

Keep Indianapolis Beautiful, Inc.

Financial Statements
Together with Independent Auditor's Report

For the Years Ended December 31, 2024 and 2023



Keep Indianapolis Beautiful, Inc.

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Financial Statements	
Statements of Financial Position	3
Statements of Activities and Change in Net Assets.....	4
Statements of Functional Expenses	5
Statements of Cash Flows.....	6
Notes to the Financial Statements.....	7 - 22
Schedule of Lead Auditor	23



Donovan CPAs

Independent Auditor's Report

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

Opinion

We audited the financial statements of Keep Indianapolis Beautiful, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2024 and 2023 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 the Organization as of December 31, 2024 and 2023 and the results of its operations, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are required to be independent of the Organization 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 the Organization'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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Auditor's 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 auditor's 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 the Organization'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 the Organization's ability to continue as a going concern for a reasonable period of time.

Emphasis of Matter

As discussed in Note 4 to the financial statements, during the current year, the Organization conducted a comprehensive review of the estimated useful lives of its fixed assets. As a result of this review, it was determined that certain assets had an estimated useful life that was significantly different from the previous estimates. The revised estimates reflect changes in the expected utility and usage patterns of these assets and are based on a more accurate assessment of their economic benefits over time. This adjustment is reflected in the accompanying financial statements as an increase in accumulated depreciation and a decrease in net assets of \$287,660 as of December 31, 2023, as well as an increase in depreciation expense of \$32,556 during the year ended December 31, 2023.

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 CPAs
Indianapolis, Indiana
April 24, 2025

Keep Indianapolis Beautiful, Inc.
Statements of Financial Position
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 4,050,062	\$ 3,837,488
Accounts receivable	202,801	486,782
Grants receivable	142,827	39,490
Pledges receivable	91,571	92,238
Employee retention credit receivable	37,924	37,924
Investments	1,959,126	2,917,593
Prepaid expenses	6,156	5,954
Total current assets	<u>6,490,467</u>	<u>7,417,469</u>
Fixed Assets, Net	<u>2,482,397</u>	<u>2,468,296</u>
Other Assets		
Endowment investments	2,198,651	93,427
Endowment cash	1,206,915	-
Cash restricted for investment in endowment	-	3,300,000
Operating lease right-of-use asset	74,036	129,937
Security deposit	1,000	1,000
Total other assets	<u>3,480,602</u>	<u>3,524,364</u>
Total Assets	<u>\$ 12,453,466</u>	<u>\$ 13,410,129</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current portion of notes payable	\$ 79,091	\$ 86,944
Current portion of finance lease obligations	5,136	5,136
Current portion of operating lease obligations	61,387	56,589
Accounts payable	105,261	82,071
Accrued expenses and other liabilities	167,295	101,632
Deferred revenue	1,379,694	2,586,075
Total current liabilities	<u>1,797,864</u>	<u>2,918,447</u>
Long-Term Liabilities		
Notes payable, net of current portion and unamortized debt issuance costs	239,439	300,439
Finance lease obligations, net of current portion	2,897	10,272
Operating lease obligations, net of current portion	15,951	77,338
Total long-term liabilities	<u>258,287</u>	<u>388,049</u>
Total Liabilities	<u>2,056,151</u>	<u>3,306,496</u>
Net Assets		
Without donor restrictions	4,874,747	4,591,456
With donor restrictions	5,522,568	5,512,177
Total net assets	<u>10,397,315</u>	<u>10,103,633</u>
Total Liabilities and Net Assets	<u>\$ 12,453,466</u>	<u>\$ 13,410,129</u>

