



**ICIC**

Initiative for a Competitive Inner City

**FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**INITIATIVE FOR A COMPETITIVE INNER CITY, INC.**

Contents  
December 31, 2018 and 2017

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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, 2018 and 2017, 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***

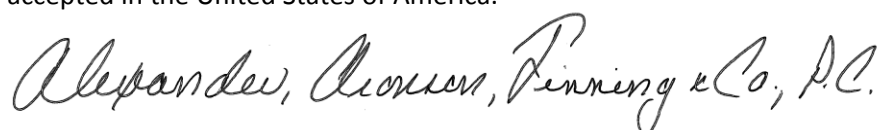
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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, 2018 and 2017, 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.



Westborough, Massachusetts  
May 14, 2019

**INITIATIVE FOR A COMPETITIVE INNER CITY, INC.**Statements of Financial Position  
December 31, 2018 and 2017

<b>Assets</b>	<b>2018</b>	<b>2017</b>
Current Assets:		
Cash	\$ 1,869,279	\$ 2,614,201
Accounts and grants receivable	466,854	48,843
Prepaid expenses	<u>32,338</u>	<u>21,267</u>
Total current assets	2,368,471	2,684,311
Investments	4,198,971	4,795,970
Deposits	24,245	18,367
Furniture and Equipment, net	<u>129,997</u>	<u>88,047</u>
Total assets	<u>\$ 6,721,684</u>	<u>\$ 7,586,695</u>
<b>Liabilities and Net Assets</b>		
Current Liabilities:		
Accounts payable and accrued expenses	<u>\$ 330,500</u>	<u>\$ 206,187</u>
Net Assets:		
Without donor restrictions:		
Operating	5,241,018	6,047,264
Furniture and equipment	<u>129,997</u>	<u>77,805</u>
Total without donor restrictions	5,371,015	6,125,069
With donor restrictions	<u>1,020,169</u>	<u>1,255,439</u>
Total net assets	<u>6,391,184</u>	<u>7,380,508</u>
Total liabilities and net assets	<u>\$ 6,721,684</u>	<u>\$ 7,586,695</u>

**INITIATIVE FOR A COMPETITIVE INNER CITY, INC.**

Statements of Activities and Changes in Net Assets  
For the Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Revenue:</b>						
Grants and contributions	\$ 4,795,767	\$ 826,500	\$ 5,622,267	\$ 3,829,470	\$ 962,856	\$ 4,792,326
Donated services	103,183	-	103,183	47,711	-	47,711
Other income	6,449	-	6,449	1,313	-	1,313
Net assets released from program and time restrictions	1,061,770	(1,061,770)	-	826,539	(826,539)	-
Total operating revenue	5,967,169	(235,270)	5,731,899	4,705,033	136,317	4,841,350
<b>Operating Expenses:</b>						
Program	4,830,304	-	4,830,304	3,620,155	-	3,620,155
General and administrative	714,187	-	714,187	498,983	-	498,983
Development	334,789	-	334,789	277,151	-	277,151
Total operating expenses	5,879,280	-	5,879,280	4,396,289	-	4,396,289
Changes in net assets from operations	87,889	(235,270)	(147,381)	308,744	136,317	445,061
<b>Non-Operating Revenue:</b>						
Investment income (loss), net	(831,713)	-	(831,713)	674,018	-	674,018
Relocation expense	(10,230)	-	(10,230)	-	-	-
Total non-operating revenue	(841,943)	-	(841,943)	674,018	-	674,018
Changes in net assets	(754,054)	(235,270)	(989,324)	982,762	136,317	1,119,079
<b>Net Assets:</b>						
Beginning of year	6,125,069	1,255,439	7,380,508	5,142,307	1,119,122	6,261,429
End of year	\$ 5,371,015	\$ 1,020,169	\$ 6,391,184	\$ 6,125,069	\$ 1,255,439	\$ 7,380,508

