

KEEP AMERICA BEAUTIFUL, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

KEEP AMERICA BEAUTIFUL, INC.
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Keep America Beautiful, Inc.
Stamford, Connecticut

Opinion

We have audited the accompanying financial statements of Keep America Beautiful, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Keep America Beautiful, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its 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. 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 Keep America Beautiful, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Adoption of New Accounting Pronouncement

As discussed in Note 2 to the financial statements, Keep America Beautiful, Inc. adopted Accounting Standards Codification Topic 842, *Leases*, as of January 1, 2022, using the modified retrospective method. Our opinion is not modified with respect to this matter.

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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility 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 that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Keep America Beautiful, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Keep America Beautiful, Inc.'s ability to continue as a going concern for a reasonable period of time.

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


CERTIFIED PUBLIC ACCOUNTANTS

Braintree, Massachusetts
August 28, 2023

KEEP AMERICA BEAUTIFUL, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,465,585	\$ 1,874,449
Contributions receivable, net	1,207,415	260,623
Accounts receivable	21,310	-
Prepaid expenses and other assets	112,611	65,148
Investments	1,723,527	4,665,800
Property and equipment, net	33,680	1,432
Right of use asset	<u>1,720,071</u>	<u>-</u>
TOTAL ASSETS	\$ <u>6,284,199</u>	\$ <u>6,867,452</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 250,970	\$ 489,680
Refundable advances	-	3,786
Operating lease liability	<u>1,852,595</u>	<u>-</u>
Total liabilities	<u>2,103,565</u>	<u>493,466</u>
Net assets:		
Without donor restrictions	1,315,071	2,607,602
With donor restrictions	<u>2,865,563</u>	<u>3,766,384</u>
Total net assets	<u>4,180,634</u>	<u>6,373,986</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>6,284,199</u>	\$ <u>6,867,452</u>

See accompanying notes to financial statements.

KEEP AMERICA BEAUTIFUL, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:						
Contributions and grants	\$ 2,055,762	\$ 3,560,090	\$ 5,615,852	\$ 1,288,762	\$ 3,591,159	\$ 4,879,921
In-kind contributions	6,976,718	-	6,976,718	3,796,459	-	3,796,459
Benefit dinner, net of direct benefits to donors	118,215	-	118,215	46,464	-	46,464
Conferences and fees	151,907	-	151,907	304,320	-	304,320
Investment income, net	24,499	-	24,499	16,636	-	16,636
Realized and unrealized gains (losses) on investments	(838,924)	-	(838,924)	629,684	-	629,684
Net assets released from donor restrictions	<u>4,460,911</u>	<u>(4,460,911)</u>	<u>-</u>	<u>3,547,420</u>	<u>(3,547,420)</u>	<u>-</u>
Total revenues and support	<u>12,949,088</u>	<u>(900,821)</u>	<u>12,048,267</u>	<u>9,629,745</u>	<u>43,739</u>	<u>9,673,484</u>
Expenses:						
Program	11,619,848	-	11,619,848	8,592,462	-	8,592,462
Management and general	1,794,162	-	1,794,162	917,832	-	917,832
Fundraising	<u>827,609</u>	<u>-</u>	<u>827,609</u>	<u>849,350</u>	<u>-</u>	<u>849,350</u>
Total expenses	<u>14,241,619</u>	<u>-</u>	<u>14,241,619</u>	<u>10,359,644</u>	<u>-</u>	<u>10,359,644</u>
Changes in net assets	(1,292,531)	(900,821)	(2,193,352)	(729,899)	43,739	(686,160)
Net assets, beginning	<u>2,607,602</u>	<u>3,766,384</u>	<u>6,373,986</u>	<u>3,337,501</u>	<u>3,722,645</u>	<u>7,060,146</u>
NET ASSETS, ENDING	<u><u>\$ 1,315,071</u></u>	<u><u>\$ 2,865,563</u></u>	<u><u>\$ 4,180,634</u></u>	<u><u>\$ 2,607,602</u></u>	<u><u>\$ 3,766,384</u></u>	<u><u>\$ 6,373,986</u></u>

See accompanying notes to financial statements.

