

**KEEP INDIANAPOLIS BEAUTIFUL, INC.**

FINANCIAL STATEMENTS  
Together with Independent Auditors' Report

For the Years Ended December 31, 2021 and 2020



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## *Independent Auditors' Report*

To the Board of Directors  
Keep Indianapolis Beautiful, Inc.

### **Report on the Financial Statements**

#### *Opinion*

We have audited the financial statements of Keep Indianapolis Beautiful, Inc., which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, and the change in its net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Keep Indianapolis Beautiful, Inc. and to meet other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Other Matter*

The financial statements of Keep Indianapolis Beautiful, Inc. as of and for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those statements on July 13, 2021.

### **Responsibilities of Management 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.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events considered in the aggregate, that raise substantial doubt about Keep Indianapolis Beautiful, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Keep Indianapolis Beautiful, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Keep Indianapolis Beautiful, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

DONOVAN



Indianapolis, Indiana  
June 22, 2022

**KEEP INDIANAPOLIS BEAUTIFUL, INC.****STATEMENTS OF FINANCIAL POSITION**

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,106,149	\$ 765,280
Accounts receivable	432,980	508,680
Employee retention credit receivable	320,218	-
Pledges receivable	113,000	98,000
Grants receivable	25,000	75,000
Investments	369,027	311,527
Prepaid expenses	7,064	1,500
<i>Total current assets</i>	<u>2,373,438</u>	<u>1,759,987</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>2,565,269</u>	<u>2,729,775</u>
<b>OTHER ASSETS</b>		
Pledges receivable	-	88,000
Endowment investments	95,800	75,314
Security deposit	1,000	1,000
<i>Total other assets</i>	<u>96,800</u>	<u>164,314</u>
<b>TOTAL ASSETS</b>	<u>\$ 5,035,507</u>	<u>\$ 4,654,076</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current maturities of notes payable	\$ 76,649	\$ 58,234
Current portion of capital lease obligations	7,959	33,666
Accounts payable	21,549	12,263
Accrued expenses and other liabilities	91,369	59,417
<i>Total current liabilities</i>	<u>197,526</u>	<u>163,580</u>
<b>LONG-TERM LIABILITIES</b>		
Notes payable, net of current portion and unamortized debt issuance costs	463,560	618,122
Capital lease obligations, net of current portion	20,544	8,181
<i>Total long-term liabilities</i>	<u>484,104</u>	<u>626,303</u>
<b>TOTAL LIABILITIES</b>	<u>681,630</u>	<u>789,883</u>
<b>NET ASSETS</b>		
Without donor restrictions	3,669,959	2,644,716
With donor restrictions	683,918	1,219,477
<i>Total net assets</i>	<u>4,353,877</u>	<u>3,864,193</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 5,035,507</u>	<u>\$ 4,654,076</u>

See independent auditors' report and accompanying notes to the financial statements

**KEEP INDIANAPOLIS BEAUTIFUL, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**For the Years Ended December 31, 2021 and 2020**

	2021			2020		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>						
Fees for service	\$ 2,349,571	\$ -	\$ 2,349,571	\$ 2,285,827	\$ -	\$ 2,285,827
Grants and contributions	1,088,655	325,000	1,413,655	751,799	525,000	1,276,799
Investment income, net	27,825	20,486	48,311	26,118	6,579	32,697
In-kind contributions	4,220	-	4,220	30,530	-	30,530
Miscellaneous income	34,771	-	34,771	78,799	-	78,799
Net assets released from restrictions	881,045	(881,045)	-	765,531	(765,531)	-
<i>Total revenue and support</i>	<u>4,386,087</u>	<u>(535,559)</u>	<u>3,850,528</u>	<u>3,938,604</u>	<u>(233,952)</u>	<u>3,704,652</u>
<b>EXPENSES</b>						
Program services	2,940,006	-	2,940,006	2,641,633	-	2,641,633
Management and general	724,935	-	724,935	638,190	-	638,190
Fundraising	362,468	-	362,468	633,419	-	633,419
<i>Total expenses</i>	<u>4,027,409</u>	<u>-</u>	<u>4,027,409</u>	<u>3,913,242</u>	<u>-</u>	<u>3,913,242</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<u>358,678</u>	<u>(535,559)</u>	<u>(176,881)</u>	<u>25,362</u>	<u>(233,952)</u>	<u>(208,590)</u>
<b>CARES ACT INCOME</b>						
Paycheck Protection Program contribution income	346,347	-	346,347	324,000	-	324,000
Employee retention credit	320,218	-	320,218	-	-	-
<i>Total other income</i>	<u>666,565</u>	<u>-</u>	<u>666,565</u>	<u>324,000</u>	<u>-</u>	<u>324,000</u>
<b>CHANGE IN NET ASSETS</b>	1,025,243	(535,559)	489,684	349,362	(233,952)	115,410
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>2,644,716</u>	<u>1,219,477</u>	<u>3,864,193</u>	<u>2,295,354</u>	<u>1,453,429</u>	<u>3,748,783</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 3,669,959</u>	<u>\$ 683,918</u>	<u>\$ 4,353,877</u>	<u>\$ 2,644,716</u>	<u>\$ 1,219,477</u>	<u>\$ 3,864,193</u>