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ (989,324)	\$ 1,119,079
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	44,808	35,185
Investment (income) loss	831,713	(674,018)
Changes in operating assets and liabilities:		
Accounts and grants receivable	(418,011)	62,387
Prepaid expenses	(11,071)	7,839
Deposits	(5,878)	-
Accounts payable and accrued expenses	134,555	73,989
	<u>(413,208)</u>	<u>624,461</u>
<b>Net cash provided by (used in) operating activities</b>		
	<u>(413,208)</u>	<u>624,461</u>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from distribution of private equity investments	1,714	40,467
Proceeds from sale of investments	1,284,872	356,223
Capital calls of private equity investments	(236,482)	(4,427)
Purchase of investments	(1,284,818)	(856,109)
Acquisition of furniture and equipment	(97,000)	(15,234)
	<u>(331,714)</u>	<u>(479,080)</u>
<b>Net cash used in investing activities</b>		
	<u>(331,714)</u>	<u>(479,080)</u>
<b>Net Change in Cash</b>	(744,922)	145,381
<b>Cash:</b>		
Beginning of year	<u>2,614,201</u>	<u>2,468,820</u>
End of year	<u>\$ 1,869,279</u>	<u>\$ 2,614,201</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Furniture and equipment financed with accounts payable	<u>\$ -</u>	<u>\$ 10,242</u>

**INITIATIVE FOR A COMPETITIVE INNER CITY, INC.**

Statement of Functional Expenses

For the Year Ended December 31, 2018

(With Summarized Comparative Totals for the Year Ended December 31, 2017)

	2018					2017	
	Program			General and Adminis- trative	Develop- ment	Total	Total
	Urban Business Initiatives	Research and Advisory	Total Program				
Personnel and related:							
Salaries	\$ 1,402,460	\$ 752,319	\$ 2,154,779	\$ 396,658	\$ 241,874	\$ 2,793,311	\$ 2,274,260
Payroll taxes and benefits	233,259	139,208	372,467	49,859	42,817	465,143	341,227
Total personnel and related	1,635,719	891,527	2,527,246	446,517	284,691	3,258,454	2,615,487
Events and marketing	809,067	1,280	810,347	16,000	4,092	830,439	394,137
Professional fees and recruitment	249,054	68,958	318,012	175,960	8,872	502,844	303,625
Contracted labor	307,062	96,445	403,507	36,521	-	440,028	206,078
Travel	182,928	50,944	233,872	880	8,080	242,832	254,145
Sponsorships	136,402	-	136,402	-	-	136,402	188,524
Occupancy	74,582	35,778	110,360	14,780	8,365	133,505	116,602
Printing	95,547	14,371	109,918	2,117	287	112,322	87,301
Office supplies and expenses	26,710	12,482	39,192	7,128	6,134	52,454	85,283
Depreciation	25,032	12,009	37,041	4,959	2,808	44,808	35,185
Publication and subscription	13,619	13,714	27,333	939	683	28,955	24,411
Communications	13,362	7,618	20,980	2,580	1,461	25,021	21,323
Postage and delivery	22,978	926	23,904	295	363	24,562	17,448
Professional development	8,851	5,692	14,543	2,964	5,305	22,812	29,479
Meeting and conference	6,026	2,927	8,953	1,171	664	10,788	6,990
Insurance	3,774	1,811	5,585	748	423	6,756	5,722
Other expenses	2,653	456	3,109	628	2,561	6,298	4,549
Total operating expenses	\$ 3,613,366	\$ 1,216,938	\$ 4,830,304	\$ 714,187	\$ 334,789	\$ 5,879,280	\$ 4,396,289

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, 2017

	<b>Program</b>			<b>General and Adminis- trative</b>	<b>Develop- ment</b>	<b>Total</b>
	<b>Urban Business Initiatives</b>	<b>Research and Advisory</b>	<b>Total Program</b>			
Personnel and related:						
Salaries	\$ 1,258,073	\$ 446,719	\$ 1,704,792	\$ 362,616	\$ 206,852	\$ 2,274,260
Payroll taxes and benefits	188,772	71,938	260,710	52,320	28,197	341,227
Total personnel and related	1,446,845	518,657	1,965,502	414,936	235,049	2,615,487
Events and marketing	389,314	3,043	392,357	1,139	641	394,137
Professional fees and recruitment	213,305	52,955	266,260	23,713	13,652	303,625
Contracted labor	164,488	15,952	180,440	25,638	-	206,078
Travel	204,337	43,253	247,590	1,083	5,472	254,145
Sponsorships	188,524	-	188,524	-	-	188,524
Occupancy	69,397	23,696	93,093	15,047	8,462	116,602
Printing	71,264	14,766	86,030	814	457	87,301
Office supplies and expenses	67,066	9,862	76,928	5,330	3,025	85,283
Depreciation	20,941	7,151	28,092	4,539	2,554	35,185
Publication and subscription	9,856	9,635	19,491	1,063	3,857	24,411
Communications	12,455	4,647	17,102	2,702	1,519	21,323
Postage and delivery	16,003	800	16,803	354	291	17,448
Professional development	26,165	1,905	28,070	667	742	29,479
Meeting and conference	4,160	1,421	5,581	902	507	6,990
Insurance	3,405	1,163	4,568	739	415	5,722
Other expenses	3,305	419	3,724	317	508	4,549
Total operating expenses	<u>\$ 2,910,830</u>	<u>\$ 709,325</u>	<u>\$ 3,620,155</u>	<u>\$ 498,983</u>	<u>\$ 277,151</u>	<u>\$ 4,396,289</u>

The accompanying notes are an integral part of these statements.



## INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements  
December 31, 2018 and 2017

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### 1. 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 under-resourced neighborhoods that create jobs, income, wealth, and economic opportunity for local residents. ICIC performs research relating to urban economic development and operates programs that engage local communities, government, academic institutions, and the private sector in building urban core businesses. To support its purposes, ICIC receives its funding from corporations, foundations and 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.

### 2. SIGNIFICANT ACCOUNTING POLICIES

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

#### Recently Adopted Accounting Pronouncement

In fiscal year 2018, ICIC adopted FASB's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources and the lack of consistency in the type of information provided about expenses and investment return. ICIC has adjusted the presentation of these statements accordingly. The adoption of this ASU did not impact ICIC's net asset classes, results of operations, or cash flows for the year ended December 31, 2018. This ASU has been applied retrospectively to all periods presented. This ASU provides an option to omit the disclosures about liquidity and availability of resources in the 2017 financial statements.

#### Revenue Recognition

Grants and contributions without donor restrictions are recorded as revenue and net assets without donor restrictions when received or unconditionally committed by the donor. Revenue from donor restricted grants and contributions are recorded as donor restricted revenue and net assets when received or unconditionally committed by the donor. Net assets released from donor restrictions represent transfers made to revenue and net assets without donor restrictions as costs are incurred, time restrictions lapse or program restrictions have been satisfied. Grants and contributions with donor restrictions received and spent in the same period are recorded as net assets without donor restrictions.

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 4).

Other income is recognized as earned.

#### Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenue and operating expenses in the accompanying statements of activities and changes in net assets. Non-operating revenue includes investment activity (see Note 4).

## INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements  
December 31, 2018 and 2017

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Expense Allocations

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

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, benefits, and payroll taxes, which are allocated on the basis of estimates of time and effort; as well as occupancy, depreciation, insurance, supplies and information technology expense, which are allocated on a headcount basis.

#### 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.

#### 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, 2018 and 2017. ICIC's information returns are subject to examination by the Federal and state jurisdictions.

#### 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 deemed necessary as of December 31, 2018 and 2017.

#### 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.

## INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements  
December 31, 2018 and 2017

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Fair Value Measurements (Continued)

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.

#### Investments

Investments include the following:

##### *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 1% interest in the income, losses and distributions of Fund II. At December 31, 2018 and 2017, ICIC had a 5% equity interest in ICV Associates II, LLC (see Note 8). ICIC had committed capital calls of \$156,500 to ICV Associates II, LLC. As of December 31, 2018 and 2017, ICIC made \$459,584 (which includes a 2018 clawback contribution of \$227,061) and \$133,456, 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. ICIC is the special member of ICV Associates III, LLC, having a 1% equity interest in ICV Associates III, LLC at December 31, 2018 and 2017 (see Note 8). ICIC has committed capital calls of \$40,000 to ICV Associates III, LLC. As of December 31, 2018 and 2017, ICIC has made \$32,538 in capital calls to Fund III.

ICIC cannot sell its interest in these private equity investments. The term of Fund II ended in April 2018, at which point ICV liquidated its interests and made related distributions to investors. Fund III is intended to end in November 2023 and can be extended for two one-year periods.

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 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, 2018 and 2017

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### 2. 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, stocks, exchange-traded funds and money market funds, which are recorded at fair value. If an investment is directly held by ICIC and an active market with quoted prices exists, the market price of an identical security is used to report fair value. ICIC values these investments using Level 1 inputs. Bonds are valued using several factors including credit rating and interest rate relative to corporate and government bond securities with similar maturity and duration. Bonds are valued using Level 2 inputs.

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.

##### **Subsequent Events**

Subsequent events have been evaluated through May 14, 2019, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

##### **Net Assets**

##### *Net Assets Without Donor Restrictions*

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by ICIC. ICIC has grouped its net assets without donor restrictions 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.

## INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements  
December 31, 2018 and 2017

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Net Assets (Continued)

##### *Net Assets With Donor Restrictions*

ICIC receives contributions and grants which are designated by donors for specific purposes. These contributions are recorded as net assets with donor restrictions until they are expended in accordance with their time restriction or for their designated purposes. At December 31 net assets with donor restrictions consist of purpose and time restricted grants and contributions as follows:

	<u>2018</u>	<u>2017</u>
Purpose restricted	\$ 789,169	\$ 1,225,439
Time restricted	<u>231,000</u>	<u>30,000</u>
	<u>\$ 1,020,169</u>	<u>\$ 1,255,439</u>

Net assets released from net assets with donor restrictions are as follows:

	<u>2018</u>	<u>2017</u>
Satisfaction of purpose restrictions	\$ 1,061,770	\$ 626,539
Expiration of time restrictions	<u>-</u>	<u>200,000</u>
	<u>\$ 1,061,770</u>	<u>\$ 826,539</u>

### 3. LEASES

In September 2015, ICIC entered into a five-year lease agreement for office space, which expires in August 2020. ICIC may elect to extend this lease for one additional five-year period. Under this agreement, monthly rent for the years ended December 31, 2018 and 2017, was \$7,598 and \$7,254, respectively, and escalates annually. In accordance with ASC Topic, *Leases*, ICIC is recognizing rent expense on a straight-line basis. ICIC has recognized \$88,424 and \$84,297 of rent expense under this agreement for the years ended December 31, 2018 and 2017, respectively, which was included in occupancy in the accompanying statements of functional expenses.

In September 2018, ICIC entered into a two-year lease agreement for office space, which expires in August 2020. Under this agreement, monthly rent for the year ended December 31, 2018, is \$3,038 and escalates annually. ICIC has recognized \$12,150 of rent expense under this agreement for the year ended December 31, 2018, which was included in occupancy in the accompanying statements of functional expenses.

ICIC has paid \$24,245 and \$18,367 in security deposits under these lease agreements as of December 31, 2018 and 2017, respectively, which are included in the accompanying statements of financial position.

At December 31, 2018 and 2017, accrued rent of \$11,230 and \$12,381, respectively, was included in accounts payable and accrued expenses in the accompanying statements of financial position.

In February 2016, ICIC entered into a four-year lease agreement for a copier, which expires in February 2020. Under this agreement, monthly lease payments for the years ended December 31, 2018 and 2017 are \$246. ICIC has recognized \$2,952 of equipment rental expense under this agreement for the year ended December 31, 2018, which is included in occupancy in the accompanying statement of functional expenses.

**INITIATIVE FOR A COMPETITIVE INNER CITY, INC.**Notes to Financial Statements  
December 31, 2018 and 2017**3. LEASES (Continued)**

Future minimum lease payments under these lease agreements are as follows:

	<u>Facility</u>	<u>Equipment</u>
2019	\$ 129,451	\$ 2,952
2020	\$ 88,735	\$ 492

**4. INVESTMENTS**At December 31, investments, summarized using the inputs under the ASC Topic, *Fair Value Measurements* standard, consist of the following:

<u>Description</u>	<b>2018</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Private equity investment:				
Fund III	\$ -	\$ -	\$ 42,999	\$ 42,999
Other investments:				
Corporate bonds	\$ -	\$ 1,403,411	\$ -	\$ 1,403,411
Mutual funds - equities	1,237,584	-	-	1,237,584
Common stocks - U.S. Large Cap	938,611	-	-	938,611
Exchange-traded fund	234,238	-	-	234,238
Government bonds	-	105,940	-	105,940
Money market fund	236,188	-	-	236,188
Total other investments	<u>\$ 2,646,621</u>	<u>\$ 1,509,351</u>	<u>\$ -</u>	<u>\$ 4,155,972</u>
Total investments	<u>\$ 2,646,621</u>	<u>\$ 1,509,351</u>	<u>\$ 42,999</u>	<u>\$ 4,198,971</u>
<u>Description</u>	<b>2017</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Private equity investments:				
Fund II	\$ -	\$ -	\$ 129,824	\$ 129,824
Fund III	-	-	233,291	233,291
Total private equity investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 363,115</u>	<u>\$ 363,115</u>
Other investments:				
Corporate bonds	\$ -	\$ 1,660,751	\$ -	\$ 1,660,751
Mutual funds – equities	1,249,934	-	-	1,249,934
Common stocks - U.S. Large Cap	1,022,488	-	-	1,022,488
Exchange-traded fund	280,186	-	-	280,186
Government bonds	-	124,135	-	124,135
Money market fund	95,361	-	-	95,361
Total other investments	<u>\$ 2,647,969</u>	<u>\$ 1,784,886</u>	<u>\$ -</u>	<u>\$ 4,432,855</u>
Total investments	<u>\$ 2,647,969</u>	<u>\$ 1,784,886</u>	<u>\$ 363,115</u>	<u>\$ 4,795,970</u>

## INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements  
December 31, 2018 and 2017

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### 4. 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:

	<u>Fund II</u>	<u>Fund III</u>	<u>Total</u>
Fair value, December 31, 2016	\$ 58,364	\$ 142,020	\$ 200,384
Purchase of investments	6	4,421	4,427
Distributions	(40,266)	(201)	(40,467)
Realized and unrealized gains on investments	<u>111,720</u>	<u>87,051</u>	<u>198,771</u>
Fair value, December 31, 2017	129,824	233,291	363,115
Clawback contributions	227,061	-	227,061
Distributions	(1,714)	-	(1,714)
Realized and unrealized losses on investments	<u>(355,171)</u>	<u>(190,292)</u>	<u>(545,463)</u>
Fair value, December 31, 2018	<u>\$ -</u>	<u>\$ 42,999</u>	<u>\$ 42,999</u>

Realized and unrealized gains on private equity investments are included in investment income in the accompanying statements of activities and changes in net assets for the years ended December 31, 2018 and 2017.

Net investment income (loss) consists of the following for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Unrealized gains (losses)	\$ (707,759)	\$ 535,331
Interest and dividends	161,126	124,975
Realized gains (losses)	(246,629)	48,274
Investment management fees	<u>(38,451)</u>	<u>(34,562)</u>
	<u>\$ (831,713)</u>	<u>\$ 674,018</u>

ICIC holds its private equity and other investments for long-term purposes. Since these investments are not intended to be used for current operating costs, they are presented as non-current assets in the accompanying financial statements.

### 5. FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Furniture	\$ 150,079	\$ 105,980
Equipment	113,873	85,812
Website and software	<u>19,614</u>	<u>17,764</u>
	283,566	209,556
Less - accumulated depreciation	<u>153,569</u>	<u>121,509</u>
	<u>\$ 129,997</u>	<u>\$ 88,047</u>

## INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

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### 6. DONATED SERVICES

Donated services consist of legal services. The value of these services for the years ended December 31, 2018 and 2017, is \$103,183 and \$47,711, respectively.

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

### 7. 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 \$57,000 and \$50,000 to the plan during 2018 and 2017, respectively. These amounts are included in payroll taxes and benefits in the accompanying statements of functional expenses.

### 8. RELATED PARTY TRANSACTIONS

As described in Note 2, ICIC has made investments in Funds II and III. A member of ICIC's Board of Directors is the Managing Member of the general partners of Funds II and III. ICIC had the following transactions with Funds II and III for the years ended December 31:

	<u>2018</u>		<u>2017</u>	
	<u>Equity Investments</u>	<u>Distributions</u>	<u>Equity Investments</u>	<u>Distributions</u>
Fund II	\$ 227,061	\$ 1,714	\$ 6	\$ 40,266
Fund III	\$ -	\$ -	\$ 4,421	\$ 201

### 9. 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.

Three donors represent 50% of total operating revenue for the year ended December 31, 2018. Two donors represent 38% of total operating revenue for the year ended December 31, 2017.

One donor represented 85% of total accounts and grants receivable as of December 31, 2018.



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### 10. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

ICIC's financial assets available within one year from the statement of financial position date of December 31, 2018, for general expenses are as follows:

Cash	\$ 1,869,279
Accounts and grants receivable	466,854
Investments	<u>4,155,972</u>
Financial assets available to meet cash needs for general expenditures within one year	6,492,105
Less - Donor-restricted assets for specified purposes	<u>(789,169)</u>
	<u>\$ 5,702,936</u>

ICIC has approximately 12 months of financial assets available within one year available to cover operating expenses, net of depreciation and donated services.

ICIC has a policy to structure its financial assets to be available as its obligations become due. ICIC is supported by donor restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, ICIC must maintain sufficient resources to meet those responsibilities to its donors. Thus, those financial assets may not be available for general expenditure within one year.

### 11. RECLASSIFICATION

Certain amounts in the 2017 financial statements have been reclassified to conform with the 2018 presentation.