KEEP AUSTIN BEAUTIFUL, INC.

Financial Statements
(With Independent Auditors' Report Thereon)

July 31, 2015 and 2014

PMB Helin Donovan
CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

To the Board of Directors of
Keep Austin Beautiful, Inc.

We have audited the accompanying financial statements of Keep Austin Beautiful, Inc. (the "Organization"), which comprise the statements of financial position as of July 31, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Keep Austin Beautiful, Inc. as of July 31, 2015 and 2014, 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.

PMB HELIN DONOVAN, LLP

PMB Helin Donovan, LLP

April 14, 2016
Austin, Texas

KEEP AUSTIN BEAUTIFUL

Statements of Financial Position

July 31, 2015 and 2014

	2015	2014
Assets		
Cash and cash equivalents	$ 293,782	$ 222,334
Accounts receivable, net	73,612	92,275
Unbilled revenue	17,750	17,750
Prepaid expenses and other assets	2,000	2,000
Property and equipment	36,772	31,189
Total assets	$ 423,916	$ 365,548
Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 6,449	$ 4,650
Accrued vacation	25,911	18,906
	32,360	23,556
Net assets		
Unrestricted	248,321	287,943
Temporarily restricted	143,235	54,049
Permanently restricted	-	-
	391,556	341,992
	$ 423,916	$ 365,548

See accompanying notes and independent auditors' report.

KEEP AUSTIN BEAUTIFUL

Statements of Activities

July 31, 2015 and 2014

	Year Ended July 31,2015				Year Ended July 31,2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and support								
Contributions	$ 90,581	$ -	$ -	$ 90,581	$ 60,609	$ -	$ -	$ 60,609
Contracts	381,510	-	-	381,510	397,565	-	-	397,565
Grants	14,465	188,137	-	202,602	83,495	92,480	-	175,975
Program	98,966	-	-	98,966	78,427	-	-	78,427
In-kind donations	282,707	-	-	282,707	186,960	-	-	186,960
Miscellaneous revenue	3,136	-	-	3,136	2,212	-	-	2,212
Net assets released from restrictions	98,951	(98,951)	-	-	80,472	(80,472)	-	-
Total revenues and support	970,316	89,186	-	1,059,502	889,740	12,008	-	901,748
Expenses and losses								
Program services	808,729	-	-	808,729	715,893	-	-	715,893
Total program services	808,729	-	-	808,729	715,893	-	-	715,893
Supporting services								
General and administrative	131,171	-	-	131,171	100,123	-	-	100,123
Fundraising	70,038	-	-	70,038	53,882	-	-	53,882
Total supporting services	201,209	-	-	201,209	154,005	-	-	154,005
Total expenses	1,009,938	-	-	1,009,938	869,898	-	-	869,898
Change in net assets	(39,622)	89,186	-	49,564	19,842	12,008	-	31,850
Net assets at beginning of year	287,943	54,049	-	341,992	268,101	42,041	-	310,142
Net assets at end of year	$ 248,321	$ 143,235	$ -	$ 391,556	$ 287,943	$ 54,049	$ -	$ 341,992

See accompanying notes and independent auditors' report.

KEEP AUSTIN BEAUTIFUL
Statements of Functional Expenses
July 31, 2015 and 2014

	Year Ended July 31,2015				Year Ended July 31,2014			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Salaries, benefits and payroll taxes	$ 428,888	$ 79,745	$ 54,156	$ 562,789	$ 383,775	$ 64,796	$ 49,841	$ 498,412
In-kind expense	241,401	15,500	12,206	269,107	181,810	4,150	1,000	186,960
Direct program cost	71,093	19,851	2,203	93,147	77,961	10,985	686	89,632
Rent	21,165	4,185	-	25,350	21,165	4,185	-	25,350
Volunteer appreciation	11,099	-	-	11,099	10,548	-	-	10,548
Depreciation expense	8,018	-	-	8,018	12,059	-	-	12,059
Professional Fees	4,012	9,301	-	13,313	3,070	10,381	-	13,451
Utilities	8,867	1,497	1,152	11,516	5,812	981	755	7,548
Public relations and marketing	5,413	183	321	5,917	11,603	3,537	1,600	16,740
Transportation	7,242	-	-	7,242	7,939	-	-	7,939
Insurance	1,531	909	-	2,440	151	1,108	-	1,259
	$ 808,729	$ 131,171	$ 70,038	$ 1,009,938	$ 715,893	$ 100,123	$ 53,882	$ 869,898

See accompanying notes and independent auditors' report.

