



ICIC

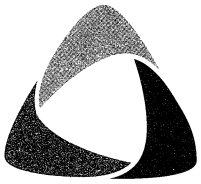
Initiative for a Competitive Inner City

**FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Contents
December 31, 2014 and 2013

	<u>Pages</u>
Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Cash Flows	4
Statements of Functional Expenses	5 - 6
Notes to Financial Statements	7 - 15



Independent Auditor's Report

To the Board of Directors of
Initiative for a Competitive Inner City, Inc.:

We have audited the accompanying financial statements of Initiative for a Competitive Inner City, Inc. (a Delaware corporation, not for profit) which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Initiative for a Competitive Inner City, Inc. as of December 31, 2014 and 2013, 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.

Alexander, Brown, Finning & Co., P.C.

Boston, Massachusetts
May 5, 2015

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.Statements of Financial Position
December 31, 2014 and 2013

Assets	2014	2013
Current Assets:		
Cash	\$ 1,458,259	\$ 582,961
Short-term investments	1,920,886	993,573
Accounts receivable	42,981	145,659
Prepaid expenses and other assets	35,795	54,680
Total current assets	3,457,921	1,776,873
Investments	971,748	1,438,833
Deposits	36,206	36,206
Furniture and Equipment	72,940	101,972
Total assets	<u>\$ 4,538,815</u>	<u>\$ 3,353,884</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 267,972	\$ 203,542
Deferred revenue	6,847	18,962
Total current liabilities	274,819	222,504
Security Deposit	19,277	19,277
Accrued Rent	-	34,773
Total liabilities	<u>294,096</u>	<u>276,554</u>
Net Assets:		
Unrestricted:		
Operating	3,303,446	2,620,358
Furniture and equipment	72,940	101,972
Total unrestricted	3,376,386	2,722,330
Temporarily restricted	868,333	355,000
Total net assets	<u>4,244,719</u>	<u>3,077,330</u>
Total liabilities and net assets	<u>\$ 4,538,815</u>	<u>\$ 3,353,884</u>

The accompanying notes are an integral part of these statements.

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2014 and 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Operating Revenue:						
Grants and contributions	\$ 2,548,533	\$ 758,333	\$ 3,306,866	\$ 2,819,131	\$ 355,000	\$ 3,174,131
Consulting fees	91,625	-	91,625	288,536	-	288,536
Donated services	51,801	-	51,801	142,596	-	142,596
Other income	38,427	-	38,427	2,655	-	2,655
Net assets released from program restrictions	245,000	(245,000)	-	141,102	(141,102)	-
Total operating revenue	2,975,386	513,333	3,488,719	3,394,020	213,898	3,607,918
Operating Expenses:						
Program	2,457,744	-	2,457,744	3,220,151	-	3,220,151
General and administrative	279,988	-	279,988	379,910	-	379,910
Development	133,673	-	133,673	108,258	-	108,258
Total operating expenses	2,871,405	-	2,871,405	3,708,319	-	3,708,319
Changes in net assets from operations	103,981	513,333	617,314	(314,299)	213,898	(100,401)
Non-Operating Revenue (Expense):						
Investment income, net	550,075	-	550,075	487,717	-	487,717
Relocation expense	-	-	-	(84,334)	-	(84,334)
Total non-operating revenue (expense)	550,075	-	550,075	403,383	-	403,383
Changes in net assets	654,056	513,333	1,167,389	89,084	213,898	302,982
Net Assets:						
Beginning of year	2,722,330	355,000	3,077,330	2,633,246	141,102	2,774,348
End of year	<u>\$ 3,376,386</u>	<u>\$ 868,333</u>	<u>\$ 4,244,719</u>	<u>\$ 2,722,330</u>	<u>\$ 355,000</u>	<u>\$ 3,077,330</u>

The accompanying notes are an integral part of these statements.