See independent auditors' report and accompanying notes to the financial statements

**KEEP INDIANAPOLIS BEAUTIFUL, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**For the Years Ended December 31, 2021 and 2020**

	<u>2021</u>				<u>2020</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 1,111,989	\$ 274,189	\$ 137,095	\$ 1,523,273	\$ 953,555	\$ 293,869	\$ 293,871	\$ 1,541,295
Program supplies	617,221	152,191	76,096	845,508	475,897	91,197	6,982	574,076
Outside services	612,638	151,062	75,531	839,231	705,192	99,855	176,276	981,323
Depreciation	137,390	33,877	16,938	188,205	120,510	43,633	43,633	207,776
Employee benefits	103,184	25,443	12,721	141,348	89,618	32,449	32,449	154,516
Payroll taxes	80,726	19,905	9,952	110,583	83,953	26,288	26,287	136,528
Rent	41,425	10,214	5,107	56,746	47,071	-	-	47,071
Insurance	32,725	8,069	4,035	44,829	23,046	8,344	8,344	39,734
Telephone	28,861	7,116	3,558	39,535	25,248	9,141	9,141	43,530
Utilities	27,690	6,828	3,414	37,932	24,379	5,413	5,413	35,205
Interest expense	20,452	5,043	2,522	28,017	7,773	2,815	2,815	13,403
Vehicle repairs and maintenance	18,334	4,521	2,260	25,115	26,741	-	-	26,741
Seminars	17,233	4,249	2,125	23,607	1,000	641	5,797	7,438
Meals	16,927	4,174	2,087	23,188	15,291	1,246	695	17,232
Advertising	16,227	4,001	2,001	22,229	1,177	17,076	-	18,253
Office expenses	10,802	2,664	1,332	14,798	1,970	710	713	3,393
Printing	8,513	2,099	1,050	11,662	781	283	13,681	14,745
Dues and subscriptions	7,326	1,806	903	10,035	642	2,391	3,708	6,741
Building repairs and maintenance	7,116	1,755	877	9,748	5,152	1,864	1,865	8,881
Contract labor	6,082	1,500	750	8,332	-	-	-	-
Loss on disposal of assets	4,792	1,182	591	6,565	-	-	-	-
In-kind contributions	3,080	760	380	4,220	30,530	-	-	30,530
Miscellaneous	9,273	2,287	1,143	12,703	2,107	975	1,749	4,831
<i>Total functional expenses</i>	<u>\$ 2,940,006</u>	<u>\$ 724,935</u>	<u>\$ 362,468</u>	<u>\$ 4,027,409</u>	<u>\$ 2,641,633</u>	<u>\$ 638,190</u>	<u>\$ 633,419</u>	<u>\$ 3,913,242</u>

See independent auditors' report and accompanying notes to the financial statements

