



FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014



# 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, 2015 and 2014, 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, 2015 and 2014 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 7, 2016

# KEEP INDIANAPOLIS BEAUTIFUL, INC.

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2015 AND 2014

	<u>ASSETS</u>	
	<u>2015</u>	<u>2014</u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 737,503	\$ 1,181,742
Investments	129,209	-0-
Accounts receivable	263,722	221,818
Pledges receivable	188,237	32,644
Prepaid expenses and other assets	59,655	34,269
Property and equipment, net	3,150,288	3,117,294
Endowment investments	40,399	41,539
Total assets	<u>\$ 4,569,013</u>	<u>\$ 4,629,306</u>

### LIABILITIES AND NET ASSETS

<b>Liabilities:</b>		
Long-term debt	\$ 849,630	\$ 914,485
Accounts payable	56,287	40,330
Accrued expenses and other liabilities	70,551	26,096
Total liabilities	<u>976,468</u>	<u>980,911</u>
<b>Net Assets:</b>		
Unrestricted net assets	2,876,920	2,794,120
Temporarily restricted net assets	685,706	824,356
Permanently restricted net assets	29,919	29,919
Total net assets	<u>3,592,545</u>	<u>3,648,395</u>
Total liabilities and net assets	<u>\$ 4,569,013</u>	<u>\$ 4,629,306</u>

See accompanying Notes to Financial Statements.

## KEEP INDIANAPOLIS BEAUTIFUL, INC.

### STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<b>Changes in Unrestricted Net Assets</b>		
<b>Public Support and Revenues:</b>		
Contributions	\$ 958,998	\$ 1,348,078
In-kind contributions - program supplies	<u>292,545</u>	<u>231,387</u>
Total public support and revenues	<u>1,251,543</u>	<u>1,579,465</u>
<b>Program Revenues:</b>		
Contract revenue	1,403,584	1,026,445
Fees for services	<u>12,736</u>	<u>14,453</u>
Total program revenues	<u>1,416,320</u>	<u>1,040,898</u>
<b>Other Revenues:</b>		
Interest and investment income (loss), net	(3,168)	2,128
Other income, net	<u>44,467</u>	<u>55,675</u>
Total other revenues	<u>41,299</u>	<u>57,803</u>
<b>Net Assets Released from Restrictions</b>	<u>1,050,091</u>	<u>1,261,537</u>
Total unrestricted support and revenues	<u>3,759,253</u>	<u>3,939,703</u>
<b>Expenses:</b>		
Program services:		
Beautification and Placemaking	1,364,612	1,600,058
Community Forestry	691,355	612,125
Youth Programming	<u>735,502</u>	<u>545,669</u>
Total program services	2,791,469	2,757,852
Supporting services:		
Management and general	510,630	475,086
Fundraising	<u>374,354</u>	<u>369,431</u>
Total operating expenses	<u>3,676,453</u>	<u>3,602,369</u>
Increase in unrestricted net assets	<u>82,800</u>	<u>337,334</u>
<b>Changes in Temporarily Restricted Net Assets</b>		
Contributions	912,581	1,144,238
Cancellation of pledges receivable	-0-	(255,294)
Interest and investment income (loss), net	(1,140)	2,176
Net assets released from restrictions	<u>(1,050,091)</u>	<u>(1,261,537)</u>
Decrease in temporarily restricted net assets	<u>(138,650)</u>	<u>(370,417)</u>
Total decrease in net assets	(55,850)	(33,083)
<b>Net Assets, Beginning of Year</b>	<u>3,648,395</u>	<u>3,681,478</u>
<b>Net Assets, End of Year</b>	<u>\$ 3,592,545</u>	<u>\$ 3,648,395</u>

See accompanying Notes to Financial Statements.