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.Statements of Cash Flows
For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 1,167,389	\$ 302,982
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	47,345	52,047
Loss on disposal of furniture and equipment	1,074	-
Investment income, net	(550,075)	(487,717)
Changes in operating assets and liabilities:		
Accounts receivable	102,678	17,376
Prepaid expenses and other assets	18,885	9,894
Deposits	-	16,486
Accounts payable and accrued expenses	64,430	(35,074)
Deferred revenue	(12,115)	18,962
Security deposit	-	19,277
Accrued rent	(34,773)	(29,172)
Net cash provided by (used in) operating activities	<u>804,838</u>	<u>(114,939)</u>
Cash Flows from Investing Activities:		
Proceeds from distribution of private equity investments	1,017,572	318,467
Proceeds from sale of investments	12,492	976,590
Capital calls of private equity investments	(27,806)	(39,016)
Purchase of investments	(912,411)	(689,891)
Acquisition of furniture and equipment	(19,387)	(2,928)
Net cash provided by investing activities	<u>70,460</u>	<u>563,222</u>
Net Change in Cash	875,298	448,283
Cash:		
Beginning of year	<u>582,961</u>	<u>134,678</u>
End of year	<u>\$ 1,458,259</u>	<u>\$ 582,961</u>
Supplement Disclosure of Non-Cash Transactions:		
Cost basis of furniture and equipment disposed	<u>\$ 41,894</u>	<u>\$ 7,888</u>

The accompanying notes are an integral part of these statements.

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Statement of Functional Expenses

For the Year Ended December 31, 2014

(With Summarized Comparative Totals for the Year Ended December 31, 2013)

	2014					2013	
	Program			General and Adminis- trative	Development	Total	Total
	Urban Business Initiatives	Research and Advisory	Total Program				
Personnel and related:							
Salaries	\$ 718,040	\$ 335,352	\$ 1,053,392	\$ 152,628	\$ 85,865	\$ 1,291,885	\$ 1,364,634
Payroll taxes and benefits	112,159	57,030	169,189	19,061	12,534	200,784	206,747
Total personnel and related	830,199	392,382	1,222,581	171,689	98,399	1,492,669	1,571,381
Events and marketing	405,605	4,997	410,602	-	-	410,602	510,572
Contracted labor	270,962	-	270,962	21,324	455	292,741	622,209
Travel	112,301	20,012	132,313	909	11,053	144,275	211,364
Professional fees and recruitment	90,051	32,777	122,828	15,012	5,753	143,593	257,016
Occupancy	65,263	24,863	90,126	15,540	6,216	111,882	181,887
Printing	48,168	23,974	72,142	2,128	3,457	77,727	71,963
Bad debt	-	-	-	35,928	-	35,928	-
Office supplies and expenses	19,567	1,823	21,390	1,877	659	23,926	53,091
Communications	12,313	4,691	17,004	2,932	2,186	22,122	54,349
Publication and subscription	10,435	4,016	14,451	2,599	1,078	18,128	20,507
Sponsorships	15,000	-	15,000	-	-	15,000	64,200
Postage and delivery	7,952	723	8,675	452	367	9,494	10,319
Other expenses	5,000	778	5,778	1,552	347	7,677	10,455
Meeting and conference	4,803	1,301	6,104	409	648	7,161	6,086
Insurance	3,836	1,461	5,297	913	365	6,575	5,883
Professional development	4,560	-	4,560	-	-	4,560	4,990
Total operating expenses before depreciation	1,906,015	513,798	2,419,813	273,264	130,983	2,824,060	3,656,272
Depreciation	27,171	10,760	37,931	6,724	2,690	47,345	52,047
Total operating expenses	<u>\$ 1,933,186</u>	<u>\$ 524,558</u>	<u>\$ 2,457,744</u>	<u>\$ 279,988</u>	<u>\$ 133,673</u>	<u>\$ 2,871,405</u>	<u>\$ 3,708,319</u>

The accompanying notes are an integral part of these statements.

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Statement of Functional Expenses
For the Year Ended December 31, 2013

