

KEEP INDIANAPOLIS BEAUTIFUL, INC.

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended December 31, 2023 and 2022



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Donovan CPAs

Independent Auditors' Report

To the Board of Directors
Keep Indianapolis Beautiful, Inc.

Opinion

We audited the financial statements of Keep Indianapolis Beautiful, Inc., which comprise the statements of financial position as of December 31, 2023 and 2022 and the related statements of activities and change in net assets, functional expenses, and cash flows for the years 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, 2023 and 2022 and the change in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 audits. We believe the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 free from material misstatement, whether due to fraud or error.

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

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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 including our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee 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, 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 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, which 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 we identified during the audits.

DONOVAN



Indianapolis, Indiana
April 25, 2024

KEEP INDIANAPOLIS BEAUTIFUL, INC.**STATEMENTS OF FINANCIAL POSITION****December 31, 2023 and 2022****ASSETS**

	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,837,488	\$ 1,591,211
Accounts receivable	486,782	592,046
Employee retention credit receivable	37,924	178,286
Grants receivable	39,490	84,372
Pledges receivable	92,238	9,737
Investments	2,917,593	3,717,189
Prepaid expenses	5,954	5,706
<i>Total current assets</i>	<u>7,417,469</u>	<u>6,178,547</u>
PROPERTY AND EQUIPMENT, NET	<u>2,755,956</u>	<u>2,571,923</u>
OTHER ASSETS		
Endowment investments	93,427	84,947
Cash restricted for investment in endowment	3,300,000	-
Operating lease right-of-use asset	129,937	183,131
Security deposit	1,000	1,000
<i>Total other assets</i>	<u>3,524,364</u>	<u>269,078</u>
TOTAL ASSETS	<u>\$ 13,697,789</u>	<u>\$ 9,019,548</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of notes payable	\$ 86,944	\$ 83,205
Current portion of finance lease obligations	5,136	5,136
Current portion of operating lease obligations	56,589	52,076
Accounts payable	82,071	120,531
Accrued expenses and other liabilities	101,632	115,395
Deferred revenue	2,586,075	3,675,141
<i>Total current liabilities</i>	<u>2,918,447</u>	<u>4,051,484</u>
LONG-TERM LIABILITIES		
Notes payable, net of current portion and unamortized debt issuance costs	300,439	382,011
Finance lease obligations, net of current portion	10,272	15,408
Operating lease obligations, net of current portion	77,338	133,927
<i>Total long-term liabilities</i>	<u>388,049</u>	<u>531,346</u>
TOTAL LIABILITIES	<u>3,306,496</u>	<u>4,582,830</u>
NET ASSETS		
Without donor restrictions	4,879,116	3,882,910
With donor restrictions	5,512,177	553,808
<i>Total net assets</i>	<u>10,391,293</u>	<u>4,436,718</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,697,789</u>	<u>\$ 9,019,548</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, 2023 and 2022

