



ICIC

Initiative for a Competitive Inner City

**FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Contents
December 31, 2019 and 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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.

AAFCPAs, Inc.

Westborough, Massachusetts
May 27, 2020

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.Statements of Financial Position
December 31, 2019 and 2018

Assets	2019	2018
Current Assets:		
Cash	\$ 1,594,923	\$ 1,869,279
Accounts and grants receivable	480,931	466,854
Prepaid expenses	51,489	32,338
Total current assets	2,127,343	2,368,471
Investments	5,046,462	4,198,971
Deposits	24,245	24,245
Furniture and Equipment, net	93,247	129,997
Total assets	<u>\$ 7,291,297</u>	<u>\$ 6,721,684</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	<u>\$ 243,736</u>	<u>\$ 330,500</u>
Net Assets:		
Without donor restrictions:		
Operating	6,247,462	5,241,018
Furniture and equipment	93,247	129,997
Total without donor restrictions	6,340,709	5,371,015
With donor restrictions	706,852	1,020,169
Total net assets	<u>7,047,561</u>	<u>6,391,184</u>
Total liabilities and net assets	<u>\$ 7,291,297</u>	<u>\$ 6,721,684</u>

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue:						
Grants and contributions	\$ 5,524,179	\$ 703,352	\$ 6,227,531	\$ 4,795,767	\$ 826,500	\$ 5,622,267
Donated services	42,879	-	42,879	103,183	-	103,183
Other income	6,913	-	6,913	6,449	-	6,449
Net assets released from program and time restrictions	1,016,669	(1,016,669)	-	1,061,770	(1,061,770)	-
Total operating revenue	6,590,640	(313,317)	6,277,323	5,967,169	(235,270)	5,731,899
Operating Expenses:						
Program	5,132,381	-	5,132,381	4,830,304	-	4,830,304
General and administrative	754,753	-	754,753	714,187	-	714,187
Development	397,079	-	397,079	334,789	-	334,789
Total operating expenses	6,284,213	-	6,284,213	5,879,280	-	5,879,280
Changes in net assets from operations	306,427	(313,317)	(6,890)	87,889	(235,270)	(147,381)
Non-Operating Revenue (Expense):						
Investment income (loss), net	663,267	-	663,267	(831,713)	-	(831,713)
Relocation expense	-	-	-	(10,230)	-	(10,230)
Total non-operating revenue (expense)	663,267	-	663,267	(841,943)	-	(841,943)
Changes in net assets	969,694	(313,317)	656,377	(754,054)	(235,270)	(989,324)
Net Assets:						
Beginning of year	5,371,015	1,020,169	6,391,184	6,125,069	1,255,439	7,380,508
End of year	\$ 6,340,709	\$ 706,852	\$ 7,047,561	\$ 5,371,015	\$ 1,020,169	\$ 6,391,184

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 656,377	\$ (989,324)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	55,497	44,808
Investment (income) loss	(663,267)	831,713
Changes in operating assets and liabilities:		
Accounts and grants receivable	(14,077)	(418,011)
Prepaid expenses	(19,151)	(11,071)
Deposits	-	(5,878)
Accounts payable and accrued expenses	(86,764)	134,555
Net cash used in operating activities	<u>(71,385)</u>	<u>(413,208)</u>
Cash Flows from Investing Activities:		
Proceeds from distribution of private equity investments	-	1,714
Proceeds from sale of investments	1,297,330	1,284,872
Capital calls of private equity investments	(197,971)	(236,482)
Purchase of investments	(1,283,583)	(1,284,818)
Acquisition of furniture and equipment	(18,747)	(97,000)
Net cash used in investing activities	<u>(202,971)</u>	<u>(331,714)</u>
Net Change in Cash	(274,356)	(744,922)
Cash:		
Beginning of year	<u>1,869,279</u>	<u>2,614,201</u>
End of year	<u>\$ 1,594,923</u>	<u>\$ 1,869,279</u>

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Statement of Functional Expenses

For the Year Ended December 31, 2019

(With Summarized Comparative Totals for the Year Ended December 31, 2018)

