



FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018



KEEP INDIANAPOLIS BEAUTIFUL, INC.

TABLE OF CONTENTS

DECEMBER 31, 2019 AND 2018

	Page
Independent Auditor's Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 25



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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, 2019 and 2018, 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 audits 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, 2019 and 2018 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.

Emphasis of a Matter – Adoption of a New Standard

As discussed in Note 1 to the financial statements, effective January 1, 2019, Keep Indianapolis Beautiful, Inc. adopted Accounting Standards Update (“ASU”) 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of financial Assets and Liabilities* and ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. Our opinion is not modified with respect to these matters.

Alending CPA Group

September 15, 2020

KEEP INDIANAPOLIS BEAUTIFUL, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 770,323	\$ 1,381,385
Investments	280,719	249,103
Accounts receivable	190,899	145,849
Pledges receivable	88,000	119,700
Grants receivable	5,000	183,649
Prepaid expenses and other assets	<u>2,500</u>	<u>2,500</u>
Total current assets	1,337,441	2,082,186
Pledges Receivable	176,000	304,000
Property and Equipment, Net	2,887,743	3,008,058
Endowment Investments	<u>68,735</u>	<u>60,717</u>
Total assets	<u>\$ 4,469,919</u>	<u>\$ 5,454,961</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Current maturities of long-term debt	\$ 98,432	\$ 72,058
Accounts payable	54,362	84,425
Accrued expenses and other liabilities	<u>20,155</u>	<u>69,519</u>
Total current liabilities	172,949	226,002
Long-Term Debt, Net of Unamortized Debt Fees of \$7,499 and \$8,399	<u>548,187</u>	<u>595,638</u>
Total liabilities	<u>721,136</u>	<u>821,640</u>
Net Assets:		
Without donor restrictions	2,295,354	2,975,394
With donor restrictions	<u>1,453,429</u>	<u>1,657,927</u>
Total net assets	<u>3,748,783</u>	<u>4,633,321</u>
Total liabilities and net assets	<u>\$ 4,469,919</u>	<u>\$ 5,454,961</u>

See accompanying Notes to Financial Statements.

KEEP INDIANAPOLIS BEAUTIFUL, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Changes in Net Assets Without Donor Restrictions		
Public Support and Revenues:		
Contributions	\$ 1,073,523	\$ 1,637,646
In-kind contributions - program supplies	<u>65,147</u>	<u>40,839</u>
Total public support and revenues	<u>1,138,670</u>	<u>1,678,485</u>
Program Revenues:		
Contract revenue	1,939,816	1,849,461
Fees for services	<u>17,672</u>	<u>15,429</u>
Total program revenues	<u>1,957,488</u>	<u>1,864,890</u>
Other Revenues:		
Interest and investment income (loss), net	37,782	(21,261)
Other income, net	<u>57,379</u>	<u>40,702</u>
Total other revenues	<u>95,161</u>	<u>19,441</u>
Net Assets Released from Donor Restrictions	<u>562,902</u>	<u>881,982</u>
Total support and revenues without donor restrictions	<u>3,754,221</u>	<u>4,444,798</u>
Expenses:		
Program services:		
Beautification	1,213,325	1,397,083
Trees and Native Habitats	1,236,548	1,196,482
Engaging Communities	<u>688,114</u>	<u>767,931</u>
Total program services	3,137,987	3,361,496
Supporting services:		
Management and general	862,615	660,251
Fundraising	<u>433,659</u>	<u>443,430</u>
Total operating expenses	<u>4,434,261</u>	<u>4,465,177</u>
Decrease in net assets without donor restrictions	<u>(680,040)</u>	<u>(20,379)</u>
Changes in Net Assets With Donor Restrictions		
Contributions	350,386	1,488,276
Interest and investment income (loss), net	8,018	(2,569)
Net assets released from donor restrictions	<u>(562,902)</u>	<u>(881,982)</u>
Increase (decrease) in net assets with donor restrictions	<u>(204,498)</u>	<u>603,725</u>
Total increase (decrease) in net assets	(884,538)	583,346
Net Assets, Beginning of Year	<u>4,633,321</u>	<u>4,049,975</u>
Net Assets, End of Year	<u>\$ 3,748,783</u>	<u>\$ 4,633,321</u>

See accompanying Notes to Financial Statements.

