



FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019



# KEEP INDIANAPOLIS BEAUTIFUL, INC.

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Keep Indianapolis Beautiful, Inc., which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Keep Indianapolis Beautiful, Inc. as of December 31, 2020 and 2019 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, 2020, Keep Indianapolis Beautiful, Inc. adopted Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

*Atending CPA Group*

July 13, 2021

# KEEP INDIANAPOLIS BEAUTIFUL, INC.

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2020 AND 2019

	<u>ASSETS</u>	
	<u>2020</u>	<u>2019</u>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 765,280	\$ 770,323
Investments	311,527	280,719
Accounts receivable	508,680	190,899
Pledges receivable	98,000	88,000
Grants receivable	75,000	5,000
Prepaid expenses and other assets	2,500	2,500
Total current assets	<u>1,760,987</u>	<u>1,337,441</u>
<b>Pledges Receivable</b>	88,000	176,000
<b>Property and Equipment, Net</b>	2,729,775	2,887,743
<b>Endowment Investments</b>	75,314	68,735
	<u>\$ 4,654,076</u>	<u>\$ 4,469,919</u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>  		
<b>Current Liabilities:</b>		
Current maturities of long-term debt	\$ 91,965	\$ 98,432
Accounts payable	12,263	54,362
Accrued expenses and other liabilities	59,417	20,155
Total current liabilities	<u>163,645</u>	<u>172,949</u>
<b>Long-Term Debt, Net of Unamortized Debt Fees of \$6,599 and \$7,499</b>	<u>626,238</u>	<u>548,187</u>
Total liabilities	<u>789,883</u>	<u>721,136</u>
<b>Net Assets:</b>		
Without donor restrictions	2,644,716	2,295,354
With donor restrictions	1,219,477	1,453,429
Total net assets	<u>3,864,193</u>	<u>3,748,783</u>
	<u>\$ 4,654,076</u>	<u>\$ 4,469,919</u>

See accompanying Notes to Financial Statements.

# KEEP INDIANAPOLIS BEAUTIFUL, INC.

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

	2020			2019 Total
	Without Donor Restriction	With Donor Restrictions	Total	
<b>Support and Revenues:</b>				
Contract revenues:				
Fees for services	\$ 2,285,827	\$ -0-	\$ 2,285,827	\$ 1,957,488
Contributions:				
Grants	221,080	525,000	746,080	528,490
Corporate	320,263	-0-	320,263	560,113
Individual	210,456	-0-	210,456	269,322
Paycheck Protection Program	324,000	-0-	324,000	-0-
In-kind	30,530	-0-	30,530	65,147
Other contributions	78,799	-0-	78,799	120,106
Total contributions	1,185,128	525,000	1,710,128	1,543,178
Other support:				
Investment income, net	20,617	6,579	27,196	45,800
Interest income	5,501	-0-	5,501	3,257
Gain on disposal of assets	-0-	-0-	-0-	800
Total contributions and other support	1,211,246	531,579	1,742,825	1,593,035
Total support and revenues	3,497,073	531,579	4,028,652	3,550,523
<b>Net Assets Released from Donor Restrictions</b>	765,531	(765,531)	-0-	-0-
	4,262,604	(233,952)	4,028,652	3,550,523
<b>Expenses:</b>				
Program services:				
Beautification	894,217	-0-	894,217	1,213,325
Trees and Native Habitats	1,283,601	-0-	1,283,601	1,236,548
Engaging Communities	463,815	-0-	463,815	688,114
Total program services	2,641,633	-0-	2,641,633	3,137,987
Supporting services:				
Management and general	638,190	-0-	638,190	863,415
Fundraising	633,419	-0-	633,419	433,659
Total expenses	3,913,242	-0-	3,913,242	4,435,061
Change in net assets	349,362	(233,952)	115,410	(884,538)
<b>Net Assets, Beginning of Year</b>	2,295,354	1,453,429	3,748,783	4,633,321
<b>Net Assets, End of Year</b>	\$ 2,644,716	\$ 1,219,477	\$ 3,864,193	\$ 3,748,783

See accompanying Notes to Financial Statements.