	2023			2022		
	<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>
REVENUE AND SUPPORT						
Contracts	\$ 2,525,042	\$ -	\$ 2,525,042	\$ 2,459,873	\$ -	\$ 2,459,873
Grants and contributions	2,593,050	5,528,865	8,121,915	1,521,255	439,372	1,960,627
In-kind contributions	28,337	-	28,337	27,479	-	27,479
Rental income	61,000	-	61,000	20,000	-	20,000
Miscellaneous income	13,092	-	13,092	50,109	-	50,109
Net assets released from restrictions	578,976	(578,976)	-	558,629	(558,629)	-
<i>Total revenue and support</i>	<u>5,799,497</u>	<u>4,949,889</u>	<u>10,749,386</u>	<u>4,637,345</u>	<u>(119,257)</u>	<u>4,518,088</u>
EXPENSES						
Program services	3,855,722	-	3,855,722	3,215,983	-	3,215,983
Management and general	963,932	-	963,932	792,981	-	792,981
Fundraising	253,667	-	253,667	396,490	-	396,490
<i>Total expenses</i>	<u>5,073,321</u>	<u>-</u>	<u>5,073,321</u>	<u>4,405,454</u>	<u>-</u>	<u>4,405,454</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>726,176</u>	<u>4,949,889</u>	<u>5,676,065</u>	<u>231,891</u>	<u>(119,257)</u>	<u>112,634</u>
NON-OPERATING INCOME (LOSS)						
Interest income	76,953	-	76,953	22,898	-	22,898
Investment income (loss), net	193,077	8,480	201,557	(41,838)	(10,853)	(52,691)
<i>Total non-operating income (loss)</i>	<u>270,030</u>	<u>8,480</u>	<u>278,510</u>	<u>(18,940)</u>	<u>(10,853)</u>	<u>(29,793)</u>
CHANGE IN NET ASSETS	996,206	4,958,369	5,954,575	212,951	(130,110)	82,841
NET ASSETS, BEGINNING OF YEAR	<u>3,882,910</u>	<u>553,808</u>	<u>4,436,718</u>	<u>3,669,959</u>	<u>683,918</u>	<u>4,353,877</u>
NET ASSETS, END OF YEAR	<u>\$ 4,879,116</u>	<u>\$ 5,512,177</u>	<u>\$ 10,391,293</u>	<u>\$ 3,882,910</u>	<u>\$ 553,808</u>	<u>\$ 4,436,718</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, 2023 and 2022

	2023				2022			
	<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	\$ 1,477,775	\$ 369,444	\$ 97,222	\$ 1,944,441	\$ 1,220,969	\$ 301,061	\$ 150,530	\$ 1,672,560
Outside services	641,542	160,385	42,207	844,134	648,727	159,960	79,980	888,667
Program supplies	506,221	126,555	33,304	666,080	625,371	154,201	77,101	856,673
Contract labor	435,086	108,771	28,624	572,481	32,848	8,100	4,050	44,998
Employee benefits	129,995	32,499	8,552	171,046	106,991	26,382	13,191	146,564
Depreciation	122,245	30,562	8,043	160,850	102,534	25,282	12,641	140,457
Payroll taxes	114,411	28,603	7,527	150,541	91,265	22,504	11,252	125,021
Vehicle repairs and maintenance	52,511	13,128	3,455	69,094	23,038	5,681	2,840	31,559
Rent	46,380	11,595	3,051	61,026	44,764	11,038	5,519	61,321
Insurance	44,054	11,014	2,898	57,966	45,111	11,123	5,562	61,796
Meals	42,438	10,610	2,792	55,840	26,576	6,553	3,276	36,405
Dues and subscriptions	37,277	9,320	2,453	49,050	34,110	8,411	4,205	46,726
Utilities	27,405	6,851	1,803	36,059	30,500	7,520	3,760	41,780
Telephone	26,530	6,633	1,745	34,908	24,800	6,115	3,058	33,973
Printing	21,579	5,395	1,420	28,394	25,602	6,313	3,156	35,071
In-kind expenses	21,536	5,384	1,417	28,337	20,060	4,946	2,473	27,479
Seminars	20,296	5,074	1,335	26,705	25,650	6,324	3,162	35,136
Building repairs and maintenance	19,836	4,959	1,305	26,100	18,482	4,557	2,279	25,318
Interest expense	17,768	4,442	1,169	23,379	23,102	5,696	2,848	31,646
Advertising	15,145	3,786	996	19,927	20,318	5,010	2,505	27,833
Loss on disposal of assets	8,962	2,240	590	11,792	-	-	-	-
Office expenses	5,833	1,458	384	7,675	5,250	1,294	647	7,191
Miscellaneous	20,897	5,224	1,375	27,496	19,915	4,910	2,455	27,280
<i>Total functional expenses</i>	<u>\$ 3,855,722</u>	<u>\$ 963,932</u>	<u>\$ 253,667</u>	<u>\$ 5,073,321</u>	<u>\$ 3,215,983</u>	<u>\$ 792,981</u>	<u>\$ 396,490</u>	<u>\$ 4,405,454</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 5,954,575	\$ 82,841
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	160,850	140,457
Loss on disposal of assets	11,792	-
Investment (income) loss, net	(201,557)	52,691
Donated investments	(10,344)	-
Amortization of debt issuance costs included in interest	900	900
Changes in certain assets and liabilities:		
Accounts receivable	105,264	(159,066)
Employee retention credit receivable	140,362	141,932
Grants receivable	44,882	(59,372)
Pledges receivable	(82,501)	103,263
Prepaid expenses	(248)	1,358
Operating lease right-of-use asset	53,194	(183,131)
Accounts payable	(38,460)	98,982
Accrued expenses and other liabilities	(13,763)	24,026
Deferred revenue	(1,089,066)	3,675,141
Operating lease obligations	(52,076)	186,003
<i>Net cash provided by operating activities</i>	<u>4,983,804</u>	<u>4,106,025</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	(356,675)	(147,111)
Proceeds from sale of investments	1,219,017	-
Purchases of investments	(216,000)	(3,390,000)
<i>Net cash provided by (used in) investing activities</i>	<u>646,342</u>	<u>(3,537,111)</u>
FINANCING ACTIVITIES		
Principal repayments of notes payable	(78,733)	(75,893)
Payments on finance lease obligations	(5,136)	(7,959)
<i>Net cash used in financing activities</i>	<u>(83,869)</u>	<u>(83,852)</u>
NET CHANGE IN CASH	5,546,277	485,062
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,591,211</u>	<u>1,106,149</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH END OF YEAR	<u>\$ 7,137,488</u>	<u>\$ 1,591,211</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH END OF YEAR		
Cash and cash equivalents	\$ 3,837,488	\$ 1,591,211
Cash restricted for investment in endowment	3,300,000	-
<i>Total cash, cash equivalents, and restricted cash, end of year</i>	<u>\$ 7,137,488</u>	<u>\$ 1,591,211</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 22,479	\$ 30,746