KEEP INDIANAPOLIS BEAUTIFUL, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

	Program Services			Management and General	Fundraising	2019 Total	2018 Total
	Beautification	Trees and Native Habitats	Engaging Communities				
Labor and Benefits:							
Salaries	\$ 326,540	\$ 287,355	\$ 433,752	\$ 287,356	\$ 222,047	\$ 1,557,050	\$ 1,730,239
Employee benefits	36,887	32,460	20,656	32,460	25,083	147,546	168,271
Payroll taxes and expense	<u>26,723</u>	<u>23,516</u>	<u>32,118</u>	<u>23,517</u>	<u>18,172</u>	<u>124,046</u>	<u>132,547</u>
Total labor and benefits	390,150	343,331	486,526	343,333	265,302	1,828,642	2,031,057
Other Expenses:							
Program supplies	248,362	469,493	90,988	34,768	27,507	871,118	914,773
Outside services	368,770	209,302	3,874	367,203	55,927	1,005,076	900,106
Depreciation	62,540	60,306	60,306	20,103	20,102	223,357	221,537
Bad debt expense	-0-	-0-	-0-	57,849	-0-	57,849	-0-
In-kind contributions - program supplies	55,847	500	300	-0-	8,500	65,147	40,839
Interest expense	9,134	8,808	8,808	2,935	2,936	32,621	36,191
Meals	15,519	838	1,797	3,559	20,360	42,073	23,543
Insurance	10,958	9,643	6,136	9,644	7,451	43,832	38,452
Telephone	7,833	6,893	4,386	6,892	5,326	31,330	31,230
Rent	-0-	52,312	-0-	-0-	-0-	52,312	52,312
Utilities	12,421	11,979	11,977	3,992	3,992	44,361	33,139
Seminars	4,487	1,416	199	4,932	5,273	16,307	21,600
Contract labor	2,403	43,938	-0-	3,280	-0-	49,621	18,156
Office expenses	4,342	4,187	4,187	1,395	1,396	15,507	16,139
Printing	5,037	183	-0-	580	6,602	12,402	22,309
Vehicle repairs and maintenance	9,614	9,614	4,806	-0-	-0-	24,034	13,474
Building repairs and maintenance	2,461	2,373	2,373	790	791	8,788	10,781
(Gain) loss on disposal of assets	-0-	-0-	-0-	(800)	-0-	(800)	188
Postage	460	444	444	148	1,437	2,933	5,071
Travel	1,390	403	947	752	-0-	3,492	8,046
Dues and subscriptions	-0-	525	-0-	2,406	737	3,668	4,209
Advertising	1,597	60	60	2,409	20	4,146	21,811
Miscellaneous	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(3,555)</u>	<u>-0-</u>	<u>(3,555)</u>	<u>214</u>
Total expenses	<u>\$ 1,213,325</u>	<u>\$ 1,236,548</u>	<u>\$ 688,114</u>	<u>\$ 862,615</u>	<u>\$ 433,659</u>	<u>\$ 4,434,261</u>	<u>\$ 4,465,177</u>

See accompanying Notes to Financial Statements.

KEEP INDIANAPOLIS BEAUTIFUL, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2018

