infrastructure projects.

The significant accounting policies followed by KIB in the preparation of its financial statements are summarized below:

Basis of Presentation

Net assets, support, revenue and expenses are classified based on the existence or absence of donor-imposed restrictions. Unrestricted assets are net assets not subject to donor-imposed restrictions and are, therefore, available to support the general operations of KIB. Temporarily restricted net assets are net assets subject to donor-imposed restrictions related to specific projects or the passage of time or the occurrence of certain events. Permanently restricted net assets are those net assets held in perpetuity. The net income from these investments and all non-restricted contributions are available for release to the unrestricted fund.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts in the financial statements and notes to the financial statements. Actual results could differ from those estimates. Significant estimates made in preparation of KIB’s financial statements include collectability of accounts receivable and pledges receivable, useful lives of property and equipment, and the classification of functional expenses.

Cash and Cash Equivalents

Cash and cash equivalents represent amounts held in checking, savings and money market accounts. All liquid investments with original maturity dates of three months or less are classified as cash equivalents.

KEEP INDIANAPOLIS BEAUTIFUL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

Revenue Recognition and Accounts Receivable and Pledges Receivable

Support and program revenues are reported as increases in unrestricted, temporarily restricted or permanently restricted net assets based upon donor-imposed restrictions, if any. KIB records donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted support and program revenue. Pledges and contributions are recognized when donors make an unconditional promise to give to KIB either in writing or verbally. Revenues are reported as either temporarily or permanently restricted revenues if the donor stipulates specific limitations as to the use of the gift, pledge or contributions, including passage of time or other terms limiting its uses. When a donor restriction expires, temporarily restricted net assets are released and transferred to unrestricted net assets. Permanently restricted net assets are maintained in perpetuity in accordance with state law and donor intentions.

Accounts receivable are reported at the amount invoiced, net of an allowance for doubtful accounts. KIB, on a periodic basis, evaluates its accounts receivable and establishes an allowance for doubtful accounts based on past write-offs, collections, and current credit conditions. There was no allowance for doubtful accounts as of December 31, 2014 and 2013.

Property and Equipment and Depreciation

Purchased property and equipment are recorded at cost. Items donated are recorded at fair market value on the date of donation. Costs of improvements are capitalized and costs of repairs and maintenance are expensed as incurred. Depreciation is recorded over the estimated useful lives of the assets utilizing the straight-line method. The lives of these assets range from 3 to 40 years.

Donated Services and Supplies

Companies and volunteers donated significant supplies and assets for program activities at an estimated fair value of \$251,259 and \$383,113 for the years ended December 31, 2014 and 2013, respectively, as reflected in the accompanying financial statements as in-kind contributions. Additionally, volunteers donate a significant amount of time to KIB's programs at an undetermined fair value. These services are not reflected in the financial statements in accordance with U.S. GAAP.

Functional Expenses

Expenses are functionally classified as Program Services, Management and General, and Fundraising. Classifications are based on actual direct expenditures and cost allocations determined by estimates of time spent by KIB personnel. KIB's occupancy related expenses are allocated to program areas based on square footage of KIB's office building.

KEEP INDIANAPOLIS BEAUTIFUL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

Income Taxes

KIB is exempt from Federal and state income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding state law. Accordingly, no provision has been made for Federal or state income taxes.

Management of KIB evaluates all significant tax positions to ensure compliance with exempt purpose of the Organization as required by U.S. GAAP, including consideration of any unrelated business income tax. As of December 31, 2014, Management does not believe KIB has taken any tax positions that are not in compliance with the exempt purpose of the Organization. KIB's Federal and state tax returns remain open and subject to examination beginning with the calendar tax year ended December 31, 2011.

Reclassification

Certain amounts from the 2013 statements of financial position and statement of activities and changes in net assets have been reclassified herein to conform to the 2014 presentation.

Subsequent Events

Subsequent events have been evaluated through April 16, 2015, which is the date the financial statements were available for issuance.