KEEP AMERICA BEAUTIFUL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program	Management and General	Fundraising	Direct Benefits to Donors	Total Expenses
Donated media	\$ 6,976,718	\$ -	\$ -	\$ -	\$ 6,976,718
Employee compensation and related	1,362,093	935,241	697,170	-	2,994,504
Event supplies, production and support	1,433,493	-	4,500	7,901	1,445,894
Professional and consulting	661,222	411,493	67,740	-	1,140,455
Affiliate and other grants	679,663	-	-	-	679,663
Occupancy	205,469	41,094	27,396	-	273,959
Office and related	95,855	157,675	160	-	253,690
Technology	59,731	84,800	9,320	-	153,851
Travel and conferences	95,662	10,000	21,323	-	126,985
Bad debt	-	103,825	-	-	103,825
Marketing and communications	49,942	-	-	-	49,942
Insurance	-	48,602	-	-	48,602
Depreciation	-	1,432	-	-	1,432
	<u>11,619,848</u>	<u>1,794,162</u>	<u>827,609</u>	<u>7,901</u>	<u>14,249,520</u>
Less expenses included with revenues on the statement of activities and changes in net assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,901)</u>	<u>(7,901)</u>
TOTAL EXPENSES	<u><u>\$ 11,619,848</u></u>	<u><u>\$ 1,794,162</u></u>	<u><u>\$ 827,609</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 14,241,619</u></u>

See accompanying notes to financial statements.

KEEP AMERICA BEAUTIFUL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program	Management and General	Fundraising	Direct Benefits to Donors	Total Expenses
Donated media	\$ 3,779,705	\$ -	\$ -	\$ -	\$ 3,779,705
Employee compensation and related	2,029,767	482,162	706,879	-	3,218,808
Event supplies, production and support	1,002,236	28	9,565	82,436	1,094,265
Affiliate and other grants	888,454	-	-	-	888,454
Professional and consulting	472,395	185,668	56,726	28,100	742,889
Occupancy	198,731	39,746	26,497	-	264,974
Office and related	95,760	68,624	23,611	-	187,995
Technology	46,517	15,249	13,729	-	75,495
Marketing and communications	63,801	-	-	-	63,801
Bad debt	-	54,119	-	-	54,119
Insurance	-	46,630	-	-	46,630
Travel and conferences	15,096	3,086	12,343	-	30,525
Depreciation	<u>-</u>	<u>22,520</u>	<u>-</u>	<u>-</u>	<u>22,520</u>
	<u>8,592,462</u>	<u>917,832</u>	<u>849,350</u>	<u>110,536</u>	<u>10,470,180</u>
Less expenses included with revenues on the statement of activities and changes in net assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>(110,536)</u>	<u>(110,536)</u>
TOTAL EXPENSES	<u><u>\$ 8,592,462</u></u>	<u><u>\$ 917,832</u></u>	<u><u>\$ 849,350</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 10,359,644</u></u>

See accompanying notes to financial statements.

KEEP AMERICA BEAUTIFUL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Changes in net assets	\$ (2,193,352)	\$ (686,160)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Forgiveness of paycheck protection program loan	-	(513,972)
Depreciation	1,432	22,520
Noncash lease expense	(1,623)	-
Bad debt expense	103,825	54,119
Realized and unrealized (gains) losses on investments	838,924	(629,684)
Changes in operating assets and liabilities:		
Contributions receivable, net	(1,050,617)	110,902
Accounts receivable	(21,310)	-
Prepaid expenses and other assets	(47,463)	171,365
Accounts payable and accrued expenses	(104,563)	151,198
Refundable advances	<u>(3,786)</u>	<u>(6,214)</u>
Net cash used in operating activities	<u>(2,478,533)</u>	<u>(1,325,926)</u>
Cash flows from investing activities:		
Purchases of investments	(55,269)	(55,439)
Proceeds from sales of investments	2,158,618	31,730
Purchases of fixed assets	<u>(33,680)</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>2,069,669</u>	<u>(23,709)</u>
Cash flows from financing activities:		
Proceeds from paycheck protection program loan	<u>-</u>	<u>513,972</u>
Net cash provided by financing activities	<u>-</u>	<u>513,972</u>
Net decrease in cash and cash equivalents	(408,864)	(835,663)
Cash and cash equivalents - beginning	<u>1,874,449</u>	<u>2,710,112</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 1,465,585</u>	<u>\$ 1,874,449</u>
Supplemental disclosure for noncash investing and financing activities:		
Operating lease liability and right-of-use asset recognized in connection with implementation of ASC 842 on January 1, 2022	<u><u>\$ 2,020,207</u></u>	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