	Program Services			Management and General	Fundraising	Total
	Beautification	Trees and Native Habitats	Engaging Communities			
Labor and Benefits:						
Salaries	\$ 365,300	\$ 321,464	\$ 473,609	\$ 321,463	\$ 248,403	\$ 1,730,239
Employee benefits	42,068	37,019	23,557	37,019	28,608	168,271
Payroll taxes and expense	<u>27,835</u>	<u>24,495</u>	<u>36,796</u>	<u>24,496</u>	<u>18,925</u>	<u>132,547</u>
Total labor and benefits	435,203	382,978	533,962	382,978	295,936	2,031,057
Other Expenses:						
Program supplies	309,745	466,169	126,963	8,101	3,795	914,773
Outside services	485,877	173,360	450	180,652	59,767	900,106
Depreciation	62,030	59,815	59,815	19,938	19,939	221,537
In-kind contributions - program supplies	32,985	450	3,559	2,646	1,199	40,839
Interest expense	10,133	9,772	9,772	3,259	3,255	36,191
Meals	5,269	1,786	104	3,696	12,688	23,543
Insurance	9,613	8,459	5,383	8,459	6,538	38,452
Rent	7,808	6,871	4,372	6,871	5,308	31,230
Telephone	-0-	52,312	-0-	-0-	-0-	52,312
Utilities	8,995	9,688	8,673	2,891	2,892	33,139
Seminars	2,672	4,497	1,382	9,204	3,845	21,600
Contract labor	2,160	-0-	-0-	14,527	1,469	18,156
Office expenses	4,206	5,379	3,929	1,278	1,347	16,139
Printing	400	189	166	2,081	19,473	22,309
Vehicle repairs and maintenance	5,390	5,390	2,694	-0-	-0-	13,474
Building repairs and maintenance	3,019	2,911	2,911	969	971	10,781
Loss on disposal of assets	-0-	-0-	-0-	188	-0-	188
Postage	440	424	424	141	3,642	5,071
Travel	2,863	4,189	421	36	537	8,046
Dues and subscriptions	387	521	-0-	2,994	307	4,209
Advertising	7,888	1,322	2,951	9,210	440	21,811
Miscellaneous	-0-	-0-	-0-	132	82	214
Total expenses	<u>\$ 1,397,083</u>	<u>\$ 1,196,482</u>	<u>\$ 767,931</u>	<u>\$ 660,251</u>	<u>\$ 443,430</u>	<u>\$ 4,465,177</u>

See accompanying Notes to Financial Statements.

KEEP INDIANAPOLIS BEAUTIFUL, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ (884,538)	\$ 583,346
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	223,357	221,537
(Gain) loss on disposal of asset	(800)	188
Donated investments	-0-	(4,756)
Net realized and unrealized (gains) losses on investments	(39,902)	32,322
Amortization of debt fees included in interest	900	600
Changes in operating assets and liabilities:		
Accounts receivable	(45,050)	80,913
Pledges receivable	159,700	(296,290)
Grants receivable	178,649	82,202
Prepaid expenses and other assets	-0-	(66)
Accounts payable	(30,063)	11,053
Accrued expenses and other liabilities	(49,364)	(11,517)
Net cash provided by (used in) operating activities	<u>(487,111)</u>	<u>699,532</u>
Cash Flows from Investing Activities:		
Purchases of property and equipment	(37,530)	(124,405)
Proceeds from sale of asset	800	-0-
Proceeds received from sales of investments	2,844	2,647
Purchases of investments	(2,576)	(121,841)
Net cash used in investing activities	<u>(36,462)</u>	<u>(243,599)</u>
Cash Flows from Financing Activities:		
Principal payments on long-term debt	(87,489)	(58,323)
Debt fees	-0-	(8,999)
Net cash used in financing activities	<u>(87,489)</u>	<u>(67,322)</u>
Net increase (decrease) in cash and cash equivalents	(611,062)	388,611
Cash and Cash Equivalents, Beginning of Year	<u>1,381,385</u>	<u>992,774</u>
Cash and Cash Equivalents, End of Year	<u>\$ 770,323</u>	<u>\$ 1,381,385</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	<u>\$ 31,721</u>	<u>\$ 35,591</u>
Non-Cash Investing and Financing Activities		
Vehicles purchased under capital lease	<u>\$ 65,512</u>	<u>\$ -0-</u>

See accompanying Notes to Financial Statements.

KEEP INDIANAPOLIS BEAUTIFUL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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. Through partnerships and strategic alliances with citizens, businesses, and government, each year KIB supports over 800 community projects with nearly 20,000 volunteers to clean up, beautify, and improve their neighborhoods, thereby creating healthier, safer, and more livable community environments. Projects include planting trees and native landscapes, creating community spaces, picking up litter, and engaging students of all ages in nature.

The local affiliates are separate nonprofit entities and/or agencies of local governments that are not controlled by KIB, and therefore, their financial position, changes in net assets, and cash flows are not included in the accompanying financial statements.