See independent auditor's report and notes to the financial statements

Keep Indianapolis Beautiful, Inc.
Statements of Activities and Change in Net Assets
For the Years Ended December 31, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Contract services	\$ 2,405,443	\$ -	\$ 2,405,443	\$ 2,525,042	\$ -	\$ 2,525,042
Grants and contributions	2,580,808	764,263	3,345,071	2,593,050	5,528,865	8,121,915
In-kind contributions	264,979	-	264,979	28,337	-	28,337
Rental income	63,100	-	63,100	61,000	-	61,000
Miscellaneous income	47,996	-	47,996	13,092	-	13,092
Net assets released from restrictions	736,012	(736,012)	-	578,976	(578,976)	-
Total revenue and support	<u>6,098,338</u>	<u>28,251</u>	<u>6,126,589</u>	<u>5,799,497</u>	<u>4,949,889</u>	<u>10,749,386</u>
Expenses						
Program services	4,946,545	-	4,946,545	3,880,466	-	3,880,466
Management and general	860,400	-	860,400	970,117	-	970,117
Fundraising	452,752	-	452,752	255,294	-	255,294
Total expenses	<u>6,259,697</u>	<u>-</u>	<u>6,259,697</u>	<u>5,105,877</u>	<u>-</u>	<u>5,105,877</u>
Change in Net Assets from Operations	<u>(161,359)</u>	<u>28,251</u>	<u>(133,108)</u>	<u>693,620</u>	<u>4,949,889</u>	<u>5,643,509</u>
Other Income						
Interest income	318,213	-	318,213	76,953	-	76,953
Investment income (loss), net	126,437	(17,860)	108,577	193,077	8,480	201,557
Total other income	<u>444,650</u>	<u>(17,860)</u>	<u>426,790</u>	<u>270,030</u>	<u>8,480</u>	<u>278,510</u>
Change in Net Assets	283,291	10,391	293,682	963,650	4,958,369	5,922,019
Net Assets, Beginning of Year	<u>4,591,456</u>	<u>5,512,177</u>	<u>10,103,633</u>	<u>3,627,806</u>	<u>553,808</u>	<u>4,181,614</u>
Net Assets, End of Year	<u>\$ 4,874,747</u>	<u>\$ 5,522,568</u>	<u>\$ 10,397,315</u>	<u>\$ 4,591,456</u>	<u>\$ 5,512,177</u>	<u>\$ 10,103,633</u>

See independent auditor's report and notes to the financial statements

Keep Indianapolis Beautiful, Inc.
Statements of Functional Expenses
For the Years Ended December 31, 2024 and 2023

	2024				2023			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 1,494,220	\$ 520,520	\$ 238,298	\$ 2,253,038	\$ 1,477,775	\$ 369,444	\$ 97,222	\$ 1,944,441
Contract labor	853,921	-	89,000	942,921	435,086	108,771	28,624	572,481
Outside services	817,901	64,381	30,490	912,772	641,542	160,385	42,207	844,134
Program supplies	668,254	12,066	3,987	684,307	506,221	126,555	33,304	666,080
In-kind expenses	250,212	5,632	9,135	264,979	21,536	5,384	1,417	28,337
Employee benefits	149,190	51,971	23,793	224,954	129,995	32,499	8,552	171,046
Depreciation	173,871	11,991	3,997	189,859	146,989	36,747	9,670	193,406
Payroll taxes	116,047	40,425	18,507	174,979	114,411	28,603	7,527	150,541
Vehicle repairs and maintenance	78,318	-	-	78,318	52,511	13,128	3,455	69,094
Insurance	62,854	4,335	1,445	68,634	44,054	11,014	2,898	57,966
Meals	51,774	8,368	1,958	62,100	42,438	10,610	2,792	55,840
Rent	61,288	-	-	61,288	46,380	11,595	3,051	61,026
Dues and subscriptions	19,761	23,050	8,324	51,135	37,277	9,320	2,453	49,050
Telephone	27,315	9,515	4,356	41,186	26,530	6,633	1,745	34,908
Utilities	34,844	2,403	801	38,048	27,405	6,851	1,803	36,059
Seminars	14,304	23,252	268	37,824	20,296	5,074	1,335	26,705
Building repairs and maintenance	20,959	1,446	482	22,887	19,836	4,959	1,305	26,100
Interest expense	20,054	2,283	461	22,798	17,768	4,442	1,169	23,379
Printing	9,414	949	9,258	19,621	21,579	5,395	1,420	28,394
Office expenses	404	12,406	14	12,824	5,833	1,458	384	7,675
Advertising	3,107	3,275	339	6,721	15,145	3,786	996	19,927
Loss on disposal of fixed assets	-	15	-	15	8,962	2,240	590	11,792
Miscellaneous	18,533	62,117	7,839	88,489	20,897	5,224	1,375	27,496
Total functional expenses	<u>\$ 4,946,545</u>	<u>\$ 860,400</u>	<u>\$ 452,752</u>	<u>\$ 6,259,697</u>	<u>\$ 3,880,466</u>	<u>\$ 970,117</u>	<u>\$ 255,294</u>	<u>\$ 5,105,877</u>