# KEEP INDIANAPOLIS BEAUTIFUL, INC.

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2015 (WITH COMPARATIVE TOTALS FOR 2014)

	Program Services					2015 Total	2014 Total
	Beautification and Placemaking	Community Forestry	Youth Programming	Management and General	Fundraising		
<b>Labor and Benefits:</b>							
Salaries	\$ 304,285	\$ 163,010	\$ 357,581	\$ 271,682	\$ 217,346	\$ 1,313,904	\$ 1,168,596
Employee benefits	40,155	21,512	17,209	35,851	28,682	143,409	124,358
Payroll taxes and expense	<u>23,321</u>	<u>12,493</u>	<u>30,643</u>	<u>20,822</u>	<u>16,658</u>	<u>103,937</u>	<u>94,698</u>
Total labor and benefits	367,761	197,015	405,433	328,355	262,686	1,561,250	1,387,652
<b>Other Expenses:</b>							
Program supplies	370,563	371,999	128,915	10,526	10,418	892,421	1,158,359
In-kind contributions - program supplies	231,185	4,514	2,495	24,611	29,740	292,545	211,495
Advertising	336	324	324	108	108	1,200	6,253
Building repairs and maintenance	2,837	2,736	2,736	912	912	10,133	10,985
Depreciation	45,999	44,356	44,356	14,787	14,785	164,283	149,131
Dues and subscriptions	420	170	-0-	4,066	330	4,986	5,339
Insurance	7,320	6,182	5,962	5,137	3,157	27,758	23,671
Interest expense	13,472	12,991	12,991	4,330	4,329	48,113	53,631
Meals	9,702	2,567	131	5,457	9,666	27,523	25,050
Miscellaneous	11	-0-	-0-	1,119	4	1,134	2,287
Office expenses	4,249	4,097	4,097	1,364	1,427	15,234	10,529
Postage	710	685	685	228	2,227	4,535	3,871
Printing	776	-0-	-0-	3,153	11,991	15,920	14,247
Seminars	5,342	6,589	1,230	20,655	1,760	35,576	18,649
Loss on disposal of assets	-0-	-0-	-0-	1,197	-0-	1,197	5,880
Telephone	5,322	2,851	2,281	4,752	3,802	19,008	18,623
Travel	4,089	2,576	198	(114)	119	6,868	9,079
Utilities	6,491	6,259	6,259	2,089	2,085	23,183	24,877
Vehicle repairs and maintenance	3,283	3,283	1,641	-0-	-0-	8,207	12,177
Outside services	<u>284,744</u>	<u>22,161</u>	<u>115,768</u>	<u>77,898</u>	<u>14,808</u>	<u>515,379</u>	<u>450,584</u>
Total expenses	<u>\$ 1,364,612</u>	<u>\$ 691,355</u>	<u>\$ 735,502</u>	<u>\$ 510,630</u>	<u>\$ 374,354</u>	<u>\$ 3,676,453</u>	<u>\$ 3,602,369</u>

See accompanying Notes to Financial Statements.

# KEEP INDIANAPOLIS BEAUTIFUL, INC.

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2014

	Program Services			Management and General	Fundraising	2014 Total
	Beautification and Placemaking	Community Forestry	Youth Programming			
<b>Labor and Benefits:</b>						
Salaries	\$ 278,111	\$ 168,853	\$ 254,801	\$ 268,180	\$ 198,651	\$ 1,168,596
Employee benefits	34,820	21,142	9,949	33,575	24,872	124,358
Payroll taxes and expense	<u>21,941</u>	<u>13,322</u>	<u>22,605</u>	<u>21,158</u>	<u>15,672</u>	<u>94,698</u>
Total labor and benefits	334,872	203,317	287,355	322,913	239,195	1,387,652
<b>Other Expenses:</b>						
Program supplies	753,030	277,669	98,471	11,026	18,163	1,158,359
In-kind contributions - program supplies	160,886	-0-	10,112	7,558	32,939	211,495
Advertising	1,877	1,641	1,641	547	547	6,253
Building repairs and maintenance	3,075	2,966	2,966	989	989	10,985
Depreciation	41,757	40,265	40,265	13,422	13,422	149,131
Dues and subscriptions	-0-	1,350	-0-	3,080	909	5,339
Insurance	5,582	5,122	4,886	6,001	2,080	23,671
Interest expense	15,017	14,480	14,480	4,828	4,826	53,631
Meals	8,817	2,628	-0-	4,161	9,444	25,050
Miscellaneous	-0-	207	-0-	1,575	505	2,287
Office expenses	2,869	2,767	2,767	922	1,204	10,529
Postage	645	633	633	211	1,749	3,871
Printing	-0-	-0-	-0-	4,297	9,950	14,247
Seminars	5,116	5,550	1,162	5,701	1,120	18,649
Loss on disposal of assets	-0-	-0-	-0-	5,880	-0-	5,880
Telephone	5,214	3,166	1,490	5,028	3,725	18,623
Travel	5,725	2,463	187	(133)	837	9,079
Utilities	6,966	6,717	6,717	2,239	2,238	24,877
Vehicle repairs and maintenance	4,871	4,870	2,436	-0-	-0-	12,177
Outside services	<u>243,739</u>	<u>36,314</u>	<u>70,101</u>	<u>74,841</u>	<u>25,589</u>	<u>450,584</u>
Total expenses	<u>\$ 1,600,058</u>	<u>\$ 612,125</u>	<u>\$ 545,669</u>	<u>\$ 475,086</u>	<u>\$ 369,431</u>	<u>\$ 3,602,369</u>

