



ICIC

Initiative for a Competitive Inner City

**FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Contents
December 31, 2020 and 2019

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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, 2020 and 2019, 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 accompanying 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, 2020 and 2019, 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.

Boston, Massachusetts
May 13, 2021

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.Statements of Financial Position
December 31, 2020 and 2019

Assets	2020	2019
Current Assets:		
Cash	\$ 3,674,810	\$ 1,594,923
Accounts and grants receivable	1,012,777	480,931
Prepaid expenses	44,162	51,489
Total current assets	4,731,749	2,127,343
Investments	5,548,373	5,046,462
Deposits	24,245	24,245
Furniture and Equipment, net	60,711	93,247
Total assets	<u>\$ 10,365,078</u>	<u>\$ 7,291,297</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 197,078	\$ 243,736
Note payable	521,637	-
Total liabilities	<u>718,715</u>	<u>243,736</u>
Net Assets:		
Without donor restrictions:		
Operating	7,105,883	6,247,462
Furniture and equipment	60,711	93,247
Total without donor restrictions	7,166,594	6,340,709
With donor restrictions	2,479,769	706,852
Total net assets	<u>9,646,363</u>	<u>7,047,561</u>
Total liabilities and net assets	<u>\$ 10,365,078</u>	<u>\$ 7,291,297</u>

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue:						
Grants and contributions	\$ 5,101,005	\$ 2,240,840	\$ 7,341,845	\$ 5,484,179	\$ 703,352	\$ 6,187,531
Earned income	100,944	-	100,944	40,000	-	40,000
Donated services	43,163	-	43,163	42,879	-	42,879
Other income	184	-	184	6,913	-	6,913
Net assets released from program and time restrictions	467,923	(467,923)	-	1,016,669	(1,016,669)	-
Total operating revenue	5,713,219	1,772,917	7,486,136	6,590,640	(313,317)	6,277,323
Operating Expenses:						
Program	4,139,664	-	4,139,664	5,132,381	-	5,132,381
General and administrative	925,380	-	925,380	754,753	-	754,753
Development	324,674	-	324,674	397,079	-	397,079
Total operating expenses	5,389,718	-	5,389,718	6,284,213	-	6,284,213
Changes in net assets from operations	323,501	1,772,917	2,096,418	306,427	(313,317)	(6,890)
Non-Operating Revenue:						
Investment return	502,384	-	502,384	663,267	-	663,267
Changes in net assets	825,885	1,772,917	2,598,802	969,694	(313,317)	656,377
Net Assets:						
Beginning of year	6,340,709	706,852	7,047,561	5,371,015	1,020,169	6,391,184
End of year	\$ 7,166,594	\$ 2,479,769	\$ 9,646,363	\$ 6,340,709	\$ 706,852	\$ 7,047,561

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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 2,598,802	\$ 656,377
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	47,187	55,497
Investment return	(502,384)	(663,267)
Changes in operating assets and liabilities:		
Accounts and grants receivable	(531,846)	(14,077)
Prepaid expenses	7,327	(19,151)
Accounts payable and accrued expenses	(46,658)	(86,764)
Net cash provided by (used in) operating activities	<u>1,572,428</u>	<u>(71,385)</u>
Cash Flows from Investing Activities:		
Proceeds from sale of investments	5,519,889	1,297,330
Capital calls of private equity investments	(394)	(197,971)
Purchase of investments	(5,519,022)	(1,283,583)
Acquisition of furniture and equipment	(14,651)	(18,747)
Net cash used in investing activities	<u>(14,178)</u>	<u>(202,971)</u>
Cash Flows from Financing Activities:		
Proceeds from note payable	<u>521,637</u>	<u>-</u>
Net Change in Cash	2,079,887	(274,356)
Cash:		
Beginning of year	<u>1,594,923</u>	<u>1,869,279</u>
End of year	<u><u>\$ 3,674,810</u></u>	<u><u>\$ 1,594,923</u></u>

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Statement of Functional Expenses

For the Year Ended December 31, 2020

(With Summarized Comparative Totals for the Year Ended December 31, 2019)

