



FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Contents
December 31, 2021 and 2020

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of Initiative for a Competitive Inner City, Inc. (a Delaware nonprofit corporation) (ICIC), which comprise the statements of financial position as of December 31, 2021 and 2020, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Initiative for a Competitive Inner City, Inc. as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ICIC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ICIC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 ICIC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ICIC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

AAFCPA, Inc.

Boston, Massachusetts
June 15, 2022

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.Statements of Financial Position
December 31, 2021 and 2020

Assets	2021	2020
Current Assets:		
Cash	\$ 4,244,636	\$ 3,674,810
Accounts and grants receivable	467,000	1,012,777
Prepaid expenses	73,770	44,162
Total current assets	4,785,406	4,731,749
Investments	6,268,920	5,548,373
Deposits	24,245	24,245
Furniture and Equipment, net	58,526	60,711
Total assets	<u>\$ 11,137,097</u>	<u>\$ 10,365,078</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 402,436	\$ 197,078
Deferred revenue	30,300	-
Total current liabilities	432,736	197,078
Grant Advance	100,000	-
Note Payable	-	521,637
Total liabilities	<u>532,736</u>	<u>718,715</u>
Net Assets:		
Without donor restrictions:		
Operating	8,987,996	7,105,883
Furniture and equipment	58,526	60,711
Total without donor restrictions	9,046,522	7,166,594
With donor restrictions	<u>1,557,839</u>	<u>2,479,769</u>
Total net assets	<u>10,604,361</u>	<u>9,646,363</u>
Total liabilities and net assets	<u>\$ 11,137,097</u>	<u>\$ 10,365,078</u>

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue:						
Grants and contributions	\$ 4,595,173	\$ 1,343,839	\$ 5,939,012	\$ 5,101,005	\$ 2,240,840	\$ 7,341,845
Earned income	95,484	-	95,484	100,944	-	100,944
Donated services	77,992	-	77,992	43,163	-	43,163
Other income	998	-	998	184	-	184
Net assets released from program and time restrictions	2,265,769	(2,265,769)	-	467,923	(467,923)	-
Total operating revenue	<u>7,035,416</u>	<u>(921,930)</u>	<u>6,113,486</u>	<u>5,713,219</u>	<u>1,772,917</u>	<u>7,486,136</u>
Operating Expenses:						
Program	5,302,588	-	5,302,588	4,139,664	-	4,139,664
General and administrative	746,031	-	746,031	925,380	-	925,380
Development	366,244	-	366,244	324,674	-	324,674
Total operating expenses	<u>6,414,863</u>	<u>-</u>	<u>6,414,863</u>	<u>5,389,718</u>	<u>-</u>	<u>5,389,718</u>
Changes in net assets from operations	<u>620,553</u>	<u>(921,930)</u>	<u>(301,377)</u>	<u>323,501</u>	<u>1,772,917</u>	<u>2,096,418</u>
Non-Operating Revenue:						
Investment return	737,738	-	737,738	502,384	-	502,384
Forgiveness of note payable	521,637	-	521,637	-	-	-
Total non-operating revenue	<u>1,259,375</u>	<u>-</u>	<u>1,259,375</u>	<u>502,384</u>	<u>-</u>	<u>502,384</u>
Changes in net assets	<u>1,879,928</u>	<u>(921,930)</u>	<u>957,998</u>	<u>825,885</u>	<u>1,772,917</u>	<u>2,598,802</u>
Net Assets:						
Beginning of year	<u>7,166,594</u>	<u>2,479,769</u>	<u>9,646,363</u>	<u>6,340,709</u>	<u>706,852</u>	<u>7,047,561</u>
End of year	<u>\$ 9,046,522</u>	<u>\$ 1,557,839</u>	<u>\$ 10,604,361</u>	<u>\$ 7,166,594</u>	<u>\$ 2,479,769</u>	<u>\$ 9,646,363</u>

The accompanying notes are an integral part of these statements.

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Statements of Cash Flows

For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 957,998	\$ 2,598,802
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	28,664	47,187
Investment return	(737,738)	(502,384)
Changes in operating assets and liabilities:		
Accounts and grants receivable	545,777	(531,846)
Prepaid expenses	(29,608)	7,327
Accounts payable and accrued expenses	205,358	(46,658)
Deferred revenue	30,300	-
Grant advance	100,000	-
	<u>1,100,751</u>	<u>1,572,428</u>
Net cash provided by operating activities		
Cash Flows from Investing Activities:		
Proceeds from distribution of private equity investments	4,063	-
Proceeds from sale of investments	331,035	5,519,889
Capital calls of private equity investments	-	(394)
Purchase of investments	(317,907)	(5,519,022)
Acquisition of furniture and equipment	(26,479)	(14,651)
	<u>(9,288)</u>	<u>(14,178)</u>
Net cash used in investing activities		
Cash Flows from Financing Activities:		
Proceeds from note payable	-	521,637
Forgiveness of note payable	(521,637)	-
	<u>(521,637)</u>	<u>521,637</u>
Net cash provided by (used in) financing activities		
Net Change in Cash	569,826	2,079,887
Cash:		
Beginning of year	<u>3,674,810</u>	<u>1,594,923</u>
End of year	<u>\$ 4,244,636</u>	<u>\$ 3,674,810</u>
Supplement Disclosure of Non-Cash Transactions:		
Cost basis of furniture and equipment disposed	<u>\$ 3,850</u>	<u>\$ 20,053</u>