2. PLEDGES RECEIVABLE

KIB has recognized all material conditional and unconditional promises to give from granting authorities as contributions revenue. Conditional and unconditional promises to give that are expected to be collected in futures years are recorded at their net present value.

	<u>2014</u>	<u>2013</u>
Less than one year	\$ 32,644	\$ 74,000
One to five years	-0-	247,978
	<u>32,644</u>	<u>321,978</u>
Less discounts to net present value	-0-	39,734
	<u>\$ 32,644</u>	<u>\$ 282,244</u>

KEEP INDIANAPOLIS BEAUTIFUL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

3. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2014 and 2013 include the following:

	<u>2014</u>	<u>2013</u>
Land	\$ 379,829	\$ 269,253
Building and building improvements	2,996,417	2,719,709
Office furniture and equipment	315,633	311,447
Landscape equipment	83,199	83,199
Vehicles	<u>183,057</u>	<u>149,609</u>
	3,958,135	3,533,217
Less accumulated depreciation	<u>840,841</u>	<u>739,889</u>
	<u>\$ 3,117,294</u>	<u>\$ 2,793,328</u>

4. BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

KIB is the beneficiary of a pass-through fund held by Central Indiana Community Foundation ("CICF"). Funds were donated directly to CICF to create the pass-through fund and CICF maintains variance power. Accordingly, the pass-through fund has not been recorded in the financial statements presented herein. KIB is entitled to annual draws as calculated by CICF. KIB has contributed \$1,350 to the pass-through fund which is included in "prepaid expenses and other assets" in the statement of financial position. The pass-through fund balance as of December 31, 2014 and 2013 was \$20,643 and \$20,952, respectively. There were no draws on the pass-through fund during the years ended December 31, 2014 and 2013.

KEEP INDIANAPOLIS BEAUTIFUL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

5. FAIR VALUE MEASUREMENTS AND INVESTMENTS

U.S. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP also establishes a fair value hierarchy, which requires KIB to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following three levels are defined by U.S. GAAP as a means of measuring fair value:

Level 1

Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2

Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3

Unobservable inputs reflecting the entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

KIB has endowment investments held at CICF (Level 3) having a fair value of \$41,539 and \$39,363 at December 31, 2014 and 2013, respectively. Net realized and unrealized gains and investment income for assets measured at fair value by Level 3 inputs were \$2,176 and \$4,482 for the years ended December 31, 2014 and 2013, respectively.

KEEP INDIANAPOLIS BEAUTIFUL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

Interest and investment income and its classification in the Statements of Activities and Changes in Net Assets for the years ended December 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Endowment investment return:		
Interest and dividend income	\$ 539	\$ 458
Net realized gains	2,244	1,545
Net unrealized gains	-0-	3,017
Administrative expenses	<u>(607)</u>	<u>(538)</u>
	2,176	4,482
Unrestricted interest and dividend income	<u>2,128</u>	<u>2,789</u>
	<u>\$ 4,304</u>	<u>\$ 7,271</u>

6. ENDOWMENT FUNDS

KIB's donor-designated endowment consists of one fund established to support the activities of KIB. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of KIB has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") 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, KIB 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.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by KIB in a manner consistent with the standard of prudence prescribed by UPMIFA.

KEEP INDIANAPOLIS BEAUTIFUL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

In accordance with UPMIFA, KIB considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of KIB and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of KIB;
- The investment policies of KIB.

Funds with Deficiencies

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires KIB to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in temporarily restricted net assets. There were no material deficiencies as of December 31, 2014 and 2013.

Return Objectives and Risk Parameters

KIB has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to KIB while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that KIB must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce long-term appreciation of the principal and generate income while ensuring the safety of the principal at all times. KIB expects its endowment funds, over time, to provide a net real return (after fees and inflation) commensurate with the mix of the portfolio relative to market returns. Actual returns in any given year may vary from this expectation.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, KIB relies primarily on the investment strategy of CICF.