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, 2023 and 2022

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:

AES Indiana Project Greenspace - KIB works with neighborhood groups throughout the city to transform vacant and unused places into beautiful, functional, and resilient vibrant places. The first year of each partnership is spent working with neighbors to design, build, and plant their pocket parks or other greenspaces. After that, the GreenSpace Sustainability Program provides financial, technical, and material support.

Community Forestry - The goal of the Community Forestry program is to build a thriving tree canopy in Indianapolis by planting thousands of large Indiana-native trees each year.

Habitat Restoration – KIB is a leader in community-based habitat restoration, with projects to enrich habitat along the major waterways in Indianapolis.

Adopt-A-Block - KIB's Adopt-A-Block program engages neighbors, businesses, and schools to reduce litter and build community at the smallest city unit: the block. KIB provides supplies to block captains to keep their blocks and neighborhoods clean in partnership with their neighbors.

Clean Team - The Clean Team provides second chance opportunities to those exiting the criminal justice system, providing full-time employment to teams who clean up litter and illegal dumping along busy roads and waterways.

Great Indy Cleanup - The Great Indy Cleanup provides resources such as dumpsters, trash bags, and gloves to help neighbors tackle litter and illegal dumping in streets, alleys, and other public places.

Urban Naturalists - The Urban Naturalists are KIB’s hands-on environmental stewards who restore biodiversity in Indianapolis through planting, preserving, and maintaining urban ecosystems. KIB employs college students and recent graduates, providing them with job skills and professional development to prepare them for impactful careers in environmental fields.

Youth Tree Team - KIB hires 50 to 80 Indianapolis high school students seasonally to maintain recently planted trees while receiving enrichment opportunities and work skills certification.