	2020					2019	
	Urban Business Initiatives	Research and Advisory	Total Program	General and Administrative	Development	Total	Total
Personnel and related:							
Salaries	\$ 1,822,245	\$ 461,494	\$ 2,283,739	\$ 515,652	\$ 247,053	\$ 3,046,444	\$ 2,961,705
Payroll taxes and benefits	333,752	69,073	402,825	91,783	33,950	528,558	447,763
Total personnel and related	2,155,997	530,567	2,686,564	607,435	281,003	3,575,002	3,409,468
Contracted labor	323,981	69,750	393,731	77,673	3,000	474,404	327,995
Professional fees and recruitment	270,061	13,351	283,412	117,565	3,702	404,679	563,053
Events and marketing	280,673	-	280,673	509	-	281,182	758,271
Occupancy	96,992	18,980	115,972	34,566	10,819	161,357	172,960
Office supplies and expenses	57,847	832	58,679	34,992	5,764	99,435	109,116
Sponsorships	93,953	-	93,953	-	-	93,953	221,896
Publication and subscription	41,442	9,835	51,277	15,370	6,902	73,549	104,905
Travel	42,100	460	42,560	364	4,856	47,780	348,570
Depreciation	30,913	6,050	36,963	6,776	3,448	47,187	55,497
Professional development	23,722	1,598	25,320	4,468	859	30,647	29,751
Communications	18,139	4,204	22,343	6,059	1,985	30,387	31,408
Printing	20,180	6,003	26,183	1,173	113	27,469	93,792
Other expenses	4,341	555	4,896	12,350	970	18,216	4,642
Insurance	4,911	961	5,872	4,106	548	10,526	9,932
Meeting and conference	5,486	1,023	6,509	1,072	583	8,164	18,599
Postage and delivery	4,453	304	4,757	902	122	5,781	24,358
Total operating expenses	\$ 3,475,191	\$ 664,473	\$ 4,139,664	\$ 925,380	\$ 324,674	\$ 5,389,718	\$ 6,284,213

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, 2019

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

The accompanying notes are an integral part of these statements.

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements
December 31, 2020 and 2019

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).

Revenue Recognition

Grants and Contributions

In accordance with 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 (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. 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 ICIC 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.

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.

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements
December 31, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Revenue from Contracts with Customers

ICIC generally measures earned income based on the amount of consideration as ICIC expects to be entitled for the transfer of services to a customer, then recognizes this revenue when or as ICIC satisfies its performance obligations under a contract. ICIC evaluates its revenue contracts with customers (i.e., earned income) based on the five-step model under ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to separate performance obligations; and (5) Recognize revenue when (or as) each performance obligation is satisfied.

ICIC enters into contracts with customers to provide research and advisory services directly for customers in a consulting capacity. ICIC determined the tasks within a contract are highly interdependent with each other, and ICIC will not fulfill the contract without delivering all deliverables in the contract. The research and advisory services in a contract are deemed to be a single performance obligation upon contract execution. The performance obligation (research and advisory service) is satisfied over time as services are provided.

Topic 606 provides “as invoiced” practical expedient to allow ICIC recognizing revenue in the amount to which ICIC has right to invoice, and the invoice amount corresponds directly with the value to the customer of ICIC’s performance to date. The research and advisory fees recognized as fees are invoiced under the term of the contract.

Research and advisory services conducted in advance of receiving the associated fee are recorded as receivables until the payment is made by the customer. At December 31, 2020, there were no research and advisory fees receivable. At December 31, 2019, research and advisory fees receivable were \$32,931, included in accounts and grants receivable in the accompanying 2019 statement of financial position. Fees received in advance of services provided are recorded as deferred revenue.

Other

Interest and dividends are recognized when earned and are included in investment return 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.

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements
December 31, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocations (Continued)

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, payroll taxes and benefits, which are allocated on the basis of estimates of time and effort; as well as occupancy, depreciation, insurance, and office supplies and expenses, 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, 2020 and 2019. 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, 2020 and 2019.