	<u>Program</u>			<u>General and Adminis- trative</u>	<u>Development</u>	<u>Total</u>
	<u>Urban Business Initiatives</u>	<u>Research and Advisory</u>	<u>Total Program</u>			
Personnel and related:						
Salaries	\$ 775,312	\$ 406,959	\$ 1,182,271	\$ 108,909	\$ 73,454	\$ 1,364,634
Payroll taxes and benefits	117,094	61,268	178,362	14,730	13,655	206,747
Total personnel and related	892,406	468,227	1,360,633	123,639	87,109	1,571,381
Events and marketing	508,406	2,166	510,572	-	-	510,572
Contracted labor	410,336	133,580	543,916	70,293	8,000	622,209
Travel	164,143	37,330	201,473	5,688	4,203	211,364
Professional fees and recruitment	150,994	78,876	229,870	23,084	4,062	257,016
Occupancy	33,166	11,055	44,221	136,438	1,228	181,887
Printing	62,048	3,514	65,562	6,180	221	71,963
Office supplies and expenses	48,207	2,622	50,829	1,992	270	53,091
Communications	38,523	10,174	48,697	4,522	1,130	54,349
Publication and subscription	14,102	4,287	18,389	1,734	384	20,507
Sponsorships	64,200	-	64,200	-	-	64,200
Postage and delivery	9,330	636	9,966	282	71	10,319
Other expenses	9,537	763	10,300	70	85	10,455
Meeting and conference	2,401	3,268	5,669	334	83	6,086
Insurance	3,874	1,291	5,165	575	143	5,883
Professional development	4,500	490	4,990	-	-	4,990
Total operating expenses before depreciation	2,416,173	758,279	3,174,452	374,831	106,989	3,656,272
Depreciation	34,274	11,425	45,699	5,079	1,269	52,047
Total operating expenses	<u>\$ 2,450,447</u>	<u>\$ 769,704</u>	<u>\$ 3,220,151</u>	<u>\$ 379,910</u>	<u>\$ 108,258</u>	<u>\$ 3,708,319</u>

The accompanying notes are an integral part of these statements.

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements
December 31, 2014 and 2013

1 OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS AND NONPROFIT STATUS

Initiative for a Competitive Inner City, Inc. (ICIC), located in Boston, Massachusetts, is a Delaware non-profit organization. ICIC's mission is to foster healthy economies in America's inner-cities that create jobs, income, wealth, and economic opportunity for local residents. ICIC performs research relating to inner-city economic development and operates programs that engage local communities, government, business schools, and the private sector in building inner-city businesses. To support its purposes, ICIC receives its funding from corporations, foundations and private individuals.

ICIC is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). ICIC is also exempt from state income taxes. Donors may deduct contributions made to ICIC within IRC requirements.

SIGNIFICANT ACCOUNTING POLICIES

ICIC prepares its financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Revenue Recognition

Revenue earned on grants for research is recorded as the related costs are incurred. Consulting fees are recorded as earned over the term of the contract. Deferred revenue consists of consulting fees received in advance of services being performed.

Revenue from unrestricted grants and contributions is recorded as unrestricted revenue and net assets when received or unconditionally committed by the donor. Revenue from donor designated grants and contributions are recorded as temporarily restricted revenues and net assets when received or unconditionally committed by the donor. Net assets released from restrictions are transfers made to unrestricted revenues and net assets as costs are incurred or time restrictions or program restrictions have been satisfied. Temporarily restricted grants and contributions received and spent in the same period are recorded as unrestricted revenue.

Interest and dividends are recognized when earned and are included in investment income in the accompanying statements of activities and changes in net assets. Gains and losses are recognized as incurred upon maturity of investments or based on fair value changes during the period (see Note 3).

Expense Allocations

Expenses related directly to a function are distributed to that function, while other expenses are allocated to each function based upon management's estimate of the percentage attributable to that function.

Estimates

The preparation of financial statements in accordance with 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements
December 31, 2014 and 2013

1 OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Uncertainty in Income Taxes

ICIC accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. ICIC has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at December 31, 2014 and 2013. ICIC's information returns are subject to examination by the Federal and state jurisdictions and generally remain open for the most recent three years.

Allowance for Doubtful Accounts

An allowance for doubtful accounts is recorded based on management's analysis of specific receivables and their estimate of amounts that may be uncollectible. There was no allowance as of December 31, 2014 and 2013.

Fair Value Measurements

ICIC follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that ICIC would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

ICIC uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of ICIC. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.
- Level 3: Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements
December 31, 2014 and 2013

1 OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Investments

Investments include the following:

ICV Partners, L.P. (Fund I)

Fund I was a private equity fund making investments primarily in inner-city and minority-owned companies. Fund I was liquidated in 2013. ICV Associates, LLC was the general partner of Fund I, holding a 1% interest in the income, losses and distributions of Fund I. ICIC had a 24.5% equity interest in ICV Associates, LLC (see Note 6).