See accompanying Notes to Financial Statements.



# KEEP INDIANAPOLIS BEAUTIFUL, INC.

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<b>Cash Flows from Operating Activities:</b>		
Decrease in net assets	\$ (55,850)	\$ (33,083)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	164,283	149,131
Cancellation of pledges receivable	-0-	255,294
Loss on disposal of asset	1,197	5,880
Net realized and unrealized (gains) losses on investments	21,754	(2,244)
Changes in operating assets and liabilities:		
Accounts receivable	(41,904)	21,100
Pledges receivable	(155,593)	(5,694)
Prepaid expenses and other assets	(25,386)	(20,125)
Accounts payable and accrued expenses	<u>60,412</u>	<u>(16,642)</u>
Net cash provided by (used in) operating activities	<u>(31,087)</u>	<u>353,617</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of property and equipment	(163,877)	(442,142)
Proceeds received from sale of investments	647	607
Purchase of investments	<u>(150,470)</u>	<u>(539)</u>
Net cash used in investing activities	<u>(313,700)</u>	<u>(442,074)</u>
<b>Cash Flows from Financing Activities:</b>		
Principal payments on long-term debt	<u>(99,452)</u>	<u>(107,794)</u>
Net decrease in cash and cash equivalents	(444,239)	(196,251)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>1,181,742</u>	<u>1,377,993</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 737,503</u>	<u>\$ 1,181,742</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid for interest	<u>\$ 48,113</u>	<u>\$ 53,631</u>
<b>Non-Cash Investing and Financing Activities</b>		
Equipment purchased under capital lease	<u>\$ 34,597</u>	<u>\$ 36,835</u>

See accompanying Notes to Financial Statements.

# KEEP INDIANAPOLIS BEAUTIFUL, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

### 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 measured by a Level 1 input in accordance with U.S. GAAP. 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, 2015 AND 2014

### 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, 2015 and 2014.

### 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 \$292,545 and \$231,387 for the years ended December 31, 2015 and 2014, 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, 2015 AND 2014

### 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 the exempt purpose of the Organization as required by U.S. GAAP, including consideration of any unrelated business income tax. As of December 31, 2015, 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, 2012.

### Subsequent Events

Subsequent events have been evaluated through April 7, 2016, 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>2015</u>	<u>2014</u>
Less than one year	\$ 112,237	\$ 32,644
One to five years	<u>76,000</u>	<u>-0-</u>
	<u>\$ 188,237</u>	<u>\$ 32,644</u>

# KEEP INDIANAPOLIS BEAUTIFUL, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

### 3. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2015 and 2014 include the following:

	<u>2015</u>	<u>2014</u>
Land	\$ 390,735	\$ 379,829
Building and building improvements	3,037,920	2,996,417
Office furniture and equipment	314,702	315,633
Landscape equipment	143,849	83,199
Vehicles	<u>259,069</u>	<u>183,057</u>
	4,146,275	3,958,135
Less accumulated depreciation	<u>995,987</u>	<u>840,841</u>
	<u>\$ 3,150,288</u>	<u>\$ 3,117,294</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, 2015 and 2014 was \$20,200 and \$20,643, respectively. There were no draws on the pass-through fund during the years ended December 31, 2015 and 2014.