# KEEP INDIANAPOLIS BEAUTIFUL, INC.

## STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 489,684	\$ 115,410
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	188,205	207,776
Loss on disposal of assets	6,565	-
Net realized and unrealized gains on investments	(48,273)	(22,770)
Amortization of debt issuance costs included in interest	900	900
Changes in certain assets and liabilities:		
Accounts receivable	75,700	(317,781)
Employee retention credit receivable	(320,218)	-
Pledges receivable	73,000	78,000
Grants receivable	50,000	(70,000)
Prepaid expenses	(5,564)	-
Accounts payable	9,286	(42,099)
Accrued expenses and other liabilities	31,952	39,262
<i>Net cash provided by (used in) operating activities</i>	<u>551,237</u>	<u>(11,302)</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(4,584)	(49,808)
Purchases of investments, net of sales	<u>(29,713)</u>	<u>(14,617)</u>
<i>Net cash used in investing activities</i>	<u>(34,297)</u>	<u>(64,425)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from note payable	-	150,000
Principal repayment of notes payable	(137,047)	(79,316)
Payments on capital lease obligations	<u>(39,024)</u>	<u>-</u>
<i>Net cash provided by (used in) investing activities</i>	<u>(176,071)</u>	<u>70,684</u>
<b>NET CHANGE IN CASH</b>	340,869	(5,043)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>765,280</u>	<u>770,323</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 1,106,149</u>	<u>\$ 765,280</u>
<b>SUPPLEMENTAL DISCLOSURE</b>		
Cash paid for interest	\$ 27,117	\$ 12,503

See independent auditors' report and accompanying notes to the financial statements



**KEEP INDIANAPOLIS BEAUTIFUL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2021 and 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Operations – Keep Indianapolis Beautiful, Inc. (“KIB”) is a not-for-profit organization located in Indianapolis, Indiana (the “City”). KIB was founded in 1976 and 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 hundreds of community projects, with thousands of citizens providing numerous hours 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.

Core program activities support KIB’s mission-related community improvement projects. Descriptions of the programs are as follows:

*Beautification* included 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* includes 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 30,000 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.

*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, and also helps restore focus in the classroom and improve cognitive functions, social skills, leadership, and collaboration.

Financial Statement Presentation – KIB reports its financial position and activities according to two classes of net assets:

- Net assets without donor restrictions, which include unrestricted resources that are available for the operating objectives of KIB; and
- Net assets with donor restrictions, which represent resources restricted by donors for specific time periods or purposes.

Basis of Accounting and Use of Estimates – The financial statements of KIB have been prepared on the accrual basis of accounting in accordance with Accounting Principles Generally Accepted in the United States of America (“U.S. GAAP”), which requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents – KIB considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**KEEP INDIANAPOLIS BEAUTIFUL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2021 and 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Accounts, Grants, and Pledges Receivable – Accounts, grants, and pledges receivable are reported at the amount invoiced or the amount pledged, net of an allowance for doubtful accounts. KIB periodically evaluates its receivables 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, 2021 and 2020.

Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values on the statements of financial position. Unrealized gains and losses are included in the change in net assets.

Property and Equipment – Purchases of assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Items donated are recorded at fair market value as of the date donated. Routine maintenance and repairs and minor replacement costs are charged to expense as incurred. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated lives for property and equipment range from three to forty years.

Donated Services – Companies and volunteers donated significant supplies and assets for program activities at an estimated fair value of \$4,220 and \$30,530 for the years ended December 31, 2021 and 2020, 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.

Advertising – KIB incurred \$22,229 and \$18,253 in advertising expense during the years ended December 31, 2021 and 2020, respectively. These costs were expensed when incurred.

Taxes on Income – KIB has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization. Accordingly, no provision has been made for Federal or state income taxes.

Professional accounting standards require KIB to recognize a tax liability only if it is more likely than not the tax position would be sustained in the event of a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized upon examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. KIB has examined this issue and has determined there are no material contingent tax liabilities or questionable tax positions. Tax years ending after December 31, 2017 are open to audit for both federal and state purposes.

Subsequent Events – Subsequent events have been evaluated through June 22, 2022, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

**KEEP INDIANAPOLIS BEAUTIFUL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2021 and 2020**

**NOTE 2 - REVENUE RECOGNITION**

Revenue Recognition Policy – Pledges and contributions are recognized when the donor makes an unconditional promise to give to KIB either in writing or verbally. Revenues are reported with or without 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. Incidental items that are immaterial in the context of the contract are recognized as expense. KIB does not have any significant financing components as payment is received at or shortly after the service is performed and billed. Costs incurred to obtain the contract are expensed as incurred.

Disaggregation of Revenue – Revenue is disaggregated by category on the statements of activities and change in net assets.

Performance Obligations – Contributions with and without donor restrictions are not considered exchange transactions and therefore are excluded from the requirements of ASU 2014-09. Grant revenue is recognized as the performance obligations under the grants are met, generally as allowable expenses are incurred and applied. Contract revenue is recognized at the point in time when the contract performance obligations are satisfied as services are performed under the fee-for-service arrangements.