ICV Partners II, L.P. (Fund II)

Fund II is a private equity fund making investments primarily in smaller middle-market companies. ICV Associates II, LLC is the general partner of Fund II, holding a 5% interest in the income, losses and distributions of Fund II. At December 31, 2014 and 2013, ICIC had a 5% equity interest in ICV Associates II, LLC (see Note 6). ICIC has committed capital calls of \$156,500 to ICV Associates II, LLC. As of December 31, 2014 and 2013, ICIC has made \$130,855 and \$116,902, respectively, in capital calls to Fund II.

ICV Partners III, L.P. (Fund III)

Fund III is a private equity fund making investments primarily in middle-market companies. ICV Associates III, LLC is the general partner of Fund III, holding a 1% interest in the income, losses and distributions of Fund III. Under the agreement, ICIC is the special member of ICV Associates III, LLC, having a 1% equity interest in ICV Associates III, LLC at December 31, 2014 and 2013 (see Note 6). ICIC has committed capital calls of \$40,000 to ICV Associates III, LLC. As of December 31, 2014 and 2013, ICIC has made \$38,278 and \$24,425, respectively, in capital calls to Fund III.

ICIC cannot sell its interest in these private equity investments.

ICIC values private equity investments using Level 3 inputs. Level 3 inputs reflect ICIC's assumptions about the assumptions market participants would use in pricing the private equity investments.

ICIC has relied upon the fair values determined by ICV Partners (ICV) to determine the fair value of Funds II and III. ICV's equity investments generally consist of control positions in privately held companies. The transaction price, excluding transaction costs, is typically the best estimate of fair value at investment acquisition. When evidence supports a change in the carrying value from the transaction price, adjustments are made to reflect expected exit values. Ongoing reviews by ICV are based on an assessment of each underlying investment and its related industry outlook, incorporating valuations that consider the evaluation of financing and sale transactions with third-parties, expected cash flows, and market-based information, including comparable transactions and performance multiples.

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements
December 31, 2014 and 2013

1 OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Investments (Continued)

Since ICV's investments are in non-public companies, it has based its valuations on its best information which required significant management judgment and estimation. Due to the inherent uncertainties relating to such valuations, ICV's determination of fair value may differ significantly from values that would have been realized had a ready market for the investments existed, and the differences could be material.

Investments also include mutual funds, which are recorded at fair value. ICIC values these investments using Level 1 inputs. Investment income is recorded as earned. Gains and losses on investments are recognized as incurred or based on market value changes during the period.

Investments are not insured and are subject to ongoing market fluctuation.

All Other Assets and Liabilities

The carrying value of all other assets and liabilities does not differ materially from its estimated fair value and are considered Level 1 in the fair value hierarchy.

Furniture and Equipment and Depreciation

Furniture and equipment are recorded at fair value at the date of donation or at cost at the date of purchase. Depreciation is computed using the straight-line method over an estimated useful life of three to seven years.

Furniture and equipment consist of the following at December 31:

	<u>2014</u>	<u>2013</u>
Equipment	\$ 48,416	\$ 70,923
Website and software	156,569	156,569
Furniture	<u>69,861</u>	<u>69,861</u>
	274,846	297,353
Less - accumulated depreciation	<u>201,906</u>	<u>195,381</u>
	<u>\$ 72,940</u>	<u>\$ 101,972</u>

Depreciation expense for the years ended December 31, 2014 and 2013, was \$47,345 and \$52,047, respectively.

Subsequent Events

Subsequent events have been evaluated through May 5, 2015, which is the date the financial statements were available to be issued.

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements
December 31, 2014 and 2013

1 OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Unrestricted Net Assets

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by ICIC. ICIC has grouped its unrestricted net assets into the following categories:

Operating net assets represent funds available to carry on the operations of ICIC.

Furniture and equipment net assets reflect and account for the activities relating to ICIC's furniture and equipment, net of related liabilities, if any.

Temporarily Restricted Net Assets

ICIC receives contributions and grants which are designated by donors for specific purposes. These contributions are recorded as temporarily restricted net assets until they are expended for their designated purposes. At December 31, 2014 and 2013, temporarily restricted net assets consist of purpose restricted grants and contributions.