KEEP AMERICA BEAUTIFUL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1. ORGANIZATION

Keep America Beautiful, Inc. (the "Organization" or "KAB") is a nonprofit organization whose network of local, statewide, and international affiliate programs educates individuals about litter prevention and ways to reduce, reuse, recycle, and properly manage waste materials. KAB's mission is to engage individuals in taking greater responsibility for improving their community environments. Through partnerships and strategic alliances with citizens, businesses, and government, KAB programs involve millions of volunteers annually to clean up, beautify, and improve their neighborhoods, thereby creating healthier, safer, and more livable community environments.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Net Assets

The Organization follows the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Subtopic *Presentation of Financial Statements of Not-for-Profit Entities*. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Organization did not have any net assets with donor restrictions that are perpetual in nature at December 31, 2022 and 2021.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

KEEP AMERICA BEAUTIFUL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates (continued)

Significant estimates for the years ended December 31, 2022 and 2021 include the valuation of in-kind contributions (Note 12). In-kind contributions and expenses include donated media, which is recognized in the amount of \$6,976,718 and \$3,779,705, in the accompanying statements of activities and changes in net assets and statements of functional expenses for the years ended December 31, 2022 and 2021, respectively. Management uses third party valuations and applies a discount to these values based on various factors and perceived value of the services received.

Concentration of Credit Risk

Cash and cash equivalents include cash on hand, demand deposits, and highly liquid investments with original maturities of three months or less. At times, deposits of cash may exceed federally insured limits. As of December 31, 2022 and 2021, cash balances in excess of federally insured limits totaled \$965,585 and \$1,520,904, respectively. The Organization has not experienced any losses in such accounts.

Contributions Receivable

Contributions receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of probable uncollectible amounts. Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to contributions and grants receivable. There was no allowance recorded at December 31, 2022 as all balances were deemed collectable. At December 31, 2021, the allowance for uncollectible accounts totaled \$76,669. All contributions receivable were considered current and due within one year at both December 31, 2022 and 2021.

Accounts Receivable

Accounts receivable consist of amounts due from those receiving services from the Organization. Accounts receivable are carried at original invoice amount less an estimate for doubtful accounts based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts by regularly evaluating individual accounts receivable and by considering the financial condition of those with existing receivable balances, credit history, and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. Accounts receivable totaled \$21,310 at December 31, 2022. There were no accounts receivable balances at December 31, 2021 or 2020. All balances were deemed collectable at December 31, 2022, therefore no allowance was recorded.

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values based on quoted prices in active markets in the statements of financial position. Investment income and investment gains and losses are reported as increases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law.

KEEP AMERICA BEAUTIFUL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement

The Organization follows the provisions of the *Fair Value Measurements* Topic of the FASB ASC. This Topic clarifies that fair value is an exit price representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. This Topic establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. Determining where an asset or liability falls within that hierarchy depends on the lowest level input that is significant to the fair value measurement as a whole. The three levels of the fair value hierarchy are described below.

- Level 1** - Quoted market prices that are available in active markets for identical assets or liabilities. The types of financial instruments included in Level 1 are marketable equity securities that are traded in an active exchange market.
- Level 2** - Pricing inputs other than quoted prices in active markets, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3** - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 includes assets and liabilities whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The following is a description of the valuation methodologies used for asset investments measured at fair value, as well as the general classification pursuant to the valuation hierarchy. There have been no changes in the methodologies used at December 31, 2022 and 2021.