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, 2020 and 2019

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. 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, there were clawback contributions of \$197,188, which are included in investment return in the accompanying 2019 statement of activities and changes in net assets.

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, 2020 and 2019 (see Note 8). ICIC has committed capital calls of \$40,000 to ICV Associates III, LLC. As of December 31, 2020 and 2019, ICIC has made \$33,715 and \$33,321, 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.

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements
December 31, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Investments (Continued)

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.

Investments also include bonds, 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 13, 2021, which is the date the financial statements were available to be issued. No events met the criteria for recognition and 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, 2020 and 2019

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. Net assets with donor restrictions consist of purpose and time restricted grants and contributions as follows at December 31:

	<u>2020</u>	<u>2019</u>
Purpose restricted	\$ 2,279,769	\$ 449,352
Time restricted	<u>200,000</u>	<u>257,500</u>
	<u>\$ 2,479,769</u>	<u>\$ 706,852</u>

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

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions	\$ 360,423	\$ 785,669
Expiration of time restrictions	<u>107,500</u>	<u>231,000</u>
	<u>\$ 467,923</u>	<u>\$ 1,016,669</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 agreements, monthly rent for the years ended December 31, 2020 and 2019, was \$8,286 and \$7,942, respectively, and escalates annually. ICIC has recognized \$99,863 and \$99,048 of rent expense under this agreement for the years ended December 31, 2020 and 2019, 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 was set to expire in August 2020. During 2020, ICIC elected to extend this lease for an additional two-year period through August 2022. Under this agreement, monthly rent for the years ended December 31, 2020 and 2019, was \$3,150, and escalates annually beginning September 2021. ICIC has recognized \$37,539 and \$37,125 of rent expense under this agreement for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, accrued rent of \$877 and \$6,442, respectively, is 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, 2020 and 2019, which are included in the accompanying statements of financial position.

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements
December 31, 2020 and 2019

3. LEASES (Continued)

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 these agreements, monthly lease payments for the years ended December 31, 2020 and 2019, were \$251 and \$246, respectively. ICIC has recognized \$3,002 and \$2,952 of equipment rental expense under these agreements for the years ended December 31, 2020 and 2019, respectively, which is included in occupancy in the accompanying statements of functional expenses.

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

	<u>Facility</u>	<u>Equipment</u>
2021	\$ 138,983	\$ 3,012
2022	94,993	3,012
2023	-	3,012
2024	-	502
	<u>\$ 233,976</u>	<u>\$ 9,538</u>

4. INVESTMENTS

At December 31, 2020 and 2019, investments, summarized using the inputs under the ASC Topic, *Fair Value Measurements* standard, consist of the following:

<u>Description</u>	<u>2020</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Private equity investment: Fund III	\$ -	\$ -	\$ 45,480	\$ 45,480
Other investments:				
Corporate bonds	-	134,849	-	134,849
Common stocks - U.S. Large Cap	3,659	-	-	3,659
Exchange-traded fund - Fixed Income	1,613,294	-	-	1,613,294
Exchange-traded fund - Equity	3,422,661	-	-	3,422,661
Government bonds	-	296,437	-	296,437
Money market fund	31,993	-	-	31,993
Total other investments	<u>5,071,607</u>	<u>431,286</u>	<u>-</u>	<u>5,502,893</u>
Total investments	<u>\$ 5,071,607</u>	<u>\$ 431,286</u>	<u>\$ 45,480</u>	<u>\$ 5,548,373</u>

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements
December 31, 2020 and 2019

4. INVESTMENTS (Continued)

Description	2019			Total
	Level 1	Level 2	Level 3	
Private equity investment:				
Fund III	\$ -	\$ -	\$ 43,782	\$ 43,782
Other investments:				
Corporate bonds	-	1,350,479	-	1,350,479
Common stocks - U.S. Large Cap	1,177,804	-	-	1,177,804
Exchange-traded fund - Equity	324,048	-	-	324,048
Government bonds	-	321,971	-	321,971
Money market fund	238,608	-	-	238,608
Mutual funds - equities	1,589,770	-	-	1,589,770
Total other investments	3,330,230	1,672,450	-	5,002,680
Total investments	\$ 3,330,230	\$ 1,672,450	\$ 43,782	\$ 5,046,462

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:

	Fund II	Fund III	Total
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	(197,188)	-	(197,188)
Fair value, December 31, 2019	-	43,782	43,782
Capital calls	-	394	394
Realized and unrealized losses on investments	-	1,304	1,304
Fair value, December 31, 2020	\$ -	\$ 45,480	\$ 45,480

Realized and unrealized losses on private equity investments are included in investment return in the accompanying statements of activities and changes in net assets for the years ended December 31, 2020 and 2019.