The core program activities support KIB mission-related community improvement projects. Descriptions of the programs are as follows:

Programs

Beautification including programs such as Adopt-A-Block, the Great Indy Cleanup, and Indy Art and Seek. These programs encourage neighborhood volunteers to participate in community activities by picking up litter, developing pocket parks, conducting community tree plantings, and creating vibrant greenspace projects throughout the city. Additionally, KIB has been charged with the task to create more than 100 new “art interventions” for both residents and visitors to enjoy and inspire neighborhood residents.

Trees and Native Habitats including Community Forestry, IPL Greenspace, and the Youth Tree Team programs. The goals of these programs are to increase Marion County's tree cover by planting 100,000 large trees and to transform vacant lots and underused spaces into natural, beautiful, and functional pocket parks and greenspaces. These programs are partially supported by the teens and young adults of the City by gainfully employing them over seven weeks in the summer to plant over 3,500 trees.

Engaging Communities programs include GreenKids and Pollinator Count. These programs encourage kids and youth to spend more time in nature, which helps prevent obesity, reduce stress, and build self-esteem, but also help restore focus in the classroom and improve cognitive functions, social skills, leadership, and collaboration.

KEEP INDIANAPOLIS BEAUTIFUL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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

Basis of Presentation

Net assets, revenue, support, and expenses are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are available to support the general operations of KIB. Net assets with donor restrictions are net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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 fair value of investments, accounts receivable, pledges receivable and grants receivable, and the classification of functional expenses.

Cash and Cash Equivalents

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

Investments

KIB's marketable equity securities consist primarily of money market funds and commercial paper classified as cash equivalents, corporate equities, and mutual funds that are traded or listed on national exchanges.

KIB measures these equity investments at fair value and recognizes any changes in earnings. Quoted market prices are used to determine the fair value of equity securities with readily determinable fair values. For equity securities without readily determinable fair values, these investments are measured at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. Management assesses each of these investments on an individual basis.

KEEP INDIANAPOLIS BEAUTIFUL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Revenue Recognition and Accounts Receivable, Pledges Receivable and Grants Receivable

Pledges and contributions are recognized when the donor makes an unconditional promise to give to KIB either in writing or verbally. Revenues are reported as without donor restrictions or as with donor restrictions. All contributions are considered to be available without restrictions unless the donor stipulates specific limitations as to the use of the gift, pledge or contribution, including passage of time or other terms limiting its uses. Donor-imposed restrictions are released from restriction and transferred to net assets without donor restrictions in the reporting period the restriction is satisfied or expires. KIB reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions are met in the same reporting period in which the support and program revenue is recognized.

Contract revenues relate to fee-for-service arrangements. Under these contracts, KIB receives fees based on specific services rendered. Contract services are recognized on a monthly basis as services are performed over the course of the period specified in the contract. Contract revenues billed in advance are recorded as deferred revenue and recognized as support and revenue over the life of the contract on a straight-line basis or based on actual usage. Deferred revenue of \$-0- and \$25,520 was recorded in accrued expenses and other liabilities as of December 31, 2019 and 2018, respectively, in the Statements of Financial Position.

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, 2019 and 2018.

Property and Equipment and Depreciation

Purchased property and equipment are recorded at cost. Items donated are recorded at fair market value as of the date donated. 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 \$65,147 and \$40,839 for the years ended December 31, 2019 and 2018, 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.

KEEP INDIANAPOLIS BEAUTIFUL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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.

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, 2019, 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, 2016.

Change in Accounting Principles

In January 2016, FASB issued ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10), Recognition and Measurement of Financial Assets and Financial Liabilities*, which requires KIB to recognize all unrealized gains and losses in equity investments with readily determinable fair values in current period earnings. There was no material impact of this adoption as KIB had been recognizing the unrealized gains and losses on investments in earnings instead of as a component of comprehensive income or loss.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. This ASU was issued to clarify accounting guidance for contributions received and made. The amendments to this ASU assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

The financial statements reflect the application of ASU 2016-01 and ASU 2018-08 beginning January 1, 2019. The new guidance does not require prior period results to be restated. The implementation of these standards does not significantly impact KIB's financial statements.