- *Money market funds, fixed income bond funds, mutual funds, and common stock* have been reported in the financial statements at fair value. The fair value of these securities is based upon quoted prices from an active market and are therefore categorized in level 1.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of the certain financial instruments could result in a different fair value measurement at the reporting date.

KEEP AMERICA BEAUTIFUL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are recorded at cost or, if donated, at fair value, on the date of the contribution. Expenditures for maintenance and repairs are expensed as incurred. Repairs which materially extend the life of the assets are capitalized. Depreciation of property and equipment is computed on a straight-line basis over the estimated useful lives of three to five years.

Construction in Progress

Property and equipment includes construction in progress on certain projects which have not yet been completed or put in services (Note 4).

Valuation of Long-Lived Assets

The Organization accounts for the valuation of long-lived assets in accordance with the FASB ASC Topic *Property, Plant and Equipment*. This Topic requires that long-lived assets, including the Organization's right of use assets, be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. At December 31, 2022 and 2021, the Organization has determined that no long-lived assets are impaired.

Refundable Advances

Refundable advances as of December 31, 2021 represent advances from sponsors earmarked specifically and conditionally upon programs to be held during a future period. There were no refundable advances at December 31, 2022.

Leases

The Organization has two operating lease agreements for office space. One lease has a term of ten years and ten months and the other has a term of five years. The Organization determines if an arrangement is a lease at the inception of the contract. At the lease commencement date, a lease is evaluated to determine whether it will be classified as an operating or finance lease.

Lease terms include the noncancellable portion of underlying leases along with any reasonably certain lease periods associated with available renewal periods, termination options and purchase options. If the Organization has a lease agreement with lease and non-lease components, the leases are generally accounted for separately with amounts allocated to the lease and non-lease components based on stand-alone prices. For the Organization's office lease, management accounts for the lease and non-lease components as a single lease. The Organization uses the risk-free discount rate when the rate implicit in the lease is not readily determinable at the commencement date in determining the present value of lease payments.

KEEP AMERICA BEAUTIFUL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Leases that contain fixed and determinable escalation clauses for which the Organization recognizes rental expense under these leases on the straight-line basis over the lease terms, which includes the period of time from when the Organization takes possession of the leased space and the cumulative expense recognized on the straight-line basis in excess of the cumulative payments, is included in accrued expenses through 2021 prior to the adoption of Topic 842. The lease agreements do not contain any material residual value guarantees or material restrictive covenants. In connection with the adoption of ASC 842 as of January 1, 2022, the Organization reclassified deferred rent liability of \$134,147 to the right of use asset. In 2021, in accordance with ASC 840, a deferred rent obligation was recorded and amortized to income over the lease term as a reduction of expense. Leases with an initial term of 12 months or less are not recorded on the statement of financial position; the Organization recognizes lease expense for these leases on a straight-line basis over the lease term.

Revenue Recognition

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from donor restrictions. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues without donor restrictions.

The Organization recognizes revenue in accordance with FASB ASC Topic 606, *Revenue from Contracts with Customers* ("Topic 606"). Revenue is measured based on the consideration specified in a contract with a customer, and excludes any amounts collected on behalf of third parties. The Organization recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. The majority of the Organization's services represent a bundle of services that are not capable of being distinct and as such, are treated as a single performance obligation that is satisfied as the services are rendered. The Organization determines the transaction price based on contractually agreed upon rates, adjusted for any variable consideration, if any.

Fees, including affiliate fees and conferences, are offered by the Organization throughout the course of the year. Revenues from fees are recognized over the calendar year. Publication sales are recorded at the time of sale whereas conference revenue is recorded at the time the conference is held.

KEEP AMERICA BEAUTIFUL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. All contributions receivable at December 31, 2022 and 2021 were due within one year, therefore no discount was recorded.

Contributions of land, buildings, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues without donor restrictions. Contributions of cash or other assets to be used to acquire land, buildings and equipment with donor stipulations are reported as revenues with donor restrictions; the restrictions are considered to be released at the time the long-lived assets are placed in service.