KEEP INDIANAPOLIS BEAUTIFUL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 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 in accordance with Accounting Principles Generally Accepted in the United States of America (“U.S. GAAP”), which requires management to make estimates and assumptions affecting 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. Cash equivalents consist of money market accounts totaling \$3,743,237 and \$516,185 as of December 31, 2023 and 2022, respectively.

Accounts, Grants, and Pledges Receivable – KIB adopted Accounting Standards Update 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, during the year ended December 31, 2023, which introduced a forward-looking approach, based on expected losses, to estimate credit losses on certain types of financial instruments, including trade and other receivables. The adoption of this accounting standards update did not have a material impact on KIB’s financial position or the result of its operations and cash flows.

Accounts, grants, and pledges receivable are reported at the amount invoiced or the amount pledged, net of an allowance for credit losses. KIB periodically evaluates its receivables and establishes an allowance for credit losses based on past write-offs, collections, and current credit conditions. There was no allowance for credit losses as of December 31, 2023 and 2022.

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 which 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.

Advertising – KIB incurred \$19,927 and \$27,833 in advertising expense during the years ended December 31, 2023 and 2022, respectively. These costs were expensed when incurred.

KEEP INDIANAPOLIS BEAUTIFUL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Taxes on Income – KIB received a determination from the U.S. Treasury Department stating 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 not 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 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 examined this issue and determined there are no material contingent tax liabilities or questionable tax positions. Tax years ended after December 31, 2019 are open to audit for both federal and state purposes.

Subsequent Events – Subsequent events have been evaluated through April 25, 2024, 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.

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 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 services are recognized on a monthly basis as services are performed over the course of the period specified in the contract. Incidental items 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.

Rental income is recorded monthly as earned from KIB's lessor.

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. 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.

KEEP INDIANAPOLIS BEAUTIFUL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2023 and 2022

NOTE 2 - REVENUE RECOGNITION, Continued

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 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 which generally decrease the transaction price and reduce revenue. Although contract consideration adjustments historically have been insignificant, variable amounts are generally credits to the customer through billing adjustments.

NOTE 3 - EMPLOYEE RETENTION CREDITS

The Employee Retention Credit (“ERC”) is a refundable tax credit for employers equal to 50 percent of qualified wages in 2020 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 was \$320,218, which covers all applicable periods in 2020 and 2021. As of December 31, 2023 and 2022, \$37,924 and \$178,286 remained as ERC receivables, which management believes is entirely collectible.

NOTE 4 - GRANTS AND PLEDGES 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 which are expected to be collected in future years are recorded at their net present value. The entire balance of pledges and grants receivable as of both December 31, 2023 and 2022 are expected to be collected in less than one year.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment included the following as of December 31:

	<u>2023</u>	<u>2022</u>
Land	\$ 409,828	\$ 425,685
Building and building improvements	3,146,710	3,152,476
Office furniture and equipment	405,970	445,962
Vehicles and trailers	881,303	619,957
	<u>4,843,811</u>	<u>4,644,080</u>
Less: accumulated depreciation	<u>(2,087,855)</u>	<u>(2,072,157)</u>
<i>Total property and equipment, net</i>	<u>\$ 2,755,956</u>	<u>\$ 2,571,923</u>

KEEP INDIANAPOLIS BEAUTIFUL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2023 and 2022

NOTE 6 - FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy prioritizing 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 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's or liability's fair measurement level within the fair value hierarchy is based on the lowest level of any input significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

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, 2023 and 2022.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by KIB are open-end mutual funds registered with the Securities and Exchange Commission. 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 (Level 1 inputs).

Certificates of Deposit: Valued by discounting cash flows based on interest rates of similar instruments with similar ratings and duration (Level 2 inputs). The certificates of deposit have maturity dates ranging from January 2024 through December 2024. Though some of the certificates of deposit meet the liquidity definition of a cash equivalent, management considers the entire portfolio of certificates of deposit to be held for investment purposes.