See independent auditor's report and notes to the financial statements

Keep Indianapolis Beautiful, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating Activities		
Change in net assets	\$ 293,682	\$ 5,922,019
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	189,859	193,406
Loss on disposal of fixed assets	15	11,792
Investment income	(108,577)	(201,557)
Donated investments	-	(10,344)
Amortization of debt issuance costs included in interest	900	900
Changes in certain assets and liabilities:		
Accounts receivable	283,981	105,264
Employee retention credit receivable	-	140,362
Grants receivable	(103,337)	44,882
Pledges receivable	667	(82,501)
Prepaid expenses	(202)	(248)
Operating lease transactions, net	(688)	1,118
Accounts payable	23,190	(38,460)
Accrued expenses and other liabilities	65,663	(13,763)
Deferred revenue	(1,206,381)	(1,089,066)
Net change in cash from operating activities	<u>(561,228)</u>	<u>4,983,804</u>
Investing Activities		
Purchases of fixed assets	(203,975)	(356,675)
Restricted cash used to purchase investments	(3,300,000)	-
Proceeds from sale of investments	2,589,438	1,219,017
Purchases of investments	(327,618)	(216,000)
Net change in cash from investing activities	<u>(1,242,155)</u>	<u>646,342</u>
Financing Activities		
Principal repayments of notes payable	(69,753)	(78,733)
Payments on finance lease obligations	(7,375)	(5,136)
Net change in cash from financing activities	<u>(77,128)</u>	<u>(83,869)</u>
Net Change in Cash	(1,880,511)	5,546,277
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	<u>7,137,488</u>	<u>1,591,211</u>
Cash, Cash Equivalents, and Restricted Cash, End of Year	<u>\$ 5,256,977</u>	<u>\$ 7,137,488</u>
Cash, Cash Equivalents, and Restricted Cash, End of Year		
Cash and cash equivalents	\$ 4,050,062	\$ 3,837,488
Endowment cash restricted for investment	<u>1,206,915</u>	<u>3,300,000</u>
Total cash, cash equivalents, and restricted cash, end of year	<u>\$ 5,256,977</u>	<u>\$ 7,137,488</u>
Supplemental cash flow information		
Cash paid for interest	\$ 21,898	\$ 22,479

See independent auditor's report and notes to the financial statements

Keep Indianapolis Beautiful, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2024 and 2023

Note 1 – Nature of Activities

Keep Indianapolis Beautiful, Inc. (the Organization) is a not-for-profit organization located in Indianapolis, Indiana (the City). The Organization 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 the Organization 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 the Organization’s mission-related community improvement projects. Descriptions of the programs are as follows:

AES Indiana Project Greenspace

The Organization 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

The Organization is a leader in community-based habitat restoration, with projects to enrich habitat along the major waterways in the City.

Adopt-A-Block

The Organization's Adopt-A-Block program engages neighbors, businesses, and schools to reduce litter and build community at the smallest city unit: the block. The Organization 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 the Organization’s hands-on environmental stewards who restore biodiversity in the City through planting, preserving, and maintaining urban ecosystems. The Organization 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

The Organization 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, 2024 and 2023

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting and Use of Estimates

The financial statements of the Organization 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.

Financial Statement Presentation

The Organization 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 the Organization; and
- Net assets with donor restrictions, which represent resources restricted by donors for specific time periods or purposes.

Cash and Cash Equivalents

The Organization 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 \$3,804,831 and \$3,743,237 as of December 31, 2024 and 2023, respectively.

Accounts, Grants, and Pledges Receivable

Accounts, grants, and pledges receivable are reported at the amount invoiced or the amount pledged, net of an allowance for credit losses. The Organization 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, 2024 and 2023.

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.

Fixed Assets

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 fixed assets range from three to forty years.