Variable Consideration – The nature of KIB’s business and customer contracts does not give rise to significant variables of the total amount of the contract price. Variable consideration is estimated at the most likely price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration are calculated based upon historical experience and known trends.

The primary variable consideration for all contracts KIB enters is the potential for allowances that generally decrease the transaction price which reduces revenue. Although contract consideration adjustments historically have been insignificant, variable amounts are generally credits to the customer through billing adjustments.

**KEEP INDIANAPOLIS BEAUTIFUL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2021 and 2020**

**NOTE 3 - PAYCHECK PROTECTION PROGRAM**

In April 2020 and March 2021, KIB received loan proceeds in the amount of \$324,000 and \$346,347, respectively, under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), provides for loans to qualifying not-for-profits for amounts up to 2.5 times the average monthly payroll expenses of the qualifying entity. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the program.

KIB has adopted FASB ASC 958-605-55 and, accordingly, the PPP proceeds were recognized and treated as conditional contributions. KIB determined as of both December 31, 2021 and 2020 that all conditions for forgiveness of the loans had been met. Since the conditional contribution terms were met in the same periods the contributions were received, KIB has recognized the contributions in the statements of activities and change in net assets as an increase in net assets without donor restrictions.

KIB received notification that both PPP loans were forgiven in full and has recorded PPP contribution income during the years in which the funds were received and expended for approved purposes, both 2021 and 2020.

**NOTE 4 - EMPLOYEE RETENTION CREDITS**

The CARES Act also includes a provision for the Employee Retention Credit (“ERC”) program. The ERC is a refundable tax credit for employers equal to 50 percent of qualified wages in 2020 that were paid after March 12, 2020. For 2021, the ERC program provides a credit of up to 70% of the first \$10,000 of qualifying wages paid to employees during the period January 1, 2021 through September 30, 2021. The amount of the credit claimed by KIB during the year ended December 31, 2021 was \$320,218, which covers all applicable periods in 2020 and 2021. ERC revenue and receivables have been recorded as of and for the year ended December 31, 2021.

**NOTE 5 - PLEDGES AND GRANTS RECEIVABLE**

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

The schedule below presents pledges and grants receivable based on anticipated date of collection as of December 31:

	<u>2021</u>	<u>2020</u>
Less than one year	\$ 138,000	\$ 173,000
One to five years	-	88,000
	<u>\$ 138,000</u>	<u>\$ 261,000</u>

**KEEP INDIANAPOLIS BEAUTIFUL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2021 and 2020**

**NOTE 6 - PROPERTY AND EQUIPMENT**

Property and equipment included the following as of December 31:

	<u>2021</u>	<u>2020</u>
Land	\$ 425,685	\$ 425,685
Building and building improvements	3,182,274	3,093,223
Office furniture and equipment	430,258	476,178
Vehicles and trailers	464,489	674,615
	<u>4,502,706</u>	<u>4,669,701</u>
Less accumulated depreciation	<u>(1,937,437)</u>	<u>(1,939,926)</u>
	<u>\$ 2,565,269</u>	<u>\$ 2,729,775</u>

**NOTE 7 - FAIR VALUE MEASUREMENTS**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets KIB has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair 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.

**KEEP INDIANAPOLIS BEAUTIFUL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2021 and 2020**

**NOTE 7 - FAIR VALUE MEASUREMENTS, Continued**

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2021 and 2020.

*Mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by KIB are open-end mutual funds that are registered with the SEC. The mutual funds held by KIB are deemed to be actively traded (Level 1 inputs).

*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 the NAV.

*Central Indiana Community Foundation ("CICF"):* Represents KIB's pro rata interest in 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 reported by CICF (Level 3 inputs).

The tables below set forth by level within the fair value hierarchy KIB's assets at fair value.

<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 356,496	\$ -	\$ -	\$ 356,496
Exchange traded funds	12,531	-	-	12,531
CICF	-	-	95,800	95,800
	<u>369,027</u>	<u>-</u>	<u>95,800</u>	<u>464,827</u>
<i>Investments at fair value</i>	<u>\$ 369,027</u>	<u>\$ -</u>	<u>\$ 95,800</u>	<u>\$ 464,827</u>
<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 308,064	\$ -	\$ -	\$ 308,064
Exchange traded funds	3,463	-	-	3,463
CICF	-	-	75,314	75,314
	<u>311,527</u>	<u>-</u>	<u>75,314</u>	<u>386,841</u>
<i>Investments at fair value</i>	<u>\$ 311,527</u>	<u>\$ -</u>	<u>\$ 75,314</u>	<u>\$ 386,841</u>

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**NOTE 8 - INVESTMENT INCOME**

Investment income consisted of the following for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Realized gain	\$ 6,600	\$ 4,838
Unrealized gain	41,673	17,933
Dividend income	-	7,484
Interest income	248	5,501
Investment fees	<u>(210)</u>	<u>(3,059)</u>
<i>Net investment income</i>	\$ <u>48,311</u>	\$ <u>32,697</u>

**NOTE 9 - 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 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 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.