## KEEP INDIANAPOLIS BEAUTIFUL, INC.

### STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Support and Revenues:</b>			
Contract revenues:			
Fees for services	\$ 1,957,488	\$ -0-	\$ 1,957,488
Contributions:			
Grants	178,104	350,386	528,490
Corporate	560,113	-0-	560,113
Individual	269,322	-0-	269,322
In-kind	65,147	-0-	65,147
Other contributions	120,106	-0-	120,106
Total contributions	1,192,792	350,386	1,543,178
Other support:			
Investment income, net	37,782	8,018	45,800
Interest income	3,257	-0-	3,257
Gain on disposal of assets	800	-0-	800
Total contributions and other support	1,234,631	358,404	1,593,035
Total support and revenues	3,192,119	358,404	3,550,523
<b>Net Assets Released from Donor Restrictions</b>	562,902	(562,902)	-0-
	<u>3,755,021</u>	<u>(204,498)</u>	<u>3,550,523</u>
<b>Expenses:</b>			
Program services:			
Beautification	1,213,325	-0-	1,213,325
Trees and Native Habitats	1,236,548	-0-	1,236,548
Engaging Communities	688,114	-0-	688,114
Total program services	3,137,987	-0-	3,137,987
Supporting services:			
Management and general	863,415	-0-	863,415
Fundraising	433,659	-0-	433,659
Total expenses	4,435,061	-0-	4,435,061
Change in net assets	(680,040)	(204,498)	(884,538)
<b>Net Assets, Beginning of Year</b>	2,975,394	1,657,927	4,633,321
<b>Net Assets, End of Year</b>	<u>\$ 2,295,354</u>	<u>\$ 1,453,429</u>	<u>\$ 3,748,783</u>

See accompanying Notes to Financial Statements.

# KEEP INDIANAPOLIS BEAUTIFUL, INC.

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

	2020						2019 Total
	Program Services					Total	
	Beautification	Trees and Native Habitats	Engaging Communities	Management and General	Fundraising		
<b>Labor and Benefits:</b>							
Salaries	\$ 377,832	\$ 265,882	\$ 309,841	\$ 293,869	\$ 293,871	\$ 1,541,295	\$ 1,557,050
Employee benefits	41,718	29,358	18,542	32,449	32,449	154,516	147,546
Payroll taxes and expense	33,796	23,783	26,374	26,288	26,287	136,528	124,046
Total labor and benefits	453,346	319,023	354,757	352,606	352,607	1,832,339	1,828,642
<b>Other Expenses:</b>							
Program supplies	86,160	349,333	40,404	91,197	6,982	574,076	871,118
Outside services	217,110	488,082	-0-	99,855	176,276	981,323	1,005,076
Depreciation	56,100	39,477	24,933	43,633	43,633	207,776	223,357
Bad debt expense	-0-	-0-	-0-	-0-	-0-	-0-	57,849
In-kind contributions - program supplies	30,530	-0-	-0-	-0-	-0-	30,530	65,147
Interest expense	3,619	2,547	1,607	2,815	2,815	13,403	32,621
Meals	1,304	1,475	12,512	1,246	695	17,232	42,073
Insurance	10,729	7,549	4,768	8,344	8,344	39,734	43,832
Telephone	11,753	8,271	5,224	9,141	9,141	43,530	31,330
Rent	-0-	47,071	-0-	-0-	-0-	47,071	52,312
Utilities	6,961	4,897	12,521	5,413	5,413	35,205	44,361
Seminars	-0-	1,000	-0-	641	5,797	7,438	16,307
Contract labor	-0-	-0-	-0-	-0-	-0-	-0-	49,621
Office expenses	917	645	408	710	713	3,393	15,507
Printing	-0-	781	-0-	283	13,681	14,745	12,402
Vehicle repairs and maintenance	10,698	10,696	5,347	-0-	-0-	26,741	24,034
Building repairs and maintenance	2,399	1,687	1,066	1,864	1,865	8,881	8,788
Postage	604	425	268	470	1,749	3,516	2,933
Travel	810	-0-	-0-	505	-0-	1,315	3,492
Dues and subscriptions	-0-	642	-0-	2,391	3,708	6,741	3,668
Advertising	1,177	-0-	-0-	17,076	-0-	18,253	4,146
Miscellaneous	-0-	-0-	-0-	-0-	-0-	-0-	(3,555)
Total expenses	\$ 894,217	\$ 1,283,601	\$ 463,815	\$ 638,190	\$ 633,419	\$ 3,913,242	\$ 4,435,061

See accompanying Notes to Financial Statements.