Advertising

The Organization incurred \$6,721 and \$19,927 in advertising expense during the years ended December 31, 2024 and 2023, respectively. These costs were expensed when incurred.

Taxes on Income

The Organization 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.

Keep Indianapolis Beautiful, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2024 and 2023

Note 2 – Summary of Significant Accounting Policies (Continued)

Professional accounting standards require the Organization 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. The Organization examined this issue and determined there are no material contingent tax liabilities or questionable tax positions. Tax years ended after December 31, 2020 are open to audit for both federal and state purposes.

Subsequent Events

Subsequent events have been evaluated through April, 24 2025, 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 3 – Revenue Recognition

Revenue Recognition Policy

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. The Organization 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.

Pledges and contributions are recognized when the donor makes an unconditional promise to give to the Organization 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. The Organization 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.

Rental income is recorded monthly as earned from the Organization's lessee.

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.

Variable Consideration

The nature of the Organization'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.

Keep Indianapolis Beautiful, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2024 and 2023

Note 3 – Revenue Recognition (Continued)

The primary variable consideration for all contracts the Organization 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 4 – Prior Period Adjustment

During the year ended December 31, 2024, the Organization conducted a comprehensive review of the estimated useful lives of its fixed assets. As a result of this review, the Organization determined certain assets had an estimated useful life that was significantly different from the previous estimates. The revised estimates reflect changes in the expected utility and usage patterns of these assets and are based on a more accurate assessment of their economic benefits over time. This adjustment is reflected in the accompanying financial statements as an increase in accumulated depreciation and a decrease in net assets of \$287,660 as of December 31, 2023, as well as an increase in depreciation expense of \$32,556 during the year ended December 31, 2023.

Note 5 – 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 provided a credit of up to 70% of the first \$10,000 of qualifying wages paid to each employee during the period January 1, 2021 through September 30, 2021. The amount of the credit claimed by the Organization was \$320,218, which covers all applicable periods in 2020 and 2021. As of both December 31, 2024 and 2023, \$37,924 remained as ERC receivable.

Note 6 – Grants and Pledges Receivable

The Organization recognized all material conditional and unconditional promises to give from granting authorities as grants and contributions revenue. Conditional and unconditional promises to give expected to be collected in future years are recorded at their net present value. The entire balances of pledges and grants receivable as of both December 31, 2024 and 2023 are expected to be collected in less than one year.

Keep Indianapolis Beautiful, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2024 and 2023

Note 7 – Fixed Assets

Fixed assets included the following as of December 31:

	<u>2024</u>	<u>2023</u>
Land	\$ 571,412	\$ 409,828
Building and improvements	3,143,990	3,146,710
Office furniture and equipment	410,308	405,970
Vehicles and trailers	905,003	881,303
Less: accumulated depreciation	<u>(2,548,316)</u>	<u>(2,375,515)</u>
	<u>\$ 2,482,397</u>	<u>\$ 2,468,296</u>

Note 8 – 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 the Organization 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 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, 2024 and 2023.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end funds registered with the Securities and Exchange Commission. The mutual funds held by the Organization are deemed to be actively traded (Level 1 inputs).

Keep Indianapolis Beautiful, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2024 and 2023

Note 8 – Fair Value Measurements (Continued)

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 2025 through June 2025. 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.

Central Indiana Community Foundation (CICF): Represents the Organization’s pro rata interest in CICF administered pooled investment funds. The individual investments within the pool are valued separately by the investment managers, and the Organization’s pro rata interest is reported by CICF (Level 3 inputs).

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2024				
Mutual funds	\$ 2,931,668	\$ -	\$ -	\$ 2,931,668
Exchange traded funds	182,183	-	-	182,183
Certificates of deposit	-	939,854	-	939,854
CICF	-	-	104,072	104,072
Investments at fair value	<u>\$ 3,113,851</u>	<u>\$ 939,854</u>	<u>\$ 104,072</u>	<u>\$ 4,157,777</u>
December 31, 2023				
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
Investments at fair value	<u>\$ 687,632</u>	<u>\$ 2,229,961</u>	<u>\$ 93,427</u>	<u>\$ 3,011,020</u>

Keep Indianapolis Beautiful, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2024 and 2023