KEEP AUSTIN BEAUTIFUL

Statements of Cash Flows

July 31, 2015 and 2014

Cash flows from operating activities		**2015**		**2014**
Increase in net assets	$	49,564	$	31,850
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:				
Depreciation on property and equipment		8,018		12,059
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable and unbilled revenue		18,663		(85,851)
Decrease in accounts payable and accrued expenses		1,799		(5,090)
Decrease in other liabilities		7,005		-
Net cash (used in) provided by operating activities		85,049		(47,032)
Cash flows from investing activities				
Purchases of property and equipment		(13,601)		-
Net cash used in investing activities		(13,601)		-
Cash flows from financing activities		-		-
Net increase (decrease) in cash and cash equivalents		71,448		(47,032)
Cash and cash equivalents at beginning of year		222,334		269,366
Cash and cash equivalents at end of year	$	293,782	$	222,334

See accompanying notes and independent auditors' report.

(1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Keep Austin Beautiful, Inc. (the "Organization"), a 501(c)(3) organization, provides resources and education to inspire individuals and the Greater Austin community towards greater environmental stewardship. The Organization offers Austinites the opportunity to clean, beautify, and recycle while providing environmental awareness through education.

Summary of Significant Accounting Policies

(a) Basis of Presentation - The Organization's financial statements been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States (GAAP) for not-for-profit organizations. Under these provisions, net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Expenses are classified as unrestricted. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Permanently Restricted - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

Temporarily Restricted - Net assets the use of which is subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time. Temporarily restricted net assets include the portion of donor-restricted endowment funds that have not been appropriated for expenditure by the Organization.

Unrestricted net assets, board-designated – Unrestricted net assets designated by the Board of Directors as restricted for mission expenditures.

Unrestricted – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be used for any purpose or designated for specific purposes by action of the Board of Directors.

(b) Cash and Cash Equivalents - Cash and cash equivalents consist of cash in checking accounts and interest bearing savings accounts. The Organization considers all highly liquid investments with a maturity of three months or less, purchased for use primarily in operations, to be cash equivalents.

(c) Revenue - Sources of revenue and support for the Organization's services are contributions from the community, city and county contracts, grants from foundations and businesses, and program service fees.

Contributions received (including unconditional promises to give) are recorded as unrestricted, temporarily restricted, or permanently restricted support in the period received depending on the existence and/or nature of any donor restrictions. Contributions received which are part of the Organization's ongoing major or central activities are recognized as revenue, while contributions which are peripheral or incidental are recognized as gains. Conditional promises to give (grants) are recognized as the conditions upon which they depend are substantially met. Promises to give are recognized as revenue only if sufficient evidence exists in the form of verifiable documentation that a promise was made and received.

The Organization reports contributions as restricted support if the support is received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets in the reporting period in which the support is recognized. Donated assets are recorded at their estimated fair marke values at the date of receipt.

Contributed goods and services are reported as in-kind support if the goods and services are needed in conducting the programs. Contributed services are reported as in-kind support if the services either (a) create or enhance a non-financial asset, (b) require specialized skills, are provided by those possessing those skills, and would otherwise need to be purchased if they were not donated. The value of the contributed goods and services reported is considered an accounting estimate. These contributed goods and services are expensed as utilized and are included in in-kind expenses on the accompanying statements of functional expenses. In addition, a number of volunteers have donated time to the Organization's program and support services. These contributions in-kind are not reflected in the financial statements since these services do not meet the criteria for recognition.

(d) **Accounts Receivable -** Accounts receivable are stated net of an allowance for doubtful accounts. Program service fees included in receivables are individually analyzed for purposes of determining collectability at year end and the Organization had no allowance for the years ended July 31, 2015 and 2014. The Organization evaluates the collectability of its pledges and adequacy of its allowance for doubtful accounts on a periodic basis. The evaluation includes historical loss experience, length of time the pledges are past due and adverse situations that may affect the donor's ability to honor its pledge. The Organization records and adjusts its allowance for bad debt balance as necessary.

(e) **Property and Equipment -** Purchased property and equipment assets are carried at cost. Donated property and equipment assets are recorded at market value at date of donation. The Organization capitalizes all expenditures for property and equipment assets in excess of $500. Property and equipment are depreciated using the straight-line method over the useful lives of the assets as follows:

Computers	3 years
Leasehold improvements	Shorter of the lease term or 7 years
Vehicles	5 years
Furniture and equipment	15 years

(f) **Income Taxes -** The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Unrelated business income is subject to federal income.

The Organization recognizes the tax benefits from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the taxing authorities, based on the technical merits of the positions. The tax benefits recognized in the financial statements from such positions are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. As of July 31, 2015 and 2014, the Organization does not have a liability for unrecognized tax benefits.

The Organization is generally no longer subject to tax examinations relating to US Federal tax returns for years prior to fiscal year ended July 31, 2012.