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 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 underwater endowments as of December 31, 2021 and 2020.

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**NOTE 9 - ENDOWMENT FUNDS, Continued**

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 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 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.

KIB had the following endowment fund related activities for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Historic gift value	\$ 44,675	\$ 44,675
Accumulated earnings	<u>30,639</u>	<u>24,060</u>
<i>Endowment net assets, beginning of year</i>	<u>75,314</u>	<u>68,735</u>
Realized gains	6,600	4,833
Unrealized gains	14,095	2,175
Investment fees, net of dividends and interest	<u>(209)</u>	<u>(429)</u>
<i>Change in endowment net assets</i>	<u>20,486</u>	<u>6,579</u>
Historic gift value	44,675	44,675
Accumulated earnings	<u>51,125</u>	<u>30,639</u>
<i>Endowment net assets, end of year</i>	<u>\$ 95,800</u>	<u>\$ 75,314</u>



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**NOTE 10 - DEBT ISSUANCE COSTS**

During 2018, KIB incurred \$8,999 in debt issuance costs related to the note payable to a bank. In accordance with U.S. GAAP, KIB classifies debt issuance costs as a contra-liability and is netted against the related debt for which the debt issuance costs were incurred. The amortization of the debt issuance cost is provided over the life of the loan and is classified as interest expense on the statements of activities and change in net assets. Amortization expense was \$900 for each of the years ended December 31, 2021 and 2020. At December 31, 2021 and 2020, unamortized debt issuance costs of \$- and \$-, respectively, are netted against long-term debt on the statements of financial position.

**NOTE 11 - LINE OF CREDIT**

KIB has \$250,000 of available borrowings under a line of credit with a bank until May 2023, at which time it is subject to renewal. Borrowings under the line of credit bear interest at the bank's prime lending rate (3.25% at both December 31, 2021 and 2020). The line of credit is secured by substantially all assets of KIB. There were no borrowings on the line of credit at December 31, 2021 and 2020.

**NOTE 12 - NOTES PAYABLE**

Notes payable consisted of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Note payable to bank; bearing interest at 4.862%, payable in monthly installments of \$6,905 including interest, through May 2028. Secured by the assets of KIB.	\$ 475,204	\$ 532,955
 Note payable to bank under the SBA Economic Injury Disaster Loan program ("EIDL"); bearing interest at 2.75%, payable in monthly installments of \$641 beginning June 2022 through May 2050, secured by substantially all assets of KIB.		
	70,704	150,000
	<u>545,908</u>	<u>682,955</u>
Less: current portion	(76,649)	(58,234)
	<u>469,259</u>	<u>624,721</u>
Unamortized debt issuance costs	(5,699)	(6,599)
	<u>\$ 463,560</u>	<u>\$ 618,122</u>

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**NOTE 12 - NOTES PAYABLE, Continued**

Principal maturities of notes payable are as follows for the years ending December 31:

2022	\$	76,649
2023		83,337
2024		87,079
2025		89,639
2026		75,825
Thereafter		<u>133,379</u>
	\$	<u><u>545,908</u></u>

**NOTE 13 - CAPITAL LEASE OBLIGATIONS**

KIB leases equipment under the terms of various capital leases. The cost of equipment under capital leases totaled \$77,364 and accumulated depreciation at December 31, 2021 was \$47,591. Interest represents an insignificant portion of the capital leases obligations, therefore is excluded from presentation.

Future principal payments due under the terms of the capital lease are as follows for the years ended December 31:

2022	\$	7,959
2023		5,136
2024		5,136
2025		5,136
2026		5,136
<i>Total capital lease principal payments</i>	\$	<u><u>28,503</u></u>

**NOTE 14 - OPERATING LEASES**

KIB leases office space under the terms of an operating lease requiring monthly payments ranging from \$4,764 to \$4,906 through March 2023. For the years ended December 31, 2021 and 2020, total rent expense was \$56,746 and \$47,071, respectively. Beginning July 2022, KIB will lease space under the terms of an operating lease requiring monthly payments ranging from \$5,000 to \$5,519 through August 2027.