Contributions of services are reported as revenues and expenses without donor restrictions at the fair value of the services received only if the services create or enhance a non-financial asset or would typically need to be purchased by the Organization if they had not been provided by individuals with those skills. Contributions of goods are reported at fair value as revenues and expenses without donor restrictions at the time the goods are received (Note 12).

Disaggregation of Revenue

The Organization operates its programs from Stamford, Connecticut but coordinates and hosts events and programs across the country. The Organization's viability is dependent on the strength of the economy in the United States and its ability to generate revenues from donors, fundraising events and other sources, and its ability to collect these revenues.

Functional Expenses

The costs of providing various program and other activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited on a reasonable basis that is consistently applied. Employee compensation and related expenses are allocated on the basis of time and effort. Occupancy expense is allocated on a square footage basis. Other expenses are allocated based on actual usage or allocated based on time and effort, depending on the nature of the expense.

KEEP AMERICA BEAUTIFUL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and accordingly, no provision for income taxes has been recorded in the accompanying financial statements. The Organization is subject to federal and state income taxes on unrelated business income, if any. The Organization files informational tax returns as required by the IRC.

The Organization accounts for uncertain tax positions in accordance with FASB ASC Topic *Income Taxes*. This Topic prescribes a recognition threshold and measurement process for financial statement recognition of uncertain tax positions taken or expected to be taken in a tax return. This Topic also provides guidance on recognition, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. At December 31, 2022 and 2021, management believes that the Organization has no material uncertain tax positions.

Recently Adopted Accounting Pronouncements

Leases - In February 2016, FASB issued Accounting Standards Update ("ASU") No. 2016-02, *Leases* (Topic 842) ("ASC 842") as amended, which requires the recording of operating lease right of use assets and lease liabilities and the expanded disclosure for operating and finance leasing arrangements. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of activities and changes in net assets. The Organization adopted ASC 842 under the modified retrospective method on January 1, 2022.

The Organization adopted the package of practical expedients available at transition that retained the lease classification under ASC 840 and initial direct costs for any leases that existed prior to adoption of the standard. Contracts entered into prior to adoption were not reassessed for leases or embedded leases. In addition, the Organization used hindsight in determining lease term and considerations for short-term leases on the statement of financial position and to utilize the risk-free discount rate when the rate implicit in the lease is not readily determinable.

The Organization performed an analysis of contracts containing leases as of January 1, 2022.

In addition, at the date of initial application, the Organization recorded an operating lease right of use asset and aggregate operating lease liability in the amount of \$2,020,207, and deferred rent totaling \$134,147 was reclassified from accrued expenses to the right of use asset.

KEEP AMERICA BEAUTIFUL, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Adopted Accounting Pronouncements (continued)

In-kind Contributions - In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* ("ASU 2020-07"), which is intended to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. This ASU is effective for annual periods beginning after June 15, 2021, and the Organization has adopted on a retrospective basis during the year ended December 31, 2022. The Organization has determined that the application of the amendments of ASU 2020-07 did not have a material impact on the Organization's financial statements and related disclosures.

Recently Issued But Not Yet Effective Accounting Pronouncements

Credit Losses - In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses* (Topic 326), which requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost. ASU 2016-13 is effective for nonprofit organizations for fiscal years beginning after December 15, 2022, including interim periods within those annual reporting periods. The Organization is currently evaluating the impact of the new standard on its financial statements and related disclosures.

Reclassification

Certain amounts included in the 2021 financial statements have been reclassified to conform to the 2022 presentation. These reclassifications had no effect on previously report net assets or the change in net assets.

Subsequent Events

The Organization has evaluated all events subsequent to the statement of financial position date of December 31, 2022, through the date which the financial statements were available to be issued, August 28, 2023, and has determined that there are no subsequent events that require disclosure under FASB ASC Topic *Subsequent Events*.

NOTE 3. AVAILABILITY AND LIQUIDITY

The following reflects the Organization's financial assets as of December 31, 2022, reduced by amounts that are not available for general use within one year of the statement of financial position date because of donor-imposed restrictions that may not be released within one year through the normal course of business and board designations. As part of its liquidity management plan, the Organization operates its programs within a balanced budget and relies on grants and contributions, with and without donor restrictions, to fund its operations and program activities. Cash is maintained in checking, savings, and money market accounts and is readily available for use. Investments are available for liquidation upon approval by the board of directors.