2 LEASES

ICIC leases office space in Boston, Massachusetts under a seven-year lease agreement expiring in December 2015. Under this agreement, ICIC received three months of free rent. Monthly rent under this agreement was \$24,021 and \$23,397 as of December 31, 2014 and 2013, respectively. ICIC is responsible for its proportionate share of real estate taxes, operating costs, and utilities. In accordance with ASC Topic, *Leases*, ICIC is recognizing rent expense on a straight-line basis. ICIC has recognized \$253,464 of rent expense under this agreement for the years ended December 31, 2014 and 2013. At December 31, 2014 and 2013, accrued rent was \$34,773 and \$63,945, respectively. At December 31, 2014 and 2013, the current portion of accrued rent of \$34,773 and \$29,172, respectively, is included in accounts payable and accrued expenses.

ICIC subleases the office space described above to two third-parties under leases which expire through September 2015. Average monthly rent for the first sublease was \$10,746 and \$9,296 for the years ended December 31, 2014 and 2013, respectively. Monthly rent for the second sublease commencing on May 6, 2013, was \$6,426. The subtenants are responsible for their proportionate share of real estate taxes, operating costs, and utilities (approximately \$1,000 per month). Total rental income for the years ended December 31, 2014 and 2013, was \$225,675 and \$173,132, respectively, and is netted with occupancy expense in the accompanying statements of functional expenses.

In 2013, ICIC relocated to Roxbury, Massachusetts. ICIC occupies office space from a related party and receives in-kind rent (see Notes 4 and 6).

Remaining minimum cash lease payments and receipts are \$288,252 and \$174,482, respectively, under the above agreements for 2015.

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements
December 31, 2014 and 2013

3 INVESTMENTS

At December 31, 2014 and 2013, investments, summarized using the inputs under the ASC Topic, *Fair Value Measurements* standard, consist of the following:

<u>Description</u>	2014			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Private equity investment:				
Fund II	\$ -	\$ -	\$ 951,101	\$ 951,101
Fund III	-	-	20,647	20,647
Total private equity investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 971,748</u>	<u>\$ 971,748</u>
Other investments:				
Mutual funds - bonds	\$ 606,069	\$ -	\$ -	\$ 606,069
Mutual funds - equities	516,919	-	-	516,919
Mutual funds - commodities	333,189	-	-	333,189
Mutual funds - international equities	232,923	-	-	232,923
Mutual funds - real estate	182,670	-	-	182,670
Money market fund	49,116	-	-	49,116
Total other investments	<u>\$ 1,920,886</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,920,886</u>
<u>Description</u>	2013			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Private equity investment:				
Fund II	\$ -	\$ -	\$ 1,425,175	\$ 1,425,175
Fund III	-	-	13,658	13,658
Total private equity investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,438,833</u>	<u>\$ 1,438,833</u>
Other investments:				
Mutual funds - bonds	\$ 215,913	\$ -	\$ -	\$ 215,913
Mutual funds - equities	228,098	-	-	228,098
Mutual funds - commodities	84,610	-	-	84,610
Mutual funds - international equities	119,604	-	-	119,604
Mutual funds - real estate	20,205	-	-	20,205
Money market fund	325,143	-	-	325,143
Total other investments	<u>\$ 993,573</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 993,573</u>

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements
December 31, 2014 and 2013

3 INVESTMENTS (Continued)

The changes in private equity investments for which ICIC has used Level 3 inputs to determine fair value were as follows for the years ended December 31, 2014 and 2013:

	<u>Fund I</u>	<u>Fund II</u>	<u>Fund III</u>	<u>Total</u>
Fair value, December 31, 2012	\$ -	\$ 1,285,000	\$ -	\$ 1,285,000
Purchase of investments	-	14,591	24,425	39,016
Distributions	(17,658)	(290,691)	(10,118)	(318,467)
Realized and unrealized gain (loss) on investments	<u>17,658</u>	<u>416,275</u>	<u>(649)</u>	<u>433,284</u>
Fair value, December 31, 2013	-	1,425,175	13,658	1,438,833
Purchase of investments	-	13,953	13,853	27,806
Distributions	-	(1,013,997)	(3,575)	(1,017,572)
Unrealized gain (loss) on investments	<u>-</u>	<u>525,970</u>	<u>(3,289)</u>	<u>522,681</u>
Fair value, December 31, 2014	<u>\$ -</u>	<u>\$ 951,101</u>	<u>\$ 20,647</u>	<u>\$ 971,748</u>

Realized and unrealized gains on private equity investments are included in return on investments in the accompanying statements of activities and changes in net assets for the years ended December 31, 2014 and 2013.