# KEEP INDIANAPOLIS BEAUTIFUL, INC.

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2019

	Program Services			Management and General	Fundraising	Total
	Beautification	Trees and Native Habitats	Engaging Communities			
<b>Labor and Benefits:</b>						
Salaries	\$ 326,540	\$ 287,355	\$ 433,752	\$ 287,356	\$ 222,047	\$ 1,557,050
Employee benefits	36,887	32,460	20,656	32,460	25,083	147,546
Payroll taxes and expense	26,723	23,516	32,118	23,517	18,172	124,046
Total labor and benefits	390,150	343,331	486,526	343,333	265,302	1,828,642
<b>Other Expenses:</b>						
Program supplies	248,362	469,493	90,988	34,768	27,507	871,118
Outside services	368,770	209,302	3,874	367,203	55,927	1,005,076
Depreciation	62,540	60,306	60,306	20,103	20,102	223,357
Bad debt expense	-0-	-0-	-0-	57,849	-0-	57,849
In-kind contributions - program supplies	55,847	500	300	-0-	8,500	65,147
Interest expense	9,134	8,808	8,808	2,935	2,936	32,621
Meals	15,519	838	1,797	3,559	20,360	42,073
Insurance	10,958	9,643	6,136	9,644	7,451	43,832
Telephone	7,833	6,893	4,386	6,892	5,326	31,330
Rent	-0-	52,312	-0-	-0-	-0-	52,312
Utilities	12,421	11,979	11,977	3,992	3,992	44,361
Seminars	4,487	1,416	199	4,932	5,273	16,307
Contract labor	2,403	43,938	-0-	3,280	-0-	49,621
Office expenses	4,342	4,187	4,187	1,395	1,396	15,507
Printing	5,037	183	-0-	580	6,602	12,402
Vehicle repairs and maintenance	9,614	9,614	4,806	-0-	-0-	24,034
Building repairs and maintenance	2,461	2,373	2,373	790	791	8,788
Postage	460	444	444	148	1,437	2,933
Travel	1,390	403	947	752	-0-	3,492
Dues and subscriptions	-0-	525	-0-	2,406	737	3,668
Advertising	1,597	60	60	2,409	20	4,146
Miscellaneous	-0-	-0-	-0-	(3,555)	-0-	(3,555)
Total expenses	\$ 1,213,325	\$ 1,236,548	\$ 688,114	\$ 863,415	\$ 433,659	\$ 4,435,061

See accompanying Notes to Financial Statements.

# KEEP INDIANAPOLIS BEAUTIFUL, INC.

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 115,410	\$ (884,538)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	207,776	223,357
Net realized and unrealized gains on investments	(22,770)	(39,902)
Amortization of debt fees included in interest	900	900
Changes in operating assets and liabilities:		
Accounts receivable	(317,781)	(45,050)
Pledges receivable	78,000	159,700
Grants receivable	(70,000)	178,649
Accounts payable	(42,099)	(30,063)
Accrued expenses and other liabilities	39,262	(49,364)
Net cash used in operating activities	<u>(11,302)</u>	<u>(487,111)</u>
<b>Cash Flows from Investing Activities:</b>		
Purchases of property and equipment	(49,808)	(37,530)
Proceeds received from sale of investments	3,058	2,844
Purchases of investments	(17,675)	(2,576)
Net cash used in investing activities	<u>(64,425)</u>	<u>(36,462)</u>
<b>Cash Flows from Financing Activities:</b>		
Borrowings on notes payable	150,000	-0-
Principal payments on long-term debt	(79,316)	(87,489)
Net cash provided by (used in) financing activities	<u>70,684</u>	<u>(87,489)</u>
Net decrease in cash and cash equivalents	(5,043)	(611,062)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>770,323</u>	<u>1,381,385</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 765,280</u>	<u>\$ 770,323</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid for interest	<u>\$ 12,503</u>	<u>\$ 31,721</u>

See accompanying Notes to Financial Statements.

# KEEP INDIANAPOLIS BEAUTIFUL, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

### 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 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:

#### 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* 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, 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, 2020 AND 2019

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

### Change in Accounting Principle

During 2014, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The update and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in accounting principles generally accepted in the United States of America (“U.S. GAAP”). The ASU also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. KIB adopted the new standard effective January 1, 2020, using the modified retrospective method.

As part of the adoption of the ASU, KIB elected the following transition practical expedients: (i) completed contracts that begin and end in the same annual reporting period have not been restated; (ii) used the known transaction price for completed contracts; (iii) to exclude disclosures of transaction prices allocate to remaining performance obligations when KIB expects to recognize such revenue for all periods prior to the date of initial application of the ASU; and (iv) has reflected the aggregate of all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price.