Note 9 – Investment Income

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

	<u>2024</u>	<u>2023</u>
Realized gain	\$ 12,220	\$ 20,625
Unrealized gain (loss)	(12,783)	40,653
Dividend income	-	14,403
Interest income	112,127	126,760
Investment fees	(2,987)	(884)
Investment income (loss), net	<u>\$ 108,577</u>	<u>\$ 201,557</u>

Note 10 – Endowment Funds

The Organization has two donor-designated endowment funds held with Central Indiana Community Foundation (CICF) and Key Bank. The Organization’s donor-designated endowments were established to support the activities of the Organization. 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 the Organization 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, the Organization 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 funds held in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization 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 the Organization 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 the Organization; and
- The investment policies of the Organization.

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). The Organization 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, 2024 and 2023.

Keep Indianapolis Beautiful, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2024 and 2023

Note 10 – Endowment Funds (Continued)

Return Objectives and Risk Parameters

The Organization adopted investment and spending policies for endowment assets which attempt to provide a predictable stream of funding to the Organization while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds the Organization 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. The Organization expects its endowment funds, over time, to provide a net return after fees and inflation commensurate with the mix of the portfolio relative to market returns. Actual returns in any given year may vary from this expectation.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies primarily on the investment strategy of CICF and Key Bank.

Spending Policy and How the Investment Objective Relates to Spending Policy

For the endowment held with Key Bank, the Organization was awarded \$3,300,000 as a donor-designated endowment. Per the terms of the grant agreement, the Organization is permitted to draw down funds at its discretion in a manner consistent with applicable laws governing donor-designated endowments. In the event the fair market value of the fund falls at or below the initial base value of \$3,300,000, the Organization will be limited to a maximum spending of 2% of the fund value for the next fiscal year. Although not specifically required by UPMIFA, the Board of Directors interpreted its responsibility to require the preservation of the fair value of the original donor-restricted gift as of the gift date. The Organization classified the balance of the endowment as net assets with donor restrictions. Funds are released from restriction as expended pursuant to the spending-rate policy.

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

Keep Indianapolis Beautiful, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2024 and 2023

Note 10 – Endowment Funds (Continued)

The Organization had the following endowment fund related activities for the years ended December 31, 2024 and 2023:

	<u>Key Bank</u>	<u>CICF</u>	<u>Total</u>
Historic gift value	\$ -	\$ 44,675	\$ 44,675
Accumulated earnings	-	40,272	40,272
Endowment assets, January 1, 2023	<u>-</u>	<u>84,947</u>	<u>84,947</u>
Realized gains	-	2,526	2,526
Unrealized gains	-	6,313	6,313
Investment fees, dividends, and interest, net	-	(359)	(359)
Change in endowment assets	<u>-</u>	<u>8,480</u>	<u>8,480</u>
Historic gift value	-	44,675	44,675
Accumulated earnings	-	48,752	48,752
Endowment assets, December 31, 2023	<u>-</u>	<u>93,427</u>	<u>93,427</u>
Contributions	3,330,000	-	3,330,000
Realized gains	11,219	6,518	17,737
Unrealized gains (losses)	(63,824)	4,019	(59,805)
Investment fees, dividends, and interest, net	24,099	108	24,207
Change in endowment assets	<u>3,301,494</u>	<u>10,645</u>	<u>3,312,139</u>
Historic gift value	3,330,000	44,675	3,374,675
Accumulated earnings (losses)	(28,506)	59,397	30,891
Endowment assets, December 31, 2024	<u>\$ 3,301,494</u>	<u>\$ 104,072</u>	<u>\$ 3,405,566</u>

Cash Restricted for Investment in Endowment

As of December 31, 2023, the \$3,300,000 awarded as a permanently restricted, donor-designated endowment had not been invested, and were held in the Organization's money market account.

Note 11 – Deferred Revenue

The Organization received \$3,866,770 from three grants, and expended \$1,280,695 under these grants prior to December 31, 2023, resulting in a balance in deferred revenue of \$2,586,075 as of December 31, 2023. During the year ended December 31, 2024, the Organization received another grant for \$70,000 and expended \$1,276,381, resulting in a balance in deferred revenue of \$1,379,694. Each of these grants contains at least one barrier and a right of return to the original grantor if the terms of the grants are not met. These funds are expected to be fully expended by December 31, 2025.