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Statement of Functional Expenses

For the Year Ended December 31, 2021

(With Summarized Comparative Totals for the Year Ended December 31, 2020)

	2021					2020	
	Program			General and Administrative	Development	Total	Total
	Urban Business Initiatives	Research and Advisory	Total Program				
Personnel and related:							
Salaries	\$ 2,436,549	\$ 412,836	\$ 2,849,385	\$ 468,798	\$ 273,423	\$ 3,591,606	\$ 3,046,444
Payroll taxes and benefits	439,882	79,907	519,789	70,928	44,317	635,034	528,558
Total personnel and related	2,876,431	492,743	3,369,174	539,726	317,740	4,226,640	3,575,002
Events and marketing	479,418	775	480,193	-	4,608	484,801	281,182
Contracted labor	340,915	59,750	400,665	26,794	-	427,459	474,404
Professional fees and recruitment	153,102	43,648	196,750	112,114	4,319	313,183	404,679
Sponsorships	296,139	204	296,343	2,218	116	298,677	93,953
Office supplies and technology	141,610	7,305	148,915	19,737	11,302	179,954	99,435
Occupancy	114,254	19,244	133,498	17,704	10,969	162,171	161,357
Publication and subscription	77,687	9,088	86,775	10,006	2,323	99,104	73,549
Travel	31,276	5,371	36,647	3,798	5,141	45,586	47,780
Professional development	25,709	8,666	34,375	4,113	2,089	40,577	30,647
Printing	32,858	4,399	37,257	260	160	37,677	27,469
Communications	23,316	4,109	27,425	3,519	2,180	33,124	30,387
Depreciation	20,249	3,380	23,629	3,109	1,926	28,664	47,187
Meeting and conference	13,781	1,318	15,099	1,215	1,093	17,407	8,164
Insurance	7,466	1,241	8,707	1,142	707	10,556	10,526
Other expenses	3,044	254	3,298	309	1,447	5,054	18,216
Postage and delivery	3,600	238	3,838	267	124	4,229	5,781
Total operating expenses	\$ 4,640,855	\$ 661,733	\$ 5,302,588	\$ 746,031	\$ 366,244	\$ 6,414,863	\$ 5,389,718

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, 2020

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

The accompanying notes are an integral part of these statements.

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements
December 31, 2021 and 2020

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 drive inclusive economic prosperity in under-resourced communities through innovative research and programs to create jobs, income, and wealth for local residents. ICIC performs research relating to the development of underserved economies and operates programs that engage local communities, government, academic institutions, and the private sector in building the capacity of under-resourced small 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 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, is derived from projects that 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, 2021 and 2020

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. Earned income consists of income received from certain research and advisory services.

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 are recognized as revenue as amounts 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, 2021 and 2020, there were no research and advisory fees receivable. 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 includes investment activity (see Note 4) and forgiveness of note payable (see Note 11).

Expense Allocations

Expenses related directly to a program are distributed to that program, 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, 2021 and 2020

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, 2021 and 2020. 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, 2021 and 2020.

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, 2021 and 2020

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 *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, 2021 and 2020 (see Note 8). ICIC has committed capital calls of \$40,000 to ICV Associates III, LLC. As of December 31, 2021 and 2020, ICIC has made \$33,715 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 Fund 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, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Investments (Continued)

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 June 15, 2022, 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, 2021 and 2020

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>2021</u>	<u>2020</u>
Purpose restricted	\$ 1,324,839	\$ 2,279,769
Time restricted	<u>233,000</u>	<u>200,000</u>
	<u>\$ 1,557,839</u>	<u>\$ 2,479,769</u>

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

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restrictions	\$ 2,190,769	\$ 360,423
Expiration of time restrictions	<u>75,000</u>	<u>107,500</u>
	<u>\$ 2,265,769</u>	<u>\$ 467,923</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 an additional two-year period through August 2022. Under the agreements, monthly rent for the years ended December 31, 2021 and 2020, was \$8,630 and \$8,286, respectively, and escalates annually. ICIC has recognized \$101,493 and \$99,863 of rent expense under this agreement for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, was \$3,245 and \$3,150, respectively, and escalates annually beginning September 2021. ICIC has recognized \$38,367 and \$37,539 of rent expense under this agreement for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, accrued rent of \$1,752 and \$877, 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, 2021 and 2020, which are included in the accompanying statements of financial position.