KEEP AMERICA BEAUTIFUL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 3. AVAILABILITY AND LIQUIDITY (CONTINUED)

The following represents the Organization's available financial assets as of December 31, 2022:

Cash and cash equivalents	\$ 1,465,585
Contributions receivable, net	1,207,415
Accounts receivable	21,310
Investments	<u>1,723,527</u>
Total financial assets	4,417,837
Less amounts not available to be used within one year:	
Board designated net assets (Note 5)	(1,723,527)
Donor restricted contributions	<u>(2,865,563)</u>
Subtotal	(171,253)
Donor restricted net assets expected to be available for release from donor restrictions within one year through conducting the normal activities of the Organization	<u>2,865,563</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,694,310</u>

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Digital assets	\$ 25,086	\$ 25,086
Property and equipment	5,715	5,715
Construction in progress	<u>33,680</u>	<u>-</u>
	64,481	30,801
Less accumulated depreciation	<u>(30,801)</u>	<u>(29,369)</u>
	<u>\$ 33,680</u>	<u>\$ 1,432</u>

Construction in progress at December 31, 2022 represents development expenses related to a new affiliate hub. Total cost of the project is estimated to be \$33,680, with an anticipated in-service date in February 2023.

NOTE 5. INVESTMENTS

The Organization's board of directors designated the Organization's investments as the KAB Sustainability Fund (the "Fund") to help ensure the long-term continuity of the Organization and its future ability to carry out its charitable mission. The Fund is administered by the executive committee of the board of directors in accordance with the board of director's adopted policies. As the Fund is board-designated, the balance of the investment account is included in net assets without donor restrictions. All interest and dividend earnings are reinvested into the Fund as they are earned. The Organization's total investment balance of \$1,723,527 and \$4,665,800 was held in the Fund at December 31, 2022 and 2021, respectively.

KEEP AMERICA BEAUTIFUL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 5. INVESTMENTS (CONTINUED)

Investments are stated at fair value and are summarized as follows at December 31:

	<u>2022</u>	<u>2021</u>
Cash and money market funds	\$ 8,566	\$ 490,265
Common stock	1,714,961	3,225,018
Fixed income bond funds	-	889,237
Mutual funds	<u>-</u>	<u>61,280</u>
	<u>\$ 1,723,527</u>	<u>\$ 4,665,800</u>

The following schedule summarizes the investment return which is reported as investment income in the accompanying statements of activities and changes in net assets as of December 31:

	<u>2022</u>	<u>2021</u>
Investment income	\$ 55,649	\$ 55,740
Investment fees	<u>(31,150)</u>	<u>(39,104)</u>
	<u>\$ 24,499</u>	<u>\$ 16,636</u>

NOTE 6. FAIR VALUE MEASUREMENT

The following fair value hierarchy table represents information about the Organization's assets measured at fair value on a recurring basis as of December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Cash and money market	\$ <u>8,566</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>8,566</u>
Common stock:				
Consumer goods	372,500	-	-	372,500
Financial services	325,378	-	-	325,378
Healthcare	316,656	-	-	316,656
Industrials	291,162	-	-	291,162
Technology	215,833	-	-	215,833
Communication services	88,230	-	-	88,230
Real estate	54,256	-	-	54,256
Basic materials	<u>50,946</u>	<u>-</u>	<u>-</u>	<u>50,946</u>
Total common stock	<u>1,714,961</u>	<u>-</u>	<u>-</u>	<u>1,714,961</u>
Total	<u>\$ 1,723,527</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,723,527</u>

KEEP AMERICA BEAUTIFUL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 6. FAIR VALUE MEASUREMENTS (CONTINUED)