Keep Indianapolis Beautiful, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2024 and 2023

Note 12 – Line of Credit

The Organization has \$500,000 of available borrowings under a line of credit with a bank until December 2025, 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 (7.5% at December 31, 2024). The line of credit is secured by substantially all assets of the Organization. There were no borrowings on the line of credit at December 31, 2024 and 2023.

Note 13 – Notes Payable

Notes payable consisted of the following as of December 31:

	2024	2023
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 the Organization.	\$ 283,375	\$ 350,414
Note payable to bank under the SBA Economic Injury Disaster Loan program (EIDL); bearing interest at 2.75%, payable in monthly installments of \$700, including interest, through October 2029, secured by substantially all assets of the Organization. The note payable had an original maturity in June 2050, but pre-payments were made on the principal balance.	38,154	40,868
	321,529	391,282
Less: current portion	(79,091)	(86,944)
	242,438	304,338
Unamortized debt issuance costs	(2,999)	(3,899)
Long-term portion	\$ 239,439	\$ 300,439

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

2025	\$ 79,091
2026	82,911
2027	86,920
2028	65,498
2029	7,109
	\$ 321,529

Keep Indianapolis Beautiful, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2024 and 2023

Note 14 – Debt Issuance Costs

During 2018, the Organization incurred \$8,999 in debt issuance costs related to the note payable to a bank. In accordance with U.S. GAAP, the Organization 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, 2024 and 2023. At December 31, 2024 and 2023, unamortized debt issuance costs of \$2,999 and \$3,899, respectively, are netted against long-term liabilities on the statements of financial position.

Note 15 – Lease Obligations

Finance Leases

The Organization leases equipment valued at \$25,680 under the terms of various finance leases. Accumulated depreciation at December 31, 2024 and 2023 was \$7,918 and \$5,350, respectively. Interest represents an insignificant portion of the capital leases obligations, therefore is excluded from presentation.

Operating Lease

The Organization 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 13), 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, 2024 and 2023, total rent expense was \$61,288 and \$61,026, respectively. Components of lease costs are as follows for the years ended December 31:

	2024	2023
Operating lease cost	\$ 61,288	\$ 61,026
Amortization of finance leased assets	2,568	2,568
Total lease cost	\$ 63,856	\$ 63,594

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

	Operating Lease	Finance Lease
2025	\$ 63,869	\$ 5,136
2026	16,084	2,897
	79,953	8,033
Less: imputed interest	(2,615)	-
Total lease liability	77,338	8,033
Less: current portion	(61,387)	(5,136)
Long-term portion	\$ 15,951	\$ 2,897

Keep Indianapolis Beautiful, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2024 and 2023

Note 16 – Rental Income

The Organization 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:

2025	\$	64,088
2026		65,690
2027		44,152
		\$ 173,930

Note 17 – Retirement Plans

The Organization maintains a tax-deferred annuity plan qualified under section 403(b) of the Internal Revenue Code. The plan covers all employees of the Organization who meet the age and hour eligibility requirements. Employees may make contributions to the plan with an elective matching or discretionary contribution by the Organization. An employee’s contribution may not exceed the maximum amount allowed as determined by the Internal Revenue Code. The Organization’s plan contributions were \$71,881 and \$42,676 for the years ended December 31, 2024 and 2023, respectively, and are included in employee benefits on the statements of functional expenses.

Note 18 – 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:

<u>Non-Financial Assets</u>	<u>2024</u>	<u>2023</u>	<u>Program Benefitted</u>	<u>Donor Restriction</u>
Landfill usage	\$ 150,000	\$ -	Great Indy Cleanup	None
Equipment	4,500	24,412	Native Landscape	None
Professional service	42,322	1,766	General Operations	None
Construction services	68,157	-	General Operations	None
Food	-	2,159	General Operations	None
Total	\$ 264,979	\$ 28,337		

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, the Organization makes a reasonable effort to quantify the value of the contribution.