The majority of KIB’s revenue subject to the ASU is recognized at a point in time when services are performed. In addition, the majority of KIB’s contracts do not contain variable consideration and contract modifications are generally minimal. For these reasons, there is not a significant impact as a result of electing these transition practical expedients. Based on KIB’s evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the ASU adoption.

### 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.

# KEEP INDIANAPOLIS BEAUTIFUL, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

### Estimates

The preparation of financial statements in accordance with 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, collectability of accounts receivable, pledges receivable and grants receivable, value of donated goods 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.

### Revenue and Support Recognition

#### ***Contributions and Other Support***

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.

# KEEP INDIANAPOLIS BEAUTIFUL, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

### ***Contract Revenues***

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 a contract are expensed as incurred.

#### Disaggregation of Revenues from Contracts with Customers

All of KIB's revenues for services are from performance obligations satisfied at a point in time and, accordingly, no revenues are from performance obligations satisfied over time.

#### Performance Obligations

Revenues are 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 amount that is expected to be earned. Estimated amounts are included in the transaction 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 estimated 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 amount are generally credits to the customer through billing adjustments.

#### Accounts Receivable, Pledges Receivable and Grants Receivable

Accounts receivable, pledges receivable and grants receivable are reported at the amount invoiced or the amount pledged, 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, 2020.

# KEEP INDIANAPOLIS BEAUTIFUL, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

### 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 \$30,530 and \$65,147 for the years ended December 31, 2020 and 2019 as reflected in the accompanying financial statements as in-kind contributions. Additionally, volunteers donate a significant amount of time to KIB's programs at an undetermined fair value. These services are not reflected in the financial statements in accordance with U.S. GAAP.

### Functional Expenses

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

### 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 KIB as required by U.S. GAAP, including consideration of any unrelated business income tax. As of December 31, 2020, Management does not believe KIB has taken any tax positions that are not in compliance with the exempt purpose of KIB. KIB's Federal and state tax returns remain open and subject to examination beginning with the calendar tax year ended December 31, 2017.

### Recent Accounting Pronouncements

In February 2016, the FASB issued 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 31, 2021 or as of January 1, 2022. KIB does not anticipate that the adoption of this update will have a material effect on the financial statements.

# KEEP INDIANAPOLIS BEAUTIFUL, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

### Reclassification

Certain amounts on the 2019 financial statements have been reclassified to conform to the current year presentation.

### Subsequent Events

Subsequent events have been evaluated through July 13, 2021, which is the date the financial statements were available for issuance (Note 18).

## 2. LIQUIDITY AND AVAILABILITY

At December 31, 2020 and 2019, financial assets available for future general expenditures within one year from the Statements of Financial Position comprise the following:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 765,280	\$ 770,323
Investments	311,527	280,719
Accounts receivable	508,680	190,899
Pledges receivable	186,000	264,000
Grants receivable	<u>75,000</u>	<u>5,000</u>
	1,846,487	1,510,941
Less donor restricted funds not available to be used within one year:	<u>(1,219,477)</u>	<u>(1,453,429)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 627,010</u>	<u>\$ 57,512</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").

In the event of an unanticipated liquidity need, KIB has available borrowings of \$250,000 on the line of credit (Note 10).



# KEEP INDIANAPOLIS BEAUTIFUL, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

### 3. CONTRACT ASSETS

KIB's contract assets consist of the following as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Accounts receivable:		
Beginning of year	\$ 190,899	\$ 145,849
End of year	\$ 508,680	\$ 190,899

### 4. 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>2020</u>	<u>2019</u>
Less than one year	\$ 173,000	\$ 93,000
One to five years	<u>88,000</u>	<u>176,000</u>
	<u>\$ 261,000</u>	<u>\$ 269,000</u>

### 5. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2020 and 2019 include the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 425,685	\$ 425,685
Building and building improvements	3,093,223	3,091,473
Office furniture and equipment	476,178	469,772
Vehicles and trailers	<u>674,615</u>	<u>632,963</u>
	4,669,701	4,619,893
Less accumulated depreciation	<u>1,939,926</u>	<u>1,732,150</u>
	<u>\$ 2,729,775</u>	<u>\$ 2,887,743</u>

# KEEP INDIANAPOLIS BEAUTIFUL, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

### 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:

#### **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, 2020 and 2019. There has been no change in methodology used at December 31, 2020:

*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.

# KEEP INDIANAPOLIS BEAUTIFUL, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

*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.