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

	<u>2014</u>	<u>2013</u>
Unrealized gains	\$ 517,932	\$ 456,058
Realized gains	18,455	27,234
Interest and dividends	23,248	13,383
Investment management fees	<u>(9,560)</u>	<u>(8,958)</u>
	<u>\$ 550,075</u>	<u>\$ 487,717</u>

4 DONATED SERVICES

ICIC receives donated rent (see Notes 2 and 6) and services. The value of these services for the years ended December 31, 2014 and 2013, was as follows:

	<u>2014</u>	<u>2013</u>
Rent	\$ 51,801	\$ 47,484
Legal services	-	65,112
Event services	<u>-</u>	<u>30,000</u>
	<u>\$ 51,801</u>	<u>\$ 142,596</u>

The value of these services is assigned by the donors. These services are included in professional fees and recruitment, occupancy, and events and marketing in the accompanying statements of functional expenses.

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements
December 31, 2014 and 2013

5 PENSION PLAN

ICIC sponsors a defined contribution pension plan covering all eligible employees. ICIC can elect to contribute to the plan as defined in the plan agreement. ICIC contributed approximately \$24,000 and \$22,000 to the plan during 2014 and 2013, respectively. These amounts are included in payroll taxes and benefits in the accompanying statements of functional expenses.

6 RELATED PARTY TRANSACTIONS

Investments

As described in Note 1, ICIC has made investments in Funds II and III. In prior years, ICIC had a similar investment in Fund I (see page 9). A member of ICIC's Board of Directors is the President of the general partners of Funds II and III. Fund I has dissolved as of December 31, 2013. ICIC had the following transactions with Funds I, II, and III for the years ended December 31:

	2014		2013	
	<u>Equity Investments</u>	<u>Distributions</u>	<u>Equity Investments</u>	<u>Distributions</u>
Fund I	\$ -	\$ -	\$ -	\$ 17,658
Fund II	\$ 13,953	\$1,013,997	\$ 14,591	\$ 290,691
Fund III	\$ 13,853	\$ 3,575	\$ 24,425	\$ 10,118

Collaboration Agreement

In December 2012, ICIC entered into a collaboration agreement with a merchant bank which specializes on working with urban enterprises. The collaboration agreement allows for sharing of employees and administrative resources, as well as collaborating on certain projects and joint proposals. For the years ended December 31, 2014 and 2013, ICIC charged the merchant bank \$4,475 and \$61,225, respectively, for research and advisory work on shared projects, which is included in consulting fees in the accompanying statements of activities and changes in net assets.

The merchant bank charged ICIC \$323,041 for shared employee costs and research advisory work on shared projects for the year ended December 31, 2013. Expenses relating to this agreement are included in contracted labor in the accompanying 2013 statement of functional expenses. Allocations of shared employee costs are based on estimates, while advisory and shared project costs are based on actual expenses incurred. The merchant bank did not charge ICIC for shared employee costs and research advisory work on shared projects for the year ended December 31, 2014.

The merchant bank and ICIC received a joint grant from the City of Boston for the year ended December 31, 2014. ICIC received approximately \$103,000 and the merchant bank received approximately \$37,000 under this grant agreement. For the year ended December 31, 2013, the merchant bank and ICIC shared two grants. These grants totaled approximately \$128,000, of which ICIC received approximately \$37,000 and the merchant bank received approximately \$91,000.

The merchant bank also leases office space to ICIC in the form of in-kind rent commencing in February 2013 (see Notes 2 and 4).

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements
December 31, 2014 and 2013

7 CONTINGENCY

From time-to-time, ICIC is involved in various disputes in the course of its ordinary business. ICIC takes the appropriate legal steps in defense of these disputes as they arise. It is management's opinion that any potential settlement would not be material to the accompanying financial statements.

8 CONCENTRATIONS

ICIC maintains its cash in a national bank. At various times throughout the year, the balances in this institution exceeded the maximum amount of insurance provided by the Federal Deposit Insurance Corporation. Management monitors, on a regular basis, the financial condition of the financial institution and ICIC's account balances to minimize potential risk.

One contributor represents 36% and 35% of total operating revenue for the years ended December 31, 2014 and 2013, respectively.

One and three contributors represent 92% and 77% of total accounts receivable as of December 31, 2014 and 2013, respectively.

9 RECLASSIFICATION

Certain amounts in the December 31, 2013 financial statements have been reclassified to conform with the December 31, 2014 presentation.