Additionally, volunteers donate a significant amount of time to the Organization’s programs at an undetermined fair value. These services do not meet the criteria for recognition in the financial statements in accordance with U.S. GAAP.

Keep Indianapolis Beautiful, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2024 and 2023

Note 19 – Commitments and Contingencies

The Organization entered into a Master Operations and Maintenance Agreement with Citizens Energy Group for tree planting and maintenance through December 31, 2027. The agreement, including change orders, provides \$5,114,913 for tree planting and care. As of December 31, 2024, The Organization has earned \$4,846,806 and has a remaining balance of \$268,107 to be earned in future periods from this agreement.

The Organization entered into a basic services tree planting and maintenance professional service agreement with the City of Indianapolis’ Department of Public Works for litter abatement, green infrastructure, public awareness and outreach, and public gateway monitoring and maintenance through December 31, 2024. The agreement is valued at \$3,343,439 and is transacted as cost-reimbursement received monthly. As of December 31, 2024, the Organization earned the full balance of this agreement.

Note 20 – Net Assets

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

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specified purpose:		
Capital improvements	\$ 1,478,252	\$ 1,514,000
Strategic planning	102,500	186,000
White River Habitat Restoration	56,250	18,750
Cash restricted for investment in endowment	-	3,300,000
	<u>1,637,002</u>	<u>5,018,750</u>
Subject to the passage of time:		
Time restricted for future years	<u>480,000</u>	<u>400,000</u>
Endowment:		
Held in perpetuity	3,374,675	44,675
Endowment earnings	30,891	48,752
	<u>3,405,566</u>	<u>93,427</u>
Total net assets with donor restrictions	<u>\$ 5,522,568</u>	<u>\$ 5,512,177</u>

Keep Indianapolis Beautiful, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2024 and 2023

Note 20 – Net Assets (Continued)

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

	2024	2023
Releases of purpose restriction:		
Capital improvements	\$ 230,012	\$ -
Strategic planning	83,500	-
White River Habitat Restoration	37,500	51,250
Indy Art and Seek	-	118,861
EPA	-	58,865
Releases of time restrictions:		
Partial collection of multi-year pledge	25,000	25,000
Time restricted for future years	360,000	325,000
Total net assets released from restrictions	\$ 736,012	\$ 578,976

Note 21 – Commitments and Contingencies

The Organization 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 the Organization'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 22 – Risks and Uncertainties

The Organization maintains its cash and cash equivalents in bank deposit accounts which are insured up to \$250,000 per bank. As of both December 31, 2024 and 2023, and regularly throughout the years then ended, the Organization's cash balances exceeded federally-insured amounts. The Organization had approximately \$4,500,000 over the FDIC insurance limit as of December 31, 2024.

Keep Indianapolis Beautiful, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2024 and 2023

Note 23 – Liquidity

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

	2024	2023
Total financial assets	\$ 9,889,877	\$ 10,804,942
Less: financial assets unavailable for general expenditure within one year		
Deferred revenue	(1,379,694)	(2,586,075)
Restricted endowment	(2,198,651)	(93,427)
Donor-restricted for specified purpose	(1,637,002)	(5,018,750)
Total financial assets available for general expenditure within one year	\$ 4,674,530	\$ 3,106,690

The Organization is partially supported by contributions with donor restrictions for both purpose and the passage of time. The Organization 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 the Organization’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. The Organization also has a line of credit with \$500,000 in available borrowings as of December 31, 2024 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.

Keep Indianapolis Beautiful, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2024 and 2023

Note 24 – 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.

Starting in the year ended December 31, 2024, Management changed its methodology for allocating expenses. Expenses that are directly related to either program services, management and general, or fundraising are applied to the designated category. Salaries and wages are allocated based on hours reported in the payroll system. Employee benefits, payroll taxes, telephone, and outside services that are not directly related to program services, management and general, or fundraising are allocated to the categories based on percentage of wages. Insurance, interest expense, building repairs and maintenance, utilities, and depreciation are allocated based on square footage.

For the year ended December 31, 2023, Management allocated costs among the various functional expense categories using a uniform percentage for each category based on best available estimates.

Keep Indianapolis Beautiful, Inc.
Schedule of Lead Auditor
For the Years Ended December 31, 2024 and 2023

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