# KEEP INDIANAPOLIS BEAUTIFUL, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

### 5. FAIR VALUE MEASUREMENTS

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.

Assets measured at fair value at December 31, 2015 include the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ 129,209	\$ -0-	\$ -0-	\$ 129,209
Endowment investments	<u>-0-</u>	<u>-0-</u>	<u>40,399</u>	<u>40,399</u>
	<u>\$ 129,209</u>	<u>\$ -0-</u>	<u>\$ 40,399</u>	<u>\$ 169,608</u>

Assets measured at fair value at December 31, 2014 include the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Endowment investments	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 41,539</u>	<u>\$ 41,539</u>

# KEEP INDIANAPOLIS BEAUTIFUL, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

Investments reported as Level 3 assets represents KIB's pro rata interest in the CICF pooled investment funds, which are valued at fair value as reported by CICF and substantially all of which are valued on a market-to-market basis. The net gains (losses) for assets measured at fair value by Level 3 inputs were (\$1,140) and \$2,176 for the years ended December 31, 2015 and 2014, respectively.

### 6. INVESTMENTS

Investments at December 31, 2015 and 2014 include the following:

	<u>2015</u>	<u>2014</u>
Equities	\$ 129,209	\$ -0-
CICF/Endowment	<u>40,399</u>	<u>41,539</u>
	<u>\$ 169,608</u>	<u>\$ 41,539</u>

Interest and investment income (loss) and its classification in the Statements of Activities and Changes in Net Assets for the years ended December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Endowment investment return:		
Interest and dividend income	\$ 356	\$ 539
Net realized gains	1,297	2,244
Net unrealized losses	(2,146)	-0-
Administrative expenses	<u>(647)</u>	<u>(607)</u>
	<u>(1,140)</u>	<u>2,176</u>
Investment return:		
Interest and dividend income	17,737	-0-
Net realized gains	-0-	-0-
Net unrealized losses	(20,905)	-0-
Administrative expenses	<u>-0-</u>	<u>-0-</u>
	<u>(3,168)</u>	<u>-0-</u>
	<u>\$ (4,308)</u>	<u>\$ 2,176</u>

# KEEP INDIANAPOLIS BEAUTIFUL, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

### 7. 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.

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, 2015 and 2014.



# KEEP INDIANAPOLIS BEAUTIFUL, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

### 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.

For the years ending December 31, 2015 and 2014, 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, 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	-0-	11,620	29,919	41,539
Investment return:				
Net appreciation, realized and unrealized	<u>-0-</u>	<u>(1,140)</u>	<u>-0-</u>	<u>(1,140)</u>
Endowment fund December 31, 2015	<u>\$ -0-</u>	<u>\$ 10,480</u>	<u>\$ 29,919</u>	<u>\$ 40,399</u>

# KEEP INDIANAPOLIS BEAUTIFUL, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

### 8. LINE OF CREDIT

KIB has \$250,000 of available borrowings under a line of credit with a bank until August 2016, at which time it is subject to renewal. Borrowings under the facility bear 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, which KIB was in compliance with at December 31, 2015. There were no borrowings on the line of credit at December 31, 2015 and 2014, respectively.

### 9. LONG-TERM DEBT

Long-term debt at December 31, 2015 and 2014 includes the following:

	<u>2015</u>	<u>2014</u>
Note payable to bank in monthly installments of \$5,834 including interest computed at 6.5% through March 2018.	\$ 587,281	\$ 642,160
Note payable to bank in monthly installments of \$1,141 plus interest computed at the bank's prime lending rate (3.50% at December 31, 2015) through March 2018.	199,725	213,421
Equipment under capital leases; bearing interest ranging from 0.0% to 4.0%, payable in monthly installments aggregating \$2,787 including interest expiring at various dates through January 2019, secured by the related assets (Note 10).	<u>62,624</u>	<u>58,904</u>
	<u>\$ 849,630</u>	<u>\$ 914,485</u>

The notes payable to bank are secured by and subject to substantially the same terms as the line of credit (Note 8).