KEEP INDIANAPOLIS BEAUTIFUL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which establishes a comprehensive revenue recognition standard for virtually all industries in U.S. GAAP, including those that previously followed industry-specific guidance. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which deferred the effective date for one year. This ASU will be effective for KIB for the year ended December 31, 2020. KIB is currently evaluating the effect the provisions of ASU 2014-09 will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. A lessee will recognize lease assets and liabilities on the statement of financial position for all leasing arrangements with terms longer than twelve (12) months. Lessor accounting remains largely consistent with existing U.S. GAAP. The new guidance takes effect for calendar periods beginning after December 15, 2021 or as of January 1, 2022, due to above noted deferred adoption date, for all non-public entities. KIB does not anticipate that the adoption of this update will have a material effect on the financial statements.

Reclassification

Certain amounts on the 2018 financial statements have been reclassified to conform to the current year presentation.

Subsequent Events

Subsequent events have been evaluated through September 15, 2020, which is the date the financial statements were available for issuance (Note 17).

KEEP INDIANAPOLIS BEAUTIFUL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

2. LIQUIDITY AND AVAILABILITY

At December 31, 2019 and 2018, financial assets available for future general expenditures within one year from the Statements of Financial Position comprise the following:

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and cash equivalents	\$ 770,323	\$ 1,381,385
Investments	280,719	249,103
Accounts receivable	190,899	145,849
Pledges receivable	264,000	423,700
Grants receivable	5,000	183,649
Endowment investments	<u>68,735</u>	<u>60,717</u>
	<u>1,579,676</u>	<u>2,444,403</u>
Less amounts not available to be used for general expenditures within one year:		
Donor restricted funds	<u>(1,453,429)</u>	<u>(1,657,927)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 126,247</u>	<u>\$ 786,476</u>

KIB is partially supported by contributions with donor restrictions. Donor restrictions require resources to be used in a particular manner or in a future period. KIB must maintain sufficient resources to meet those responsibilities to its donors. Financial assets may not be available for general expenditure within one year. As part of KIB's liquidity management, its practice is to structure financial assets to be available for its general expenditures, liabilities, and other obligations as they come due.

Investment income from the donor restricted endowment is classified within donor restricted net assets until appropriated for expenditure in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act ("UPMIFA").

KIB maintains adequate liquid assets to fund near-term operating needs and maintains sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. In the event of an unanticipated liquidity need, KIB has available borrowings of \$250,000 on the line of credit (Note 9).

KEEP INDIANAPOLIS BEAUTIFUL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

3. PLEDGES AND GRANTS 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 future years are recorded at their net present value.

	<u>2019</u>	<u>2018</u>
Less than one year	\$ 93,000	\$ 303,349
One to five years	<u>176,000</u>	<u>304,000</u>
	<u>\$ 269,000</u>	<u>\$ 607,349</u>

4. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2019 and 2018 include the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 425,685	\$ 425,685
Building and building improvements	3,091,473	3,091,473
Office furniture and equipment	469,772	469,772
Vehicles and trailers	<u>632,963</u>	<u>560,247</u>
	4,619,893	4,547,177
Less accumulated depreciation	<u>1,732,150</u>	<u>1,539,119</u>
	<u>\$ 2,887,743</u>	<u>\$ 3,008,058</u>

5. INVESTMENTS

Investments at December 31, 2019 include the following:

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Mutual Funds:				
Equities	\$ 164,945	\$ -0-	\$ 3,072	\$ 161,873
Bonds	109,917	5,836	-0-	115,753
Exchange Traded Funds	2,947	146	-0-	3,093
CICF	<u>55,702</u>	<u>13,033</u>	<u>-0-</u>	<u>68,735</u>
	<u>\$ 333,511</u>	<u>\$ 19,015</u>	<u>\$ 3,072</u>	<u>\$ 349,454</u>

KEEP INDIANAPOLIS BEAUTIFUL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Investments at December 31, 2018 include the following:

	<u>Cost</u>	<u>Market</u>
Mutual Funds:		
Equities	\$ 164,945	\$ 136,595
Bonds	109,917	109,849
Exchange Traded Funds	2,947	2,659
CICF	51,904	60,717
	<u>\$ 329,713</u>	<u>\$ 309,820</u>

Interest and investment income (loss) and its classification in the Statements of Activities and Changes in Net Assets for the year ended December 31, 2018 are as follows:

Endowment investment return:	
Interest and dividend income	\$ 420
Net realized gains	569
Net unrealized gains (losses)	(2,583)
Administrative expenses	<u>(975)</u>
	<u>(2,569)</u>
Investment return:	
Interest and dividend income	10,719
Net realized gains (losses)	(5,399)
Net unrealized gains (losses)	(24,909)
Administrative expenses	<u>(1,672)</u>
	<u>(21,261)</u>
	<u>\$ (23,830)</u>

6. 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:

KEEP INDIANAPOLIS BEAUTIFUL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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.