KEEP INDIANAPOLIS BEAUTIFUL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2023 and 2022

NOTE 6 - FAIR VALUE MEASUREMENTS, Continued

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, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 10,129	\$ -	\$ -	\$ 10,129
Exchange traded funds	677,503	-	-	677,503
Certificates of deposit	-	2,229,961	-	2,229,961
CICF	-	-	93,427	93,427
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Investments at fair value</i>	\$ <u>687,632</u>	\$ <u>2,229,961</u>	\$ <u>93,427</u>	\$ <u>3,011,020</u>
<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 374,348	\$ -	\$ -	\$ 374,348
Exchange traded funds	38,485	-	-	38,485
Certificates of deposit	-	3,304,356	-	3,304,356
CICF	-	-	84,947	84,947
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Investments at fair value</i>	\$ <u>412,833</u>	\$ <u>3,304,356</u>	\$ <u>84,947</u>	\$ <u>3,802,136</u>

NOTE 7 - INVESTMENT INCOME

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

	<u>2023</u>	<u>2022</u>
Realized gain	\$ 20,625	\$ -
Unrealized gain (loss)	40,653	(64,961)
Dividend income	14,403	13,822
Interest income	126,760	1,676
Investment fees	<u>(884)</u>	<u>(3,228)</u>
 <i>Investment income (loss), net</i>	 \$ <u>201,557</u>	 \$ <u>(52,691)</u>

KEEP INDIANAPOLIS BEAUTIFUL, INC.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 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 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 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 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, 2023 and 2022.

Return Objectives and Risk Parameters

KIB adopted investment and spending policies for endowment assets which 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 KIB must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner intended to produce long-term appreciation of the principal and generate income while ensuring the preservation 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.

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NOTE 8 - ENDOWMENT FUNDS, Continued

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objective Relates to Spending Policy

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

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

	<u>2023</u>	<u>2022</u>
Historic gift value	\$ 44,675	\$ 44,675
Accumulated earnings	40,272	51,125
<i>Endowment net assets, beginning of year</i>	84,947	95,800
Realized gains (losses)	2,526	(7,670)
Unrealized gains (losses)	6,313	(3,290)
Investment fees, net of dividends and interest	(359)	107
<i>Change in endowment net assets</i>	8,480	(10,853)
Historic gift value	44,675	44,675
Accumulated earnings	48,752	40,272
<i>Endowment net assets, end of year</i>	\$ 93,427	\$ 84,947

Cash Restricted for Investment in Endowment

In November 2023, KIB was awarded \$3,300,000 as a permanently restricted, donor-designated endowment. As of the date of these financial statements, the funds had not been invested, and were held in KIB's money market account.

NOTE 9 - DEFERRED REVENUE

KIB received \$3,866,770 from three grants. During the years ended December 31, 2023 and 2022, KIB expended \$1,089,066 and \$191,629, respectively, in accordance with the terms of the grants. The remaining unspent portion of \$2,586,075 and \$3,675,141 as of December 31, 2023 and 2022, respectively, is reflected on the statements of financial position as deferred revenue. These funds are expected to be fully expended by December 31, 2025.

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NOTE 10 - LINE OF CREDIT

KIB has \$250,000 of available borrowings under a line of credit with a bank until May 2024, at which time the line of credit is subject to renewal. Borrowings under the line of credit bear interest at the bank's prime lending rate (8.5% at December 31, 2023). The line of credit is secured by substantially all assets of KIB. There were no borrowings on the line of credit at December 31, 2023 and 2022.