# KEEP INDIANAPOLIS BEAUTIFUL, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

Annual maturities of long-term debt at December 31, 2015 are as follows:

<u>Year Ending December 31,</u>	
2016	\$ 78,984
2017	63,509
2018	706,962
2019	<u>175</u>
	<u>\$ 849,630</u>

### 10. LEASING ARRANGEMENT

#### Capital Leases

KIB leases equipment under the terms of various capital leases. Equipment under capital leases amounted to \$107,478 and \$72,881 less accumulated depreciation of \$32,082 and \$13,213 at December 31, 2015 and 2014, respectively.

Future minimum lease payments due under the terms of the capital lease at December 31, 2015 are as follows:

	<u>Year Ending December 31,</u>	
	2016	\$ 33,262
	2017	15,298
	2018	15,298
	2019	<u>175</u>
Total minimum lease payments		64,033
Amount representing interest		<u>(1,409)</u>
Present value of net minimum lease payments (Note 9)		<u>\$ 62,624</u>

# KEEP INDIANAPOLIS BEAUTIFUL, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

### Rental Income

KIB leases its facilities to a tenant under the terms of a long-term operating lease. Rental income received was \$34,120 and \$35,383 for the years ended December 31, 2015 and 2014, respectively.

Future minimum rental income to be received under the terms of noncancelable operating leases at December 31, 2015 is as follows:

<u>Year Ending</u> <u>December 31,</u>		
2016	\$	35,000
2017		35,000
2018		<u>8,750</u>
	\$	<u>78,750</u>

## 11. 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 \$29,467 and \$23,562 for the years ended December 31, 2015 and 2014, respectively.

## 12. COMMITMENTS AND CONTINGENCIES

KIB enters into a "basic services" professional service agreement annually with the City's Department of Public Works. In 2015 and 2014, 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 2015 and 2014, the contracts provided \$1,000,000 and \$513,000, respectively, for tree planting and maintenance services. The 2015 contract ends December 31, 2017, with two optional one year renewal periods through December 31, 2019. The 2014 contract terminated on December 31, 2014.

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.

# KEEP INDIANAPOLIS BEAUTIFUL, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

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.

In February 2014, KIB entered into an agreement with a nursery for delivery of trees from spring 2014 through fall 2016. The agreement terms are for \$83,017 to be paid in three equal installments. KIB has the right to refuse delivery if the trees are not considered in compliance with the agreement’s specifications.

### 13. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Eli Lilly and Company - Lilly Day of Service	\$ 148,090	\$ 315,143
Lilly Endowment grant	300,000	276,923
Maintenance fund	160,000	-0-
Other grants	67,136	163,440
Endowment fund	10,480	11,620
Reconnecting to Our Waterways	<u>-0-</u>	<u>57,230</u>
Total temporarily restricted net assets	<u>\$ 685,706</u>	<u>\$ 824,356</u>

### 14. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions, due to the satisfaction of donor-imposed restrictions, totaled \$1,050,091 and \$1,261,537 for the years ended December 31, 2015 and 2014, respectively. The assets were used for program expenses and operations as stipulated by the donors.

### 15. RELATED PARTY TRANSACTIONS

KIB paid architectural and expansion project expenses of \$26,536 and \$374,482 for the years ended December 31, 2015 and 2014, respectively, to one company where a board member is employed.

# KEEP INDIANAPOLIS BEAUTIFUL, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

### 16. 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 Revenues

As of and for the year ended December 31, 2015, two (2) customers represented 70% of accounts receivable, four (4) donors represented 96% of pledges receivable and one (1) customer represented 35% of support and revenues.

As of and for the year ended December 31, 2014, two (2) customers represented 72% of accounts receivable, one (1) donor represented 94% of pledges receivable and one (1) contributor and one (1) customer represented 29% of support and revenues.

### 17. SUBSEQUENT EVENT

In 2016, KIB entered into a “basic services” professional service agreement 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.