The asset's and liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodology used for KIB's investments measured at fair value as of December 31, 2019 and 2018. There has been no change in methodology used at December 31, 2019 and 2018:

Mutual Funds: Values at the daily closing price as reported by the fund. Mutual funds held by KIB are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The mutual funds held by KIB are deemed to be actively traded.

Exchange Traded Funds: Valued at the daily closing price as reported by the fund. Exchange traded funds are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV; however, the funds trade on stock exchanges throughout the day, thus the transaction price could differ from NAV.

CICF: Represents KIB's pro rata interest in the Central Indiana Community Foundation ("CICF") administered pooled investment funds. The individual investments within the pool are valued separately by the investment managers, and KIB's pro rata interest is report by CICF.

KEEP INDIANAPOLIS BEAUTIFUL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Assets measured at fair value on a recurring basis at December 31, 2019 include the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds:				
Equities	\$ 161,873	\$ -0-	\$ -0-	\$ 161,873
Bonds	115,753	-0-	-0-	115,753
Exchange Traded Funds	3,093	-0-	-0-	3,093
CICF	<u>-0-</u>	<u>-0-</u>	<u>68,735</u>	<u>68,735</u>
	<u>\$ 280,719</u>	<u>\$ -0-</u>	<u>\$ 68,735</u>	<u>\$ 349,454</u>

Assets measured at fair value on a recurring basis at December 31, 2018 include the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds:				
Equities	\$ 136,595	\$ -0-	\$ -0-	\$ 136,595
Bonds	109,849	-0-	-0-	109,849
Exchange Traded Funds	2,659	-0-	-0-	2,659
CICF	<u>-0-</u>	<u>-0-</u>	<u>60,717</u>	<u>60,717</u>
	<u>\$ 249,103</u>	<u>\$ -0-</u>	<u>\$ 60,717</u>	<u>\$ 309,820</u>

KIB's accounting policy is to recognize transfers between levels as of the date the event or change in circumstances that caused the transfer. There were no transfers during 2019 and KIB transferred \$4,756 of assets measured using Level 1 inputs into assets measured using Level 3 inputs during the year ending December 31, 2018.

7. ENDOWMENT FUNDS

KIB's donor-designated endowment was 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 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 held in perpetuity (a) the original value of gifts donated to the endowment; and (b) the original value of subsequent gifts to the endowment.

The remaining portion of the donor-restricted endowment fund that is held in perpetuity is classified as net assets with donor restrictions 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, 2019 AND 2018

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; and
- The investment policies of KIB.

Funds with Deficiencies

From time to time, donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). KIB has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required by law. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were no material deficiencies as of December 31, 2019 and 2018.

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, 2019 AND 2018

For the years ending December 31, 2019 and 2018, KIB had the following endowment fund related activities:

	<u>2019</u>	<u>2018</u>
Historic gift value	\$ 44,675	\$ 39,919
Accumulated earnings	<u>16,042</u>	<u>18,611</u>
Endowment net assets, beginning of year	<u>60,717</u>	<u>58,530</u>
Additions to endowment	-0-	4,756
Realized gains	4,066	569
Unrealized gains (losses)	4,220	(2,583)
Investment fees, net of dividends and interest	<u>(268)</u>	<u>(555)</u>
Change in endowment net assets	<u>8,018</u>	<u>2,187</u>
Endowment net assets, end of year	<u>\$ 68,735</u>	<u>\$ 60,717</u>
Historic gift value	44,675	44,675
Accumulated earnings	<u>24,060</u>	<u>16,042</u>
Endowment net assets, end of year	<u>\$ 68,735</u>	<u>\$ 60,717</u>

8. DEBT FEES

During 2018, KIB incurred \$8,999 in debt fees related to the note payable to a bank (Note 10). In accordance with U.S. GAAP, KIB classifies debt issuance costs as a liability and is netted against the related debt for which the debt issuance costs were incurred. The amortization of the debt issuance cost is being amortized over the life of the loan and is classified as interest expense on the Statements of Activities and Changes in Net Assets. Amortization expense was \$900 and \$600 for the years ended December 31, 2019 and 2018, respectively. At December 31, 2019 and 2018, unamortized debt fees of \$7,499 and \$8,399, respectively, are netted against long-term debt on the Statements of Financial Position.