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Notes to Financial Statements
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4. INVESTMENTS (Continued)

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

	<u>2020</u>	<u>2019</u>
Unrealized gains (losses)	\$ (208,282)	\$ 408,072
Interest and dividends	130,113	160,677
Realized gains	605,660	133,895
Investment management fees	<u>(25,107)</u>	<u>(39,377)</u>
	<u>\$ 502,384</u>	<u>\$ 663,267</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 statements of financial position.

5. FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Furniture	\$ 143,971	\$ 143,971
Equipment	127,219	132,621
Website and software	<u>3,850</u>	<u>3,850</u>
	275,040	280,442
Less - accumulated depreciation	<u>214,329</u>	<u>187,195</u>
	<u>\$ 60,711</u>	<u>\$ 93,247</u>

6. DONATED SERVICES

Donated services consist of legal services. The value of these services for the years ended December 31, 2020 and 2019, was \$43,163 and \$42,879, 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 \$65,000 and \$62,000 to the plan during 2020 and 2019, respectively. These amounts are included in payroll taxes and benefits in the accompanying statements of functional expenses.

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements
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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>2020</u>		<u>2019</u>	
	<u>Equity Investments</u>	<u>Contributions</u>	<u>Equity Investments</u>	<u>Contributions</u>
Fund II	\$ -	\$ -	\$ 197,188	\$ -
Fund III	\$ -	\$ 394	\$ -	\$ 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 57% and 49% of total operating revenue for the years ended December 31, 2020 and 2019, respectively.

Two donors represented 99% and 90% of total accounts and grants receivable as of December 31, 2020 and 2019, respectively.

10. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

	<u>2020</u>	<u>2019</u>
Cash	\$ 3,674,810	\$ 1,594,923
Accounts and grants receivable	<u>1,012,777</u>	<u>480,931</u>
	4,687,587	2,075,854
Less - donor-restricted assets for specified purposes	<u>(2,279,769)</u>	<u>(449,352)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,407,818</u>	<u>\$ 1,626,502</u>

ICIC has approximately five months of financial assets available within one year to cover operating expenses, net of depreciation and donated services. Additionally, ICIC has \$5,502,893 and \$5,002,680 in investments at December 31, 2020 and 2019, 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.

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Notes to Financial Statements
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11. NOTE PAYABLE

ICIC applied for and was awarded a forgivable loan of \$521,637 from the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act) through a bank. The funds were used to pay certain payroll costs, including benefits, as well as rent and utilities during the covered period as defined in the CARES Act. A portion of these funds may be forgiven, as defined in the agreement, at the end of the covered period and the remainder of the funds will be due over a two-year period with interest at 1%. Any repayment will be deferred until the Small Business Administration notifies the lender of the amount of the loan that will be forgiven. The balance of the note, which was not forgiven, plus interest, will be due in equal monthly payments through the maturity date as defined by the bank. There are no covenants with which to comply, and the note is not secured by any collateral as of May 13, 2021.

There was no accrued interest on the note payable as of December 31, 2020, as it would be immaterial to the overall financial statements.

As of May 13, 2021, ICIC submitted the application for forgiveness, but had not been legally released from the obligation. ICIC anticipates the note payable will be forgiven in full and, therefore, the balance has been classified as long-term in the accompanying statement of financial position as of December 31, 2020.

12. CONTINGENCY

Beginning in March 2020, 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.

13. RECLASSIFICATIONS

Certain amounts in the 2019 financial statements have been reclassified to conform with 2020 presentation.