NOTE 11 - NOTES PAYABLE

Notes payable consisted of the following as of December 31:

	<u>2023</u>	<u>2022</u>
Note payable to bank; bearing interest at 4.862%, payable in monthly installments of \$6,905 including interest, through May 2028, secured by substantially all assets of KIB.	\$ 350,414	\$ 414,332
Note payable to bank under the SBA Economic Injury Disaster Loan program ("EIDL"); bearing interest at 2.75%, payable in monthly installments of \$1,631, including interest, through December 2025, secured by substantially all assets of KIB.	<u>40,868</u>	<u>55,683</u>
	391,282	470,015
Less: current portion	<u>(86,944)</u>	<u>(83,205)</u>
	304,338	386,810
Unamortized debt issuance costs	<u>(3,899)</u>	<u>(4,799)</u>
Long-term portion	<u>\$ 300,439</u>	<u>\$ 382,011</u>

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

2024	\$ 86,944
2025	89,930
2026	79,066
2027	79,055
2028	<u>56,287</u>
	 <u>\$ 391,282</u>

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NOTE 12 - 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 netted against the related debt for which the 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, 2023 and 2022. At December 31, 2023 and 2022, unamortized debt issuance costs of \$3,899 and \$4,799, respectively, are netted against long-term debt on the statements of financial position.

NOTE 13 - LEASE OBLIGATIONS

Finance Leases - KIB leases equipment under the terms of various finance leases. The cost of equipment under finance leases totaled \$25,680 and \$77,364 at December 31, 2023 and 2022, respectively. Accumulated depreciation at December 31, 2023 and 2022 was \$5,350 and \$53,605, respectively. Interest represents an insignificant portion of the capital leases obligations, therefore is excluded from presentation.

Operating Lease - KIB leases warehouse space under the terms of an operating lease requiring monthly payments increasing 3% per year. Using an imputed interest rate of 5%, which is approximately the interest rate on its note payable (Note 11), recorded an operating lease right-of-use asset for \$234,363 and corresponding operating lease liability for the same amount. For the years ended December 31, 2023 and 2022, total rent expense was \$61,026 and \$61,321, respectively. Components of lease costs are as follows for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Operating lease cost	\$ 61,026	\$ 61,321
Amortization of finance leased assets	<u>2,568</u>	<u>6,014</u>
<i>Total lease cost</i>	<u>\$ 63,594</u>	<u>\$ 67,335</u>

Future minimum payments under non-cancellable operating and finance non-cancellable leases are as follows for the years ending December 31:

	<u>Operating Lease</u>	<u>Finance Leases</u>
2024	\$ 62,008	\$ 5,136
2025	63,869	5,136
2026	<u>16,084</u>	<u>5,136</u>
	141,961	15,408
Less: imputed interest	<u>(8,034)</u>	<u>-</u>
Total lease liability	133,927	15,408
Less: current portion	<u>(56,589)</u>	<u>(5,136)</u>
Long-term portion	<u>\$ 77,338</u>	<u>\$ 10,272</u>

KEEP INDIANAPOLIS BEAUTIFUL, INC.
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NOTE 14 - RENTAL INCOME

KIB has an agreement to sublease a portion of its building through August 31, 2027, with the option for two additional five-year extensions. Future minimum receipts under this lease are as follows for the years ending December 31:

2024	\$	62,013
2025		64,088
2026		65,690
2027		<u>44,152</u>
	\$	<u>235,943</u>

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 eligibility 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 \$42,676 and \$39,808 for the years ended December 31, 2023 and 2022, respectively, and are included in employee benefits on the statements of functional expenses.

NOTE 16 - IN-KIND CONTRIBUTIONS

In-kind contributions included in the statements of activities and change in net assets are comprised of the following for the years ended December 31:

Non-Financial Asset	2023	2022	Program Benefitted	Donor Restriction
Equipment	\$ 24,412	\$ 13,029	Native Landscape	None
Professional service	1,766	14,200	General Operations	None
Meeting space	-	250	General Operations	None
Food	<u>2,159</u>	<u>-</u>	General Operations	None
<i>Total</i>	<u>\$ 28,337</u>	<u>\$ 27,479</u>		

The fair values of contributed non-financial assets are recorded as reported by donors. If a fair value for contributed non-financial assets is not provided by the donor, KIB makes a reasonable effort to quantify the value of the contribution.

Additionally, volunteers donate a significant amount of time to KIB's programs at an undetermined fair value. These services are not reflected in the financial statements in accordance with U.S. GAAP.