The following fair value hierarchy table represents information about the Organization's assets measured at fair value on a recurring basis as of December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Cash and money market	\$ <u>490,265</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>490,265</u>
Fixed income bond funds	<u>889,237</u>	<u>-</u>	<u>-</u>	<u>889,237</u>
Mutual funds:				
Foreign large-blend	<u>61,280</u>	<u>-</u>	<u>-</u>	<u>61,280</u>
Common stock:				
Consumer goods	768,780	-	-	768,780
Healthcare	654,297	-	-	654,297
Technology	564,322	-	-	564,322
Financial services	421,427	-	-	421,427
Industrials	338,293	-	-	338,293
Communication services	291,422	-	-	291,422
Real estate	104,370	-	-	104,370
Basic materials	<u>82,107</u>	<u>-</u>	<u>-</u>	<u>82,107</u>
Total common stock	<u>3,225,018</u>	<u>-</u>	<u>-</u>	<u>3,225,018</u>
Total	\$ <u>4,665,800</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>4,665,800</u>

NOTE 7. PAYCHECK PROTECTION PROGRAM

Paycheck Protection Program Second Draw Loan

In February 2021, the Organization received loan proceeds of \$513,972 under the Paycheck Protection Program Second Draw Loans ("PPP SD"). The PPP SD, which was established as part of the Consolidated Appropriations Act, provides loans to qualifying businesses for amounts up to 2.5 times certain average monthly payroll expenses of the qualifying business. The loan and accrued interest, or a portion thereof, may be forgiven after 24 weeks so long as the borrower uses the loan proceeds for eligible purposes including payroll, benefits, rent, mortgage interest and utilities, and maintains its payroll levels. The PPP SD also requires that not more than 40% of the amount forgiven can be attributable to nonpayroll costs.

U.S. GAAP does not contain authoritative accounting standards for forgivable loans provided by governmental entities. Absent authoritative accounting standards, interpretative guidance issued and commonly applied by financial statement preparers allow for the selection of accounting policies amongst acceptable alternatives. Based on the facts and circumstances, the Organization determined it most appropriate to account for the PPP loan proceeds under the conditional contribution model within ASC 958-605. Under the conditional contribution model, the Organization recognizes the proceeds received as a refundable advance, and subsequently recognizes grant revenue as the conditions are met. Conditions are deemed to be met as the allowable expenses are incurred. The Organization deemed the conditional contribution model to be the most appropriate accounting policy for this arrangement based on the nature of the PPP loan program. The Organization recognized the entire PPP loan amount of \$513,972 as grant revenue under the PPP loan program during the year ended December 31, 2021, which is included in contributions and grants on the accompanying statement of activities and changes in net assets for the year ended December 31, 2021.

KEEP AMERICA BEAUTIFUL, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 7. PAYCHECK PROTECTION PROGRAM (CONTINUED)

Paycheck Protection Program Second Draw Loan (continued)

The Organization applied for PPP SD loan forgiveness and received approval from the SBA in January 2022. If it is determined that the Organization was not eligible to receive the PPP or PPP SD, or that the Organization has not adequately complied with the rules, regulations and procedures applicable to the SBA's loan program, the Organization could be subject to penalties and could be required to repay the amounts previously forgiven.

Paycheck Protection Program First Draw Loan

In April 2020, the Organization received loan proceeds of \$513,972 under the Paycheck Protection Program ("PPP"). The Organization recognized the entire PPP loan amount of \$513,972 as grant revenue under the PPP loan program during the year ended December 31, 2020. The Organization applied for PPP loan forgiveness and received approval from the Small Business Administration ("SBA") in June 2021.

NOTE 8. NET ASSETS

Net assets with donor restrictions were as follows for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Cigarette litter prevention	\$ 820,752	\$ 1,305,506
Great American Clean-Up	602,939	714,229
Recycling projects	473,591	633,040
Retreat	373,192	280,578
Employee engagement	325,050	263,000
Other programs	189,015	431,464
Keep Newark Beautiful	81,024	100,000
Affiliate development	-	38,567
Total	<u>\$ 2,865,563</u>	<u>\$ 3,766,384</u>

Net assets released from donor restrictions are as follows for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restrictions:		
Cigarette litter prevention	\$ 1,784,104	\$ 1,240,373
Great American Clean-Up	927,330	1,112,150
Recycling projects	603,599	276,530
Other programs	395,399	462,106
Retreat	354,986	107,819
Employee engagement	237,950	-
Keep Newark Beautiful	118,976	48,842
Affiliate development	38,567	24,600
Brewery partnership project	-	275,000
Total	<u>\$ 4,460,911</u>	<u>\$ 3,547,420</u>

KEEP AMERICA BEAUTIFUL, INC.
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NOTE 9. LEASE OBLIGATIONS

Operating Leases

The Organization has two operating leases for office space expiring April 2027 and May 2030. Total operating lease expense for the year ended December 31, 2022, was \$248,653.