	2019					2018	
	Program			General and Adminis- trative	Develop- ment	Total	Total
Urban Business Initiatives	Research and Advisory	Total Program					
Personnel and related:							
Salaries	\$ 1,595,503	\$ 682,598	\$ 2,278,101	\$ 429,470	\$ 254,134	\$ 2,961,705	\$ 2,793,311
Payroll taxes and benefits	296,887	63,892	360,779	56,608	30,376	447,763	465,143
Total personnel and related	1,892,390	746,490	2,638,880	486,078	284,510	3,409,468	3,258,454
Events and marketing	744,788	-	744,788	-	13,483	758,271	830,439
Professional fees and recruitment	333,656	49,988	383,644	139,374	40,035	563,053	502,844
Travel	294,690	28,311	323,001	3,138	22,431	348,570	242,832
Contracted labor	253,674	5,761	259,435	68,560	-	327,995	440,028
Sponsorships	221,896	-	221,896	-	-	221,896	136,402
Occupancy	111,776	31,349	143,125	20,754	9,081	172,960	133,505
Office supplies and expenses	82,152	8,694	90,846	7,828	10,442	109,116	52,454
Publication and subscription	37,063	63,309	100,372	3,153	1,380	104,905	28,955
Printing	75,795	15,301	91,096	1,079	1,617	93,792	112,322
Depreciation	35,865	10,059	45,924	6,659	2,914	55,497	44,808
Communications	20,057	6,258	26,315	3,543	1,550	31,408	25,021
Professional development	12,439	2,264	14,703	8,727	6,321	29,751	22,812
Postage and delivery	22,248	655	22,903	395	1,060	24,358	24,562
Meeting and conference	12,191	3,077	15,268	1,986	1,345	18,599	10,788
Insurance	7,490	1,251	8,741	829	362	9,932	6,756
Other expenses	1,393	51	1,444	2,650	548	4,642	6,298
Total operating expenses	\$ 4,159,563	\$ 972,818	\$ 5,132,381	\$ 754,753	\$ 397,079	\$ 6,284,213	\$ 5,879,280

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, 2018

	Program			General and Adminis- trative	Develop- ment	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
Payroll taxes and benefits	233,259	139,208	372,467	49,859	42,817	465,143
Total personnel and related	1,635,719	891,527	2,527,246	446,517	284,691	3,258,454
Events and marketing	809,067	1,280	810,347	16,000	4,092	830,439
Professional fees and recruitment	249,054	68,958	318,012	175,960	8,872	502,844
Travel	182,928	50,944	233,872	880	8,080	242,832
Contracted labor	307,062	96,445	403,507	36,521	-	440,028
Sponsorships	136,402	-	136,402	-	-	136,402
Occupancy	74,582	35,778	110,360	14,780	8,365	133,505
Office supplies and expenses	26,710	12,482	39,192	7,128	6,134	52,454
Publication and subscription	13,619	13,714	27,333	939	683	28,955
Printing	95,547	14,371	109,918	2,117	287	112,322
Depreciation	25,032	12,009	37,041	4,959	2,808	44,808
Communications	13,362	7,618	20,980	2,580	1,461	25,021
Professional development	8,851	5,692	14,543	2,964	5,305	22,812
Postage and delivery	22,978	926	23,904	295	363	24,562
Meeting and conference	6,026	2,927	8,953	1,171	664	10,788
Insurance	3,774	1,811	5,585	748	423	6,756
Other expenses	2,653	456	3,109	628	2,561	6,298
Total operating expenses	<u>\$ 3,613,366</u>	<u>\$ 1,216,938</u>	<u>\$ 4,830,304</u>	<u>\$ 714,187</u>	<u>\$ 334,789</u>	<u>\$ 5,879,280</u>

The accompanying notes are an integral part of these statements.

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements
December 31, 2019 and 2018

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 Pronouncements

During 2019, ICIC adopted ASC Topic 606, *Revenue from Contracts with Customers*, with respect to its revenue recognition policies. The core principle of the new accounting guidance is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The adoption of this standard did not have a significant impact on ICIC's financial statements as ICIC's primary source of revenue is grants and contributions, which are not subject to this accounting standard.

In 2019, ICIC adopted FASB's Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. Based on ICIC's evaluation of its grants and contributions, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard.

Revenue Recognition

In accordance with Topic 958, ICIC must determine whether a grant or contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of the assets or a right of release of a promise to transfer assets exists (see Note 10). Indicators of a barrier include a measurable performance-related barrier or other measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Agency should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements
December 31, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

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.