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements
December 31, 2021 and 2020

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, 2021 and 2020, were \$251. ICIC has recognized \$3,012 and \$3,002 of equipment rental expense under these agreements for the years ended December 31, 2021 and 2020, 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>
2022	\$ 94,993	\$ 3,012
2023	-	3,012
2024	-	502
	<u>\$ 94,993</u>	<u>\$ 6,526</u>

4. INVESTMENTS

At December 31, 2021 and 2020, investments summarized using the inputs under the ASC Topic, *Fair Value Measurements* standard, consist of the following:

<u>Description</u>	2021			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Private equity investment:				
Fund III	\$ -	\$ -	\$ 36,217	\$ 36,217
Other investments:				
Corporate bonds	-	54,757	-	54,757
Exchange-traded fund - Fixed Income	1,979,402	-	-	1,979,402
Exchange-traded fund - Equity	3,885,859	-	-	3,885,859
Government bonds	-	281,609	-	281,609
Money market fund	31,076	-	-	31,076
Total other investments	<u>5,896,337</u>	<u>336,366</u>	<u>-</u>	<u>6,232,703</u>
Total investments	<u>\$ 5,896,337</u>	<u>\$ 336,366</u>	<u>\$ 36,217</u>	<u>\$ 6,268,920</u>

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Notes to Financial Statements
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4. INVESTMENTS (Continued)

Description	2020			
	Level 1	Level 2	Level 3	Total
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	5,071,607	431,286	-	5,502,893
Total investments	\$ 5,071,607	\$ 431,286	\$ 45,480	\$ 5,548,373

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 III</u>
Fair value, December 31, 2019	\$ 43,782
Capital calls	394
Realized and unrealized losses on investments	<u>1,304</u>
Fair value, December 31, 2020	45,480
Capital distribution	(4,063)
Realized and unrealized losses on investments	<u>(5,200)</u>
Fair value, December 31, 2021	<u>\$ 36,217</u>

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, 2021 and 2020.

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

	<u>2021</u>	<u>2020</u>
Unrealized gains (losses)	\$ 594,246	\$ (208,282)
Interest and dividends	102,142	130,113
Realized gains	41,351	605,660
Investment management fees	<u>(1)</u>	<u>(25,107)</u>
	<u>\$ 737,738</u>	<u>\$ 502,384</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.

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements
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5. FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Equipment	\$ 151,539	\$ 127,219
Furniture	143,971	143,971
Website and software	<u>2,159</u>	<u>3,850</u>
	297,669	275,040
Less - accumulated depreciation	<u>239,143</u>	<u>214,329</u>
	<u>\$ 58,526</u>	<u>\$ 60,711</u>

6. DONATED SERVICES

Donated services consist of legal services. The value of these services for the years ended December 31, 2021 and 2020, was \$77,992 and \$43,163, 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 \$84,000 and \$65,000 to the plan during 2021 and 2020, 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 Fund III. A member of ICIC's Board of Directors is the Managing Member of the general partners of Fund III. ICIC had distributions of \$4,063 and contributions of \$394 of Fund III for the years ended December 31, 2021 and 2020, respectively.

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 51% and 57% of total operating revenue for the years ended December 31, 2021 and 2020, respectively.

Three and two donors represented 97% and 99% of total accounts and grants receivable as of December 31, 2021 and 2020, respectively.

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Notes to Financial Statements
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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>2021</u>	<u>2020</u>
Cash	\$ 4,244,636	\$ 3,674,810
Accounts and grants receivable	<u>467,000</u>	<u>1,012,777</u>
	4,711,636	4,687,587
Less - donor-restricted assets for specified purposes	<u>(1,324,839)</u>	<u>(2,279,769)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,386,797</u>	<u>\$ 2,407,818</u>

ICIC has approximately six and five months of financial assets available within one year to cover operating expenses, net of depreciation and donated services, at December 31, 2021 and 2020, respectively. Additionally, ICIC has \$6,232,703 and \$5,502,893 in investments at December 31, 2021 and 2020, 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.

11. NOTE PAYABLE

In 2020, 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.

As of April 2, 2021, ICIC received notice that the PPP loan they were awarded was fully forgiven by the Small Business Administration (SBA) (including any applicable interest). The proceeds from the forgiveness of this loan are shown as forgiveness of note payable in the accompanying statement of activities for the year ended December 31, 2021.

12. RECLASSIFICATION

Certain amounts in the 2020 financial statements have been reclassified to conform with the 2021 presentation.