Assets measured at fair value on a recurring basis at December 31, 2020 include the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds:				
Equities	\$ 186,375	\$ -0-	\$ -0-	\$ 186,375
Bonds	121,689	-0-	-0-	121,689
Exchange Traded Funds	3,463	-0-	-0-	3,463
CICF	-0-	-0-	75,314	75,314
	\$ 311,527	\$ -0-	\$ 75,314	\$ 386,841

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	-0-	-0-	68,735	68,735
	\$ 280,719	\$ -0-	\$ 68,735	\$ 349,454

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 2020 and 2019.

The net earnings for assets measured at fair value by Level 3 inputs were a gain of \$15,209 and \$13,033 in 2020 and 2019, respectively.

# KEEP INDIANAPOLIS BEAUTIFUL, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

### 7. INVESTMENTS

Investments at December 31, 2020 include the following:

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Mutual Funds:				
Equities	\$ 179,995	\$ 6,380	\$ -0-	\$ 186,375
Bonds	109,917	11,772	-0-	121,689
Exchange Traded Funds	2,947	516	-0-	3,463
CICF	<u>60,105</u>	<u>15,209</u>	<u>-0-</u>	<u>75,314</u>
	<u>\$ 352,964</u>	<u>\$ 33,877</u>	<u>\$ -0-</u>	<u>\$ 386,841</u>

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>

### 8. 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.

# KEEP INDIANAPOLIS BEAUTIFUL, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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 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, 2020 and 2019.

### 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.

# KEEP INDIANAPOLIS BEAUTIFUL, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

### Spending Policy and How the Investment Objective Relates to Spending Policy

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

For the years ending December 31, 2020 and 2019, KIB had the following endowment fund related activities:

	<u>2020</u>	<u>2019</u>
Historic gift value	\$ 44,675	\$ 44,675
Accumulated earnings	<u>24,060</u>	<u>16,042</u>
Endowment net assets, beginning of year	<u>68,735</u>	<u>60,717</u>
Realized gains	4,833	4,066
Unrealized gains	2,175	4,220
Investment fees, net of dividends and interest	<u>(429)</u>	<u>(268)</u>
Change in endowment net assets	<u>6,579</u>	<u>8,018</u>
Historic gift value	44,675	44,675
Accumulated earnings	<u>30,639</u>	<u>24,060</u>
Endowment net assets, end of year	<u>\$ 75,314</u>	<u>\$ 68,735</u>

## 9. 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 for the years ended December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, unamortized debt fees of \$6,599 and \$7,499, respectively, are netted against long-term debt on the Statements of Financial Position.

# KEEP INDIANAPOLIS BEAUTIFUL, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

### 10. LINE OF CREDIT

KIB has \$250,000 of available borrowings under a line of credit with a bank until May 2022, at which time it is subject to renewal. Borrowings under the facility bear interest at the bank's prime lending rate (3.25% at December 31, 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, 2020 and 2019, respectively.

### 11. LONG-TERM DEBT

Long-term debt at December 31, 2020 and 2019 includes the following:

	<u>2020</u>	<u>2019</u>
Note payable to bank; bearing interest at 4.862%, payable in monthly installments of \$6,905 including interest through May 2028.	\$ 532,955	\$ 569,791
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.	150,000	-0-
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 12).	<u>41,847</u>	<u>84,327</u>
	724,802	654,118
Less current maturities	<u>91,965</u>	<u>98,432</u>
	632,837	555,686
Unamortized debt fees	<u>(6,599)</u>	<u>(7,499)</u>
	<u>\$ 626,238</u>	<u>\$ 548,187</u>

The note payable to bank is secured by and subject to substantially the same terms as the line of credit (Note 10).

# KEEP INDIANAPOLIS BEAUTIFUL, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Annual maturities of long-term debt at December 31, 2020 are as follows:

<u>Year Ending December 31,</u>		
2021	\$	91,965
2022		69,245
2023		64,169
2024		68,677
2025		74,357
Thereafter		356,389
		<u>\$ 724,802</u>

## 12. LEASING ARRANGEMENTS

### Capital Leases

KIB leases equipment under the terms of various capital leases (Note 11). Equipment under capital leases amounted to \$154,031 less accumulated depreciation of \$113,302 and \$79,568 at December 31, 2020 and 2019, respectively.