Research and advisory income, which is included in grants and contributions in the accompanying statements of activities and changes in net assets, are for the economic development, growth and evaluation for inner city business growth. These transactions are considered contributions under Topic 958 as the resource provider receives value indirectly by providing a societal benefit, although the benefit is not considered to be of commensurate value to resources provided. Research and advisory income is recognized based on time and effort or when program restrictions have been satisfied.

Interest and dividends are recognized when earned and are included in investment income (loss) 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 primarily includes investment activity (see Note 4).

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.

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements
December 31, 2019 and 2018

2. 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, 2019 and 2018. 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, 2019 and 2018.

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, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

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. The term of Fund II ended in April 2018, at which point ICV Associates II, LLC liquidated its interests and made related distributions to investors. 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, 2019, and 2018, there were clawback contributions of \$197,188 and \$227,061, respectively, which are included in investment income (loss), net in the accompanying statements of activities and changes in net assets. As of December 31, 2018, ICIC made \$459,584 (including the 2018 clawback contribution of \$227,061) 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, 2019 and 2018 (see Note 8). ICIC has committed capital calls of \$40,000 to ICV Associates III, LLC. As of December 31, 2019 and 2018, ICIC has made \$33,321 and \$32,538, respectively, in capital calls to Fund III. Fund III is intended to end in November 2023 and can be extended for two one-year periods.

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 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.

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.

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements
December 31, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Investments (Continued)

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 27, 2020, which is the date the financial statements were available to be issued. See Notes 3 and 12 for subsequent 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, 2019 and 2018

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>2019</u>	<u>2018</u>
Purpose restricted	\$ 449,352	\$ 789,169
Time restricted	<u>257,500</u>	<u>231,000</u>
	<u>\$ 706,852</u>	<u>\$ 1,020,169</u>

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

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restrictions	\$ 785,669	\$ 1,061,770
Expiration of time restrictions	<u>231,000</u>	<u>-</u>
	<u>\$ 1,016,669</u>	<u>\$ 1,061,770</u>

3. LEASES

In September 2015, ICIC entered into a five-year lease agreement for office space, which was set to expire in August 2020. During 2019, ICIC elected to extend this lease for one additional two-year period through August 2022. Under the agreement, monthly rent for the years ended December 31, 2019 and 2018, was \$7,942 and \$7,598, respectively, and escalates annually. ICIC has recognized \$92,551 and \$88,424 of rent expense under this agreement for the years ended December 31, 2019 and 2018, respectively, which is 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 years ended December 31, 2019 and 2018, was \$3,150 and \$3,038, respectively, and escalates annually. ICIC has recognized \$36,900 and \$12,150 of rent expense under this agreement for the years ended December 31, 2019 and 2018, respectively, which is included in occupancy in the accompanying statements of functional expenses.

In accordance with ASC Topic, *Leases*, ICIC is recognizing rent expense on a straight-line basis. At December 31, 2019 and 2018, accrued rent of \$6,442 and \$11,230, respectively, was included in accounts payable and accrued expenses in the accompanying statements of financial position.

ICIC has paid \$24,245 in security deposits under these lease agreements as of December 31, 2019 and 2018, which are included in the accompanying statements of financial position.

In February 2016, ICIC entered into a four-year lease agreement for a copier, which expired in February 2020, at which time ICIC entered into a new four-year lease agreement for a copier expiring in February 2024. Under this agreement, monthly lease payments for the years ended December 31, 2019 and 2018, were \$246. ICIC has recognized \$2,952 of equipment rental expense under this agreement for the years ended December 31, 2019 and 2018, which is included in occupancy in the accompanying statements of functional expenses.

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements
December 31, 2019 and 2018

3. LEASES (Continued)

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

	<u>Facility</u>	<u>Equipment</u>
2020	\$ 121,878	\$ 3,002
2021	\$ 100,805	\$ 3,012
2022	\$ 69,037	\$ 3,012
2023	\$ -	\$ 3,012
2024	\$ -	\$ 502

4. INVESTMENTS

At December 31, 2019 and 2018, investments, summarized using the inputs under the ASC Topic, *Fair Value Measurements* standard, consist of the following:

<u>Description</u>	<u>2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Private equity investment: Fund III	\$ -	\$ -	\$ 43,782	\$ 43,782
Other investments:				
Mutual funds - equities	1,589,770	-	-	1,589,770
Corporate bonds	-	1,401,250	-	1,401,250
Common stocks - U.S. Large Cap	1,177,804	-	-	1,177,804
Exchange-traded fund	324,048	-	-	324,048
Government bonds	-	271,200	-	271,200
Money market fund	238,608	-	-	238,608
Total other investments	<u>3,330,230</u>	<u>1,672,450</u>	<u>-</u>	<u>5,002,680</u>
Total investments	<u>\$ 3,330,230</u>	<u>\$ 1,672,450</u>	<u>\$ 43,782</u>	<u>\$ 5,046,462</u>
<u>Description</u>	<u>2018</u>			
	<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>

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements
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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, 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	-	42,999	42,999
Clawback contributions	197,188	-	197,188
Capital calls	-	783	783
Realized and unrealized losses on investments	<u>(197,188)</u>	<u>-</u>	<u>(197,188)</u>
Fair value, December 31, 2019	<u>\$ -</u>	<u>\$ 43,782</u>	<u>\$ 43,782</u>

Realized and unrealized losses on private equity investments are included in investment income (loss), net in the accompanying statements of activities and changes in net assets for the years ended December 31, 2019 and 2018.

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

	<u>2019</u>	<u>2018</u>
Unrealized gains (losses)	\$ 408,072	\$ (707,759)
Interest and dividends	160,677	161,126
Realized gains (losses)	133,895	(246,629)
Investment management fees	<u>(39,377)</u>	<u>(38,451)</u>
	<u>\$ 663,267</u>	<u>\$ (831,713)</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>2019</u>	<u>2018</u>
Furniture	\$ 143,971	\$ 150,079
Equipment	132,621	113,873
Website and software	<u>3,850</u>	<u>19,614</u>
	280,442	283,566
Less - accumulated depreciation	<u>187,195</u>	<u>153,569</u>
	<u>\$ 93,247</u>	<u>\$ 129,997</u>

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements
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6. DONATED SERVICES

Donated services consist of legal services. The value of these services for the years ended December 31, 2019 and 2018, was \$42,879 and \$103,183, 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 \$62,000 and \$57,000 to the plan during 2019 and 2018, 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:

	2019		2018	
	<u>Equity Investments</u>	<u>Contributions</u>	<u>Equity Investments</u>	<u>Distributions</u>
Fund II	\$ 197,188	\$ -	\$ 227,061	\$ 1,714
Fund III	\$ -	\$ 783	\$ -	\$ -

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.

Two donors represent 49% of total operating revenue for the year ended December 31, 2019. Three donors represent 50% of total operating revenue for the year ended December 31, 2018.

Two donors represent 90% of total accounts and grants receivable as of December 31, 2019. One donor represented 85% of total accounts and grants receivable as of December 31, 2018.

10. CONDITIONAL GRANT

During 2019, ICIC was awarded a two-year conditional grant of \$300,000, of which \$135,000 was received in 2019. ICIC recognized \$128,500 as revenue without donor restrictions and \$6,500 as net assets with donor restrictions as the restricted purpose has not yet been achieved. As of December 31, 2019, \$165,000 of this grant has not been recorded as there are donor-imposed conditions that represent a barrier that must be overcome as well as a right of return of assets.

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Notes to Financial Statements
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11. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

	<u>2019</u>	<u>2018</u>
Cash	\$ 1,594,923	\$ 1,869,279
Accounts and grants receivable	<u>480,931</u>	<u>466,854</u>
	2,075,854	2,336,133
Less - donor-restricted assets for specified purposes	<u>(449,352)</u>	<u>(789,169)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,626,502</u>	<u>\$ 1,546,964</u>

ICIC has approximately three months of financial assets available within one year to cover operating expenses, net of depreciation and donated services. Additionally, ICIC has \$5,002,680 and \$4,155,972 in investments at December 31, 2019 and 2018, respectively, that are included in long-term assets, but upon management's decision, could be used for general operations in the event of an unanticipated liquidity need.

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.

12. SUBSEQUENT EVENTS

The COVID-19 pandemic in the United States has caused business disruption and a reduction in economic activity. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and the impact it will have on ICIC's operations and financial position. Any financial impact to ICIC cannot be reasonably estimated at this time. In response, ICIC applied for and was awarded a Paycheck Protection Program loan in the amount of approximately \$522,000 under the Federal Coronavirus Aid, Relief and Economic Security (CARES) Act. These loan funds may be forgiven provided that ICIC apply for forgiveness within 90 days from the date the loan is funded and that forgiveness is confirmed by the Small Business Administration, as defined in the agreement.