KEEP INDIANAPOLIS BEAUTIFUL, INC.
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NOTE 17 - COMMITMENTS AND CONTINGENCIES

KIB entered into a Master Operations and Maintenance Agreement with Citizens Energy Group for tree planting and maintenance through December 31, 2027. The agreement provides \$4,988,465 for tree planting and care. As of December 31, 2023, KIB has earned \$4,298,679 and has a remaining balance of \$690,786 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 provided \$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, 2022, KIB earned the full balance of this agreement. In 2022, the parties extended this agreement for another two years, through December 31, 2024. The agreement provides \$3,343,439 for litter abatement, green infrastructure, public awareness and outreach, and public gateway monitoring and maintenance as cost-reimbursement received on a monthly basis. As of December 31, 2023, KIB has earned \$1,630,946 of this agreement.

KIB entered into a contingent promissory note with Southeast Neighborhood Development, Inc. 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 18 - RISKS AND UNCERTAINTIES

KIB maintains its cash and cash equivalents in bank deposit accounts which are insured up to \$250,000 per bank. As of both December 31, 2023 and 2022, and regularly throughout the years then ended, KIB’s cash balances exceeded federally-insured amounts. KIB had approximately \$6,872,000 over the FDIC insurance limit as of December 31, 2023.

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NOTE 19 - NET ASSETS

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

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Indy Art and Seek	\$ -	\$ 118,861
Capital improvements	1,514,000	-
Strategic planning	186,000	-
White River Habitat Restoration	18,750	25,000
Cash restricted for investment in endowment	3,300,000	-
	<u>5,018,750</u>	<u>143,861</u>
Subject to the passage of time:		
Time restricted for future years	<u>400,000</u>	<u>325,000</u>
Endowment:		
Held in perpetuity	44,675	44,675
Endowment earnings	48,752	40,272
	<u>93,427</u>	<u>84,947</u>
<i>Total net assets with donor restrictions</i>	<u>\$ 5,512,177</u>	<u>\$ 553,808</u>

Net assets released from donor restrictions due to the satisfaction of donor-imposed restrictions were as follows for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Releases of purpose restrictions:		
Indy Art and Seek	\$ 118,861	\$ 8,790
White River Habitat Restoration	51,250	62,500
EPA	58,865	64,372
I-70 Project	-	97,967
Releases of time restrictions:		
Partial collection of multi-year pledge	25,000	-
Time restricted for future years	<u>325,000</u>	<u>325,000</u>
<i>Total net assets released from restrictions</i>	<u>\$ 578,976</u>	<u>\$ 558,629</u>

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NOTE 20 - LIQUIDITY

KIB’s financial assets include cash and cash equivalents, restricted cash, 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>2023</u>	<u>2022</u>
Total financial assets	\$ 10,804,942	\$ 6,257,788
Less: financial assets unavailable for general expenditures within one year:		
Deferred revenue	(2,586,075)	(3,675,141)
Restricted endowment	(93,427)	(84,947)
Donor-restricted for specified purpose	<u>(5,018,750)</u>	<u>(143,861)</u>
<i>Total financial assets available for general expenditures within one year</i>	<u>\$ 3,106,690</u>	<u>\$ 2,353,839</u>

KIB is partially supported by contributions with donor restrictions for both purpose and the passage of time. KIB must maintain sufficient resources to meet those responsibilities to its donors. Financial assets with donor restrictions subject to expenditure for specified purpose may not be available for general expenditure within one year since the underlying purposes may not be entirely accomplished within one year. Financial assets with donor restrictions subject to the passage of time are considered available for general expenditures as each time restriction is met in the following year. The financial assets pertaining to deferred revenue are required to be utilized for specified projects which may not be entirely accomplished within one year. Accordingly, management does not consider these financial assets to be available for general use 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, 2023 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 21 - 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.

Management allocated costs among the various functional expense categories using a uniform percentage for each category based on best available estimates.