Spending Policy and How the Investment Objective Relates to Spending Policy

KIB's spending policy is not to exceed the suggested spendable amount for the following year provided by CICF. In establishing this policy, KIB considered its desire to be flexible in providing support to KIB while maintaining a balance in the investment account. Accordingly, over the long term, KIB expects the current spending policy to allow its endowment to grow. This is consistent with KIB's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional growth through new gifts and investment return.

KEEP INDIANAPOLIS BEAUTIFUL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

For the years ending December 31, 2014 and 2013, KIB had the following endowment fund related activities:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment fund December 31, 2012	\$ -0-	\$ 4,962	\$ 29,919	\$ 34,881
Investment return:				
Net appreciation, realized and unrealized	<u>-0-</u>	<u>4,482</u>	<u>-0-</u>	<u>4,482</u>
Endowment fund December 31, 2013	-0-	9,444	29,919	39,363
Investment return:				
Net appreciation, realized and unrealized	<u>-0-</u>	<u>2,176</u>	<u>-0-</u>	<u>2,176</u>
Endowment fund December 31, 2014	<u>\$ -0-</u>	<u>\$ 11,620</u>	<u>\$ 29,919</u>	<u>\$ 41,539</u>

7. LINE OF CREDIT

In August 2014, KIB obtained \$250,000 of available borrowings under a line of credit with a bank until August 2015, at which time it is subject to renewal. Borrowings under the facility bears interest at the bank's prime lending rate, with a floor of 3.75%. The line of credit is secured by substantially all assets of KIB, including a mortgage on the facility, and the credit agreement places restrictive covenants on KIB. There were no borrowings on the line of credit for the year ended December 31, 2014.

KEEP INDIANAPOLIS BEAUTIFUL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

8. LONG-TERM DEBT

Long-term debt at December 31, 2014 and 2013 includes the following:

	<u>2014</u>	<u>2013</u>
Note payable to bank; 6.5%, payable in monthly installments of \$5,834 including interest through March 2018.	\$ 642,160	\$ 719,521
Note payable to bank; bank's prime lending rate (3.25% at December 31, 2014), payable in monthly installments of \$1,141 plus interest through March 2018.	213,421	229,877
Equipment under capital lease; bearing interest at 4.0%, payable in monthly installments of \$664 including interest through December 2018, secured by the related asset (Note 9).	29,401	36,046
Equipment under capital lease; bearing interest at 0.0%; payable in monthly installments of \$611 through January 2019, secured by the related asset (Note 9).	<u>29,503</u>	<u>-0-</u>
	<u>\$ 914,485</u>	<u>\$ 985,444</u>

The notes payable to bank are secured by and subject to substantially the same terms as the line of credit (Note 7).

Annual maturities of long-term debt at December 31, 2014 are as follows:

<u>Year Ending December 31,</u>	
2015	\$ 57,063
2016	59,295
2017	61,669
2018	736,283
2019	<u>175</u>
	<u>\$ 914,485</u>

KEEP INDIANAPOLIS BEAUTIFUL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

9. LEASING ARRANGEMENT

Capital Leases

KIB leases equipment under the terms of various capital leases. Equipment under capital leases amounted to \$72,881 and \$36,046 less accumulated depreciation of \$13,213 and \$601 at December 31, 2014 and 2013, respectively.

Future minimum lease payments due under the terms of the capital lease at December 31, 2014 are as follows:

	Year Ending <u>December 31,</u>	
	2015	\$ 15,298
	2016	15,298
	2017	15,298
	2018	15,298
	2019	<u>611</u>
Total minimum lease payments		61,803
Amount representing interest		<u>(2,899)</u>
Present value of net minimum lease payments (Note 8)		<u>\$ 58,904</u>

Rental Income

KIB leases its facilities to a tenant under the terms of a long-term operating lease which commenced in February 2013. Rental income received was \$35,383 and \$21,000 for the years ended December 31, 2014 and 2013, respectively.