Future minimum lease payments due under the terms of the operating leases are as follows:

2022	\$	78,449
2023		75,219
2024		62,013
2025		64,088
2026		65,690
Thereafter		<u>44,152</u>
	\$	<u><u>389,611</u></u>

**KEEP INDIANAPOLIS BEAUTIFUL, INC.**  
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**NOTE 15 - 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 to the plan 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 \$35,172 and \$35,162 for the years ended December 31, 2021 and 2020, respectively.

**NOTE 16 - COMMITMENTS AND CONTINGENCIES**

KIB entered into a Master Operations and Maintenance Agreement with Citizens Energy Group for tree planting and maintenance. The agreement provides \$4,988,465 for tree planting and care, terminating December 31, 2027. As of December 31, 2021, KIB has earned \$2,733,797 and has a remaining balance of \$2,254,668 to be earned in future periods from this agreement.

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 planting and maintenance, tree purchasing, public awareness and education, youth tree team and public getaway monitoring and maintenance as cost-reimbursement received on a monthly basis. As of December 31, 2021, KIB has earned \$3,120,762 and has a remaining balance of \$1,630,944 to be earned in 2022 from this agreement.

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.

**NOTE 17 - RISKS AND UNCERTAINTIES**

As of December 31, 2021, three customers represented 80% of accounts receivable, three donors represented 100% of pledges receivable, and one grantor represented 100% of grants receivable.

As of December 31, 2020, two customers represented 98% of accounts receivable, three donors represented 100% of pledges receivable, and one grantor represented 94% of grants receivable.

KIB maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits.

**KEEP INDIANAPOLIS BEAUTIFUL, INC.**  
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**NOTE 18 - NET ASSETS**

Net assets with donor restrictions were comprised of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
I-70 Project	\$ 97,967	\$ 380,735
Indy Art and Seek	127,651	289,928
White River Habitat Restoration	37,500	132,500
Pocket Park Sustainability fund	-	16,000
	<u>263,118</u>	<u>819,163</u>
Subject to the passage of time:		
Time restricted for future years	<u>325,000</u>	<u>325,000</u>
Endowment:		
Held in perpetuity	44,675	44,675
Endowment earnings	51,125	30,639
	<u>95,800</u>	<u>75,314</u>
<i>Total net assets with donor restrictions</i>	<u>\$ 683,918</u>	<u>\$ 1,219,477</u>

Net assets released from donor restrictions due to the satisfaction of donor-imposed restrictions totaled \$881,045 and \$765,531 for the years ended December 31, 2021 and 2020, respectively. The assets were used for program expenses and operations as stipulated by the donors.

**NOTE 19 - LIQUIDITY**

KIB's financial assets include cash and cash equivalents, accounts, grants, pledges, and employee retention credit receivable, and investments. Due to donor restrictions, not all financial assets are available to meet the general operating needs of KIB. Following is a schedule of financial assets and the ability thereof to meet cash needs for general expenditures as of December 31:

	<u>2021</u>	<u>2020</u>
Total financial assets	\$ 2,462,174	\$ 1,921,801
Less: financial assets unavailable for general expenditures within one year:		
Historic gift value of endowment	(44,675)	(44,675)
Donor-restricted for specified purpose	<u>(639,243)</u>	<u>(1,174,802)</u>
<i>Total financial assets available for general expenditures within one year</i>	<u>\$ 1,778,256</u>	<u>\$ 702,324</u>

**KEEP INDIANAPOLIS BEAUTIFUL, INC.**  
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**NOTE 19 - LIQUIDITY, Continued**

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. KIB also has a line of credit with \$250,000 in available borrowings as of December 31, 2021 available for general expenditures.

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 UPMIFA.

**NOTE 20 - FUNCTIONAL EXPENSE REPORTING**

The costs of providing program activities have been summarized on a functional basis in the statements of activities and change in net assets. Accordingly, certain expenses have been allocated between program services, management and general, and fundraising expenses.

In 2021, management allocated costs among the various functional expense categories using a uniform percentage for each category based on best available estimates. In 2020, management allocated costs among the various functional expense categories using a combination of direct allocation and estimation. Payroll and associated costs are allocated based on employee time records. Other costs are applied directly to the functional expense category to which they belong.