Future minimum lease payments due under the terms of the capital lease at December 31, 2020 are as follows:

	<u>Year Ending December 31,</u>	
	2021	\$ 34,619
	2022	8,181
Total minimum lease payments		<u>42,800</u>
Amount representing interest		<u>(953)</u>
Present value of net minimum lease payments		<u>\$ 41,847</u>



# KEEP INDIANAPOLIS BEAUTIFUL, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

### Operating Lease

KIB leases office space under the terms of an operating lease requiring monthly payments ranging from \$4,625 to \$4,906 through March 2023. For the years ended December 31, 2020 and 2019, total rent expense was \$47,071 and \$52,312, respectively.

Future minimum lease payments due under the terms of the operating lease at December 31, 2020 are as follows:

<u>Year Ending December 31,</u>	
2021	\$ 56,746
2022	58,449
2023	<u>14,719</u>
	<u>\$ 129,914</u>

### Rental Income

KIB leased its facilities to a tenant under the terms of an operating lease through March 2020. Rental income received was \$6,182 and \$36,922 for the years ended December 31, 2020 and 2019.

## 13. 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 \$35,162 and \$31,367 for the years ended December 31, 2020 and 2019, respectively.

# KEEP INDIANAPOLIS BEAUTIFUL, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

### 14. 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, 2020, KIB has earned \$2,051,585 and has a remaining balance of \$2,936,880 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 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. As of December 31, 2020, KIB has earned \$1,537,321 and has a remaining balance of \$3,214,385 to be earned in future periods 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.

# KEEP INDIANAPOLIS BEAUTIFUL, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

### 15. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
I-70 Project	\$ 380,735	\$ 458,735
Indy Art and Seek	289,928	532,459
White River Habitat Restoration	132,500	62,500
Pocket Park Sustainability fund	16,000	26,000
Greenspace	-0-	5,000
	<u>819,163</u>	<u>1,084,694</u>
Subject to passage of time:		
Time restricted for future years	<u>325,000</u>	<u>300,000</u>
Endowment:		
Held in perpetuity	44,675	44,675
Endowment earnings	<u>30,639</u>	<u>24,060</u>
	<u>75,314</u>	<u>68,735</u>
Total net assets with donor restrictions	<u>\$ 1,219,477</u>	<u>\$ 1,453,429</u>

Net assets released from donor restrictions, due to the satisfaction of donor-imposed restrictions, totaled \$765,531 and \$562,902 for the years ended December 31, 2020 and 2019, respectively. The assets were used for program expenses and operations as stipulated by the donors.

### 16. RELATED PARTY TRANSACTIONS

For the years ended December 31, 2020 and 2019, total contributions of \$44,453 and \$37,386, respectively, were received from Members of KIB's Board of Directors.

# KEEP INDIANAPOLIS BEAUTIFUL, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

### 17. CONCENTRATION OF CREDIT RISK

#### Cash and Cash Equivalents

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

#### Accounts Receivable, Pledges Receivable and Grants Receivable

As of and for the year ended December 31, 2020, two (2) customers represented 98% of accounts receivable, three (3) donors represented 100% of pledges receivable, and one (1) grantor represented 94% of grants receivable.

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.

### 18. SUBSEQUENT EVENTS

#### Forgiveness of Note Payable

During April 2020, KIB borrowed \$324,000 from a bank under the U.S. Small Business Administration's ("SBA") Paycheck Protection Program ("PPP"). Under the terms of the program, a portion or all of the loan is forgivable if KIB maintains certain criteria. On April 16, 2021, KIB was notified the SBA approved full forgiveness for the principal loan amount of \$324,000. As all conditions were met as of December 31, 2020, the forgiveness has been recognized as of December 31, 2020 as reflected in the accompanying financial statements. KIB recorded \$324,000 as a contribution for the year ending December 31, 2020.

#### Additional Note Payable to Bank

Effective March 16, 2021, KIB secured a second note payable for \$346,347 from a bank through the SBA's PPP provided by the Coronavirus Aid, Relief, and Economic Security Act and the Economic Aid to Hard Hit Small Businesses, Nonprofits and Venues Act. Consistent with the PPP loan secured during 2020, the additional PPP loan is forgivable if KIB complies with employment and expending criteria required to receive forgiveness.

To the extent the loan principal and accrued interest is not forgiven, the note will be paid through equal monthly installments of principal and interest beginning at the latter of ten months after the end of the coverage period or upon completion of the SBA's review of the forgiveness application and continuing through the note maturity date in February 2026. The loan accrues interest at 1% on any outstanding balance commencing at the note's funding date. The loan may be prepaid in part or in whole at any time without penalty. This transaction is not reflected in the accompanying financial statements.