Future minimum rental income to be received under the terms of noncancelable operating leases at December 31, 2014 is as follows:

Year Ending <u>December 31,</u>	
2015	\$ 34,125
2016	35,000
2017	35,000
2018	<u>8,750</u>
	<u>\$ 112,875</u>

KEEP INDIANAPOLIS BEAUTIFUL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

10. RETIREMENT PLANS

KIB maintains a tax-deferred annuity plan qualified under section 403(b) of the Internal Revenue Code. The plan covers all employees of the Organization who meet the age and hour requirements. Employees may make contributions with an elective matching or discretionary contribution by KIB. An employee's contribution may not exceed the maximum amount allowed as determined by the Internal Revenue Code. KIB's plan expense was \$23,562 and \$22,774 for the years ended December 31, 2014 and 2013, respectively.

11. COMMITMENTS AND CONTINGENCIES

KIB enters into a "basic services" professional service agreement annually with the City's Department of Public Works. In 2014 and 2013, the contracts provided \$268,750 each year to KIB for clean-up and litter abatement programs, neighborhood beautification, youth involvement programs, and corporate days of service as cost-reimbursement received on a monthly basis. The revenue may be allocated between the project areas determined by KIB.

KIB entered into a professional service agreement with the City's Department of Public Works. In 2014 and 2013, the contracts provided \$513,000 and \$1,225,000, respectively, for tree planting and maintenance services. The 2014 and 2013 contracts will terminate on December 31, 2014 and December 31, 2015, respectively.

In 2013, KIB entered into a Master Operations and Maintenance Agreement with Citizens Energy Group for tree planting and maintenance. The initial statement of work for \$34,280 terminates December 31, 2017. A second statement of work, for \$499,525, terminates September 30, 2024.

KIB entered into a promissory note with Southeast Neighborhood Development, Inc. ("SEND") for \$35,000, due on the sale or transfer of real estate located at KIB's offices in Indianapolis, Indiana. The contingent liability will be recognized as an expense at the time of the sale or transfer of the real estate.

KEEP INDIANAPOLIS BEAUTIFUL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

12. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Eli Lilly and Company - Lilly Day of Service	\$ 315,143	\$ 520,789
Lilly Endowment grant	276,923	276,923
Other grants	163,440	-0-
Reconnecting to Our Waterways	57,230	112,981
Endowment fund	11,620	28,786
Donor pledges	-0-	255,294
Total temporarily restricted net assets	<u>\$ 824,356</u>	<u>\$ 1,194,773</u>

13. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions, due to the satisfaction of donor-imposed restrictions, totaled \$1,516,831 and \$1,572,516 for the years ended December 31, 2014 and 2013, respectively. The assets were used for program expenses and operations as stipulated by the donors.

14. RELATED PARTY TRANSACTIONS

For the year ended December 31, 2014, KIB paid \$374,482 for architectural and expansion projects to one company where a board member is employed.

15. CONCENTRATION OF CREDIT RISK

Cash and Cash Equivalents

KIB maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. KIB has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable, Pledges Receivable and Support and Revenue

As of and for the year ended December 31, 2014, two (2) customers represented 72% of accounts receivable and one (1) donor represented 94% of pledges receivable.

KEEP INDIANAPOLIS BEAUTIFUL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

As of and for the year ended December 31, 2013, one (1) customer represented 60% of accounts receivable and one (1) donor represented 91% of pledges receivable.

As of and for the years ended December 31, 2014 and 2013, two (2) contributors represented 29% and 33%, respectively, of support and receivables.

16. SUBSEQUENT EVENT

In 2015, KIB entered into a professional service agreement with the City's Department of Public Works. This contract provides \$1,000,000 per year through December 31, 2017 for tree planting and maintenance with two optional one year renewal periods through December 31, 2019. This contract will terminate on December 31, 2019.

In 2015, KIB entered into a "basic services" professional service agreement annually with the City's Department of Public Works. The contract will provide \$268,750 to KIB for clean-up and litter abatement programs, neighborhood beautification, youth involvement programs, and corporate days of service as cost-reimbursement received on a monthly basis.