Maturities of lease liabilities as of December 31, 2022 are as follows:

<u>Year</u>	
2023	\$ 256,023
2024	260,094
2025	264,175
2026	268,266
2027	264,252
Thereafter	<u>644,374</u>
Total lease payments	1,957,184
Less: amount of lease payments representing interest	<u>104,589</u>
Present value of lease liabilities	1,852,595
Less current portion	<u>229,883</u>
Operating lease liability, net of current portion	<u>\$ 1,622,712</u>

Supplemental cash flow information related to leases was as follows:

	<u>2022</u>
Cash paid for amount included in measurement of lease liabilities	\$ 248,653
Operating cash flows from operating leases	(1,623)

Average lease terms and discount rates were as follows:

	<u>2022</u>
Weighted-average remaining lease terms (in years)	
Operating leases	7.33
Weighted-average discount rate (%)	
Operating leases	1.52 %

Lease Arrangements - 2021

Prior to the adoption of ASC Topic 842 on January 1, 2022, the Organization accounted for its leases in accordance with ASC Topic 840, which did not require recognition of the lease arrangement on the statement of financial position for leases classified as operating leases. Rent expense related to these operating leases was \$239,500 in 2021.

KEEP AMERICA BEAUTIFUL, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 10. LINE OF CREDIT

The Organization opened a margin loan account during 2022 that is secured by the Organization's investment balance. The funds available to withdraw are calculated as a percentage of the Organization's total investment balance. At December 31, 2022, the amount available for the Organization to borrow against the account was \$437,306. The margin loan interest rate varies by balance and ranges from 8.50% to 12.57% at December 31, 2022. There was no outstanding balance at December 31, 2022.

NOTE 11. EMPLOYEE BENEFIT PLANS

The Organization has a qualified 403(b) defined contribution pension plan for all employees. Participants may make voluntary contributions to the plan, not to exceed the limitations prescribed by the IRC. Under the plan, the Organization makes semi-monthly elections to match a portion of employees' contributions up to 5%. The Organization's contributions to the plan were \$65,055 and \$54,263 for the years ended December 31, 2022 and 2021, respectively.

NOTE 12. IN-KIND CONTRIBUTIONS

The Organization received in-kind contributions totaling \$6,976,718 and \$3,796,459, respectively, for the years ended December 31, 2022 and 2021. The value of donated goods and services for the years ended December 31, 2022 and 2021 recognized in the accompanying financial statements is as follows:

	<u>2022</u>	<u>2021</u>
Revenue:		
Donated media	\$ 6,976,718	\$ 3,779,705
Gift cards	<u>-</u>	<u>16,754</u>
Total in-kind revenue reported	<u>\$ 6,976,718</u>	<u>\$ 3,796,459</u>
Expenses:		
Donated media	\$ 6,976,718	\$ 3,779,705
Event supplies, production and support	<u>-</u>	<u>6,735</u>
Total in-kind expenses reported	<u>6,976,718</u>	<u>3,786,440</u>
Assets reported:		
Gift cards	<u>-</u>	<u>10,019</u>
Total in-kind assets reported	<u>-</u>	<u>10,019</u>
Total in-kind expenses and assets reported	<u>\$ 6,976,718</u>	<u>\$ 3,796,459</u>

Donated media is valued based on third party valuations and application of a discount to these values as further described in Note 2. Donations of supplies and assets are valued at the estimated price of identical or similar products using pricing data under a "like-kind" methodology considering the goods' condition and utilities for use at the time of contribution.