9. LINE OF CREDIT

KIB has \$250,000 of available borrowings under a line of credit with a bank until May 2021, at which time it is subject to renewal. Borrowings under the facility bear interest at the bank's prime lending rate (4.75% at December 31, 2019). The line of credit is secured by substantially all assets of KIB. There were no borrowings on the line of credit at December 31, 2019 and 2018, respectively.

KEEP INDIANAPOLIS BEAUTIFUL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

10. LONG-TERM DEBT

Long-term debt at December 31, 2019 and 2018 includes the following:

	<u>2019</u>	<u>2018</u>
Note payable to bank; bearing interest at 4.862%, payable in monthly installments of \$6,905 including interest through May 2028.	\$ 569,791	\$ 623,127
Equipment under capital leases; bearing interest ranging from 0.0% to 4.0%, payable in monthly installments aggregating \$3,714 including interest expiring at various dates through May 2022, secured by the related assets (Note 11).	<u>84,327</u>	<u>52,968</u>
	654,118	676,095
Less current maturities	<u>98,432</u>	<u>72,058</u>
	555,686	604,037
Unamortized debt fees	<u>(7,499)</u>	<u>(8,399)</u>
	<u>\$ 548,187</u>	<u>\$ 595,638</u>

The note payable to bank is secured by and subject to substantially the same terms as the line of credit (Note 9).

Annual maturities of long-term debt at December 31, 2019 are as follows:

Year Ending <u>December 31,</u>			
2020	\$	98,432	
2021		92,581	
2022		69,934	
2023		64,935	
2024		68,165	
Thereafter		<u>260,071</u>	
		<u>\$ 654,118</u>	

KEEP INDIANAPOLIS BEAUTIFUL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

11. LEASING ARRANGEMENTS

Capital Leases

KIB leases equipment under the terms of various capital leases (Note 10). Equipment under capital leases amounted to \$154,031 and \$136,768 less accumulated depreciation of \$79,568 and \$67,010 at December 31, 2019 and 2018, respectively.

Future minimum lease payments due under the terms of the capital lease at December 31, 2019 are as follows:

	Year Ending <u>December 31,</u>	
	2020	\$ 44,565
	2021	34,618
	2022	<u>7,615</u>
Total minimum lease payments		86,798
Amount representing interest		<u>(2,471)</u>
Present value of net minimum lease payments		<u>\$ 84,327</u>

Operating Lease

KIB leases office space under the terms of an operating lease requiring monthly payments ranging from \$2,312 to \$4,906 through May 2023. For the years ended December 31, 2019 and 2018, total rent expense was \$52,312.

Future minimum lease payments due under the terms of the operating lease at December 31, 2019 are as follows:

	Year Ending <u>December 31,</u>	
	2020	\$ 43,394
	2021	56,751
	2022	58,446
	2023	<u>14,718</u>
		<u>\$ 173,309</u>

KEEP INDIANAPOLIS BEAUTIFUL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Rental Income

KIB leases its facilities to a tenant under the terms of an operating lease. Rental income received was \$36,922 and \$35,786 for the years ended December 31, 2019 and 2018, respectively.

Effective March 2020, KIB no longer leased its facilities to a tenant. Future minimum rental income to be received in the year ended December 31, 2020 is \$9,275.

12. 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 KIB 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 contributions were \$31,367 and \$41,401 for the years ended December 31, 2019 and 2018, respectively.

13. COMMITMENTS AND CONTINGENCIES

In 2013, KIB entered into a Master Operations and Maintenance Agreement with Citizens Energy Group for tree planting and maintenance. The agreement provides \$177,377, for green infrastructure maintenance, and terminated on December 31, 2019. An additional agreement provides \$4,988,465, for tree planting and care, terminating December 31, 2027. As of December 31, 2019, KIB has earned \$2,204,631 and has a remaining balance of \$2,961,211 to be earned in future periods from these agreements.