(g) **Advertising Expenses -** The Organization expenses advertising costs as incurred. The Organization incurred $8,617 and $6,033 in advertising expense for the years ended July 31, 2015 and 2014, respectively.

(h) **Use of Estimates** - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

(i) **Functional Expenses** - The expense information contained in the statements of activities is presented on a functional basis. Accordingly, certain expenses are allocated between functional categories based on management's estimates.

(j) **Concentration of Credit Risk -** The Organization maintains cash balances at a high quality, federally insured financial institution. At various times during the years ended July 31, 2015 and 2014, balances in these accounts may have exceeded Federal Deposit Insurance Corporation (FDIC) insured limits. The Organization has not experienced and does not anticipate any credit losses on these deposits.

(k) **Subsequent Events** - The Organization evaluates events that occur subsequent to the statement of financial position date, but before financial statements are issued, for possible adjustment to such financial statements or other disclosure. This evaluation generally occurs through the date at which the Organization's financial statements are issued. For the financial statements as of and for the year ending July 31, 2015, this date was April 14, 2016.

(l) **Recently Issued Accounting Pronouncement -** The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2013-06, *Not-for-Profit Entities (Topic 958), Services Received from Personnel of an Affiliate,* based on a consensus of the Emerging Issues Task Force (EITF) on Issue 12-B. The standard requires a not-for-profit entity (NFP) to recognize all services received from personnel of an affiliate that directly benefit the NFP and for which the affiliate does not charge the NFP. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services. However, if measuring a service received from personnel of an affiliate at cost will significantly overstate or understate the value of that service, the recipient NFP may elect to recognize that service at its fair value. The ASU is effective prospectively for fiscal years beginning after June 15, 2014, and interim and annual periods thereafter. The adoption of ASU 2013-06 had no impact to the Organization's financial statements.

(2) CASH AND CASH EQUIVALENTS

The composition of the Organization's cash and cash equivalents at July 31, 2015 and 2014 was as follows:

	2015	2014
Cash and demand deposits	$ 139,992	$ 69,157
Business savings account	153,790	153,177
Total cash and cash equivalents	$ 293,782	$ 222,334

(3) PROPERTY AND EQUIPMENT

Property and equipment as of July 31, 2015 and 2014 consisted of:

	2015	2014
Computers	$ 15,695	$ 15,695
Leasehold improvements	3,160	3,160
Vehicles	13,601	-
Furniture and equipment	36,704	36,704
	69,160	55,559
Accumulated depreciation	(32,388)	(24,370)
Total property and equipment	$ 36,772	$ 31,189

Depreciation expense totaled $8,018 and $12,059 for the years ended July 31, 2015 and 2014 respectively.

(4) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at July 31, 2015 and 2014:

	2015	2014
Grants	$ 128,192	$ 39,106
Contributions	15,043	14,943
Total temporarily restricted	$ 143,235	$ 54,049

Net assets released from temporary restrictions due to the satisfaction of requirements consisted of the following at July 31, 2015 and 2014:

	2015	2014
Program use restrictions	$ 98,951	$ 80,472
Total temporarily restricted	$ 98,951	$ 80,472

(5) COMMITMENTS AND CONTINGENCIES

At July 31, 2015 and 2014, there were no significant outstanding legal actions or claims against the Organization. The Organization is subject to various claims and liabilities in the ordinary course of business. The Organization maintains various forms of insurance that the Organization’s management believes are adequate to reduce the exposure to such risks to an acceptable level.

(6) LEASE COMMITMENTS

The Organization currently leases office space under an operating lease through May 31, 2016. Rent expense for the years ended July 31, 2015 and 2014 totaled approximately $25,350 and $25,350, respectively. Future minimum rental payment through the end of current lease term was $36,349.

(7) RELATED PARTIES

During the years ended July 31, 2015 and 2014, the Organization received contributions of approximately $1,000 and $6,598, respectively, from various members of the board of directors. These amounts represent actual cash contributions received and are included in contributions in the accompanying financial statements.

(8) CONCENTRATIONS

A significant portion of the Organization's revenue consists of contributions from the community, city and county contracts, and grants from foundations and businesses. Reductions in the amount of support received under these sources could have a significant impact on the Organization's ability to continue as a going concern.

The concentrations in total revenues and support for the years ended July 31, 2015 and 2014 are as follows:

Revenue

	2015	2014
Grantor A	32%	44%
Grantor B	13%	10%

The concentration in accounts receivable as of July 31, 2015 and 2014 was as follows:

Receivables

	2015	2014
Grantor C	16%	*
Grantor A	66%	67%
Grantor D	*	22%

* Not over 10% of accounts receivable at the end of the fiscal year.