In 2019, KIB entered into a "basic services", tree planting and maintenance professional service agreement with the City's Department of Public Works from January 1, 2020 through December 31, 2022. The agreement provides \$4,751,706 for adopt-a-block, neighborhood cleanups, neighborhood placemaking, tree planning and maintenance, tree purchasing, public awareness and education, youth tree team and public gateway monitoring and maintenance as cost-reimbursement received on a monthly basis.

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, 2019 AND 2018

14. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
I-70 Project	\$ 458,735	\$ 521,735
Indy Art and Seek	532,459	674,520
White River Habitat Restoration	62,500	235,692
Pocket Park Sustainability fund	26,000	77,700
Greenspace and Pocket Park support	5,000	62,500
Technology upgrade	-0-	25,063
	<u>1,084,694</u>	<u>1,597,210</u>
Subject to passage of time:		
Time restricted for future years	<u>300,000</u>	<u>-0-</u>
Endowment:		
Held in perpetuity	44,675	44,675
Endowment earnings	<u>24,060</u>	<u>16,042</u>
	<u>68,735</u>	<u>60,717</u>
 Total net assets with donor restrictions	 <u>\$ 1,453,429</u>	 <u>\$ 1,657,927</u>

Net assets released from donor restrictions, due to the satisfaction of donor-imposed restrictions, totaled \$562,902 and \$881,982 for the years ended December 31, 2019 and 2018, respectively. The assets were used for program expenses and operations as stipulated by the donors.

15. RELATED PARTY TRANSACTIONS

For the years ended December 31, 2019 and 2018, total contributions of \$37,386 and \$42,689, respectively, were received from Members of KIB's Board of Directors.

KIB paid architectural and expansion project expenses and program supplies of \$9,635 to two (2) companies for the year ended December 31, 2018 where Board Members are employed.

KEEP INDIANAPOLIS BEAUTIFUL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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, Grants Receivable, and Support and Revenues

As of and for the year ended December 31, 2019, three (3) customers represented 72% of accounts receivable, two (2) donors represented 89% of pledges receivable, and one (1) grantor represented 100% of grants receivable.

As of and for the year ended December 31, 2018, three (3) customers represented 84% of accounts receivable, two (2) donors represented 74% of pledges receivable, three (3) grantors represented 97% of grants receivable and one (1) grantor represented 20% of support and revenues.

17. SUBSEQUENT EVENTS

COVID-19

On March 11, 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic. The effects of COVID-19 will likely adversely impact local, national and global economies. The extent to which COVID-19 impacts KIB's operations is dependent on the breadth and duration of the pandemic and could be affected by other factors Management is not currently able to predict. Potential impacts could include, but are not limited to, reduced contributions and grants and shortages of personnel.

Paycheck Protection Program

Effective April 30, 2020, KIB borrowed \$324,000 from a bank under the U.S. Small Business Administration's Paycheck Protection Program ("PPP"). Under the terms of the program, a portion of the loan may be forgiven based on KIB's number of employees and actual expenditures during a period up to twenty-four weeks following the funding of the loan. To the extent the loan amount is not forgiven under the PPP, KIB must make equal monthly payments of principal and interest beginning six months from the date of the note through the maturity date, which is two years from the date of the note. This note may be prepaid in part or in whole at any time without penalty. Terms of the PPP agreement are subject to change. Management anticipates that the \$324,000 borrowed under the PPP will be forgiven in full during 2020. This transaction is not reflected in the accompanying financial statements.

KEEP INDIANAPOLIS BEAUTIFUL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Economic Injury Disaster Loan

Effective June 12, 2020, KIB borrowed \$150,000 from a bank under the U.S. Small Business Administration's Economic Injury Disaster Loan ("EIDL"). Under the terms of the loan, KIB must make equal monthly payments of principal and interest beginning twelve months from the date of the note through the maturity date, which is thirty (30) years from the date of the note. This note may be prepaid in part or in whole at any time without penalty. Terms of the EIDL agreement are subject to change. This transaction is not reflected in the accompanying financial statements.