



**ICIC**

Initiative for a Competitive Inner City

**FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

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

Contents  
December 31, 2022 and 2021

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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, 2022 and 2021, 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, 2022 and 2021, 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.

### **Emphasis of a Matter**

As disclosed in Notes 2 and 3 to the financial statements, ICIC has changed its method of accounting for leases in 2022 due to the adoption of Accounting Standards Update No. 2016-02, *Leases (Topic 842)*, effective January 1, 2022, using the optional transition method. Our opinion is not modified with respect to this matter.

### **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.

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 22, 2023

**INITIATIVE FOR A COMPETITIVE INNER CITY, INC.**Statements of Financial Position  
December 31, 2022 and 2021

<b>Assets</b>	<b>2022</b>	<b>2021</b>
Current Assets:		
Cash	\$ 6,090,351	\$ 4,244,636
Accounts and grants receivable	133,319	467,000
Prepaid expenses	20,072	73,770
Total current assets	6,243,742	4,785,406
Investments	5,279,719	6,268,920
Operating Lease Right-of-Use Asset	70,402	-
Deposits	15,132	24,245
Furniture and Equipment, net	52,858	58,526
Total assets	<u>\$ 11,661,853</u>	<u>\$ 11,137,097</u>
<b>Liabilities and Net Assets</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 454,547	\$ 402,436
Operating lease liability	71,503	-
Deferred revenue	11,000	30,300
Total current liabilities	537,050	432,736
Grant Advance	-	100,000
Total liabilities	537,050	532,736
Net Assets:		
Without donor restrictions:		
Operating	8,513,122	8,987,996
Furniture and equipment	51,757	58,526
Total without donor restrictions	8,564,879	9,046,522
With donor restrictions	2,559,924	1,557,839
Total net assets	<u>11,124,803</u>	<u>10,604,361</u>
Total liabilities and net assets	<u>\$ 11,661,853</u>	<u>\$ 11,137,097</u>

The accompanying notes are an integral part of these statements.

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

 Statements of Activities and Changes in Net Assets  
 For the Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Revenue:</b>						
Grants and contributions	\$ 8,981,177	\$ 2,283,424	\$ 11,264,601	\$ 4,595,173	\$ 1,343,839	\$ 5,939,012
Earned income	237,600	-	237,600	95,484	-	95,484
Donated services	63,797	-	63,797	77,992	-	77,992
Other income	860	-	860	998	-	998
Net assets released from program and time restrictions	1,281,339	(1,281,339)	-	2,265,769	(2,265,769)	-
Total operating revenue	<u>10,564,773</u>	<u>1,002,085</u>	<u>11,566,858</u>	<u>7,035,416</u>	<u>(921,930)</u>	<u>6,113,486</u>
<b>Operating Expenses:</b>						
Program	8,376,484	-	8,376,484	5,302,588	-	5,302,588
General and administrative	1,015,942	-	1,015,942	746,031	-	746,031
Development	650,652	-	650,652	366,244	-	366,244
Total operating expenses	<u>10,043,078</u>	<u>-</u>	<u>10,043,078</u>	<u>6,414,863</u>	<u>-</u>	<u>6,414,863</u>
Changes in net assets from operations	<u>521,695</u>	<u>1,002,085</u>	<u>1,523,780</u>	<u>620,553</u>	<u>(921,930)</u>	<u>(301,377)</u>
<b>Non-Operating Revenue (Expense):</b>						
Forgiveness of note payable	-	-	-	521,637	-	521,637
Relocation expense	(9,681)	-	(9,681)	-	-	-
Investment return	(993,657)	-	(993,657)	737,738	-	737,738
Total non-operating revenue (expense)	<u>(1,003,338)</u>	<u>-</u>	<u>(1,003,338)</u>	<u>1,259,375</u>	<u>-</u>	<u>1,259,375</u>
Changes in net assets	<u>(481,643)</u>	<u>1,002,085</u>	<u>520,442</u>	<u>1,879,928</u>	<u>(921,930)</u>	<u>957,998</u>
<b>Net Assets:</b>						
Beginning 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>
End of year	<u>\$ 8,564,879</u>	<u>\$ 2,559,924</u>	<u>\$ 11,124,803</u>	<u>\$ 9,046,522</u>	<u>\$ 1,557,839</u>	<u>\$ 10,604,361</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ 520,442	\$ 957,998
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	27,835	28,664
Loss on disposal of furniture and equipment	10,186	-
Non-cash lease expense	1,101	-
Investment return	993,657	(737,738)
Changes in operating assets and liabilities:		
Accounts and grants receivable	333,681	545,777
Prepaid expenses	53,698	(29,608)
Deposits	9,113	-
Accounts payable and accrued expenses	52,111	205,358
Deferred revenue	(19,300)	30,300
Grant advance	(100,000)	100,000
Net cash provided by operating activities	<u>1,882,524</u>	<u>1,100,751</u>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from distribution of private equity investments	374	4,063
Proceeds from sale of investments	14,904	331,035
Purchase of investments	(19,734)	(317,907)
Acquisition of furniture and equipment	(32,353)	(26,479)
Net cash used in investing activities	<u>(36,809)</u>	<u>(9,288)</u>
<b>Cash Flows from Financing Activities:</b>		
Forgiveness of note payable	-	(521,637)
<b>Net Change in Cash</b>	1,845,715	569,826
<b>Cash:</b>		
Beginning of year	<u>4,244,636</u>	<u>3,674,810</u>
End of year	<u>\$ 6,090,351</u>	<u>\$ 4,244,636</u>
<b>Supplement Disclosure of Non-Cash Transactions:</b>		
Cost basis of furniture and equipment disposed	<u>\$ -</u>	<u>\$ 3,850</u>

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

Statement of Functional Expenses

For the Year Ended December 31, 2022

(With Summarized Comparative Totals for the Year Ended December 31, 2021)

	2022					2021	
	Program			General and Adminis- trative	Develop- ment	Total	Total
Urban Business Initiatives	Research and Advisory	Total Program					
Personnel and related:							
Salaries	\$ 2,667,285	\$ 486,008	\$ 3,153,293	\$ 689,307	\$ 522,379	\$ 4,364,979	\$ 3,591,606
Payroll taxes and benefits	520,729	78,790	599,519	82,699	70,787	753,005	635,034
Total personnel and related	3,188,014	564,798	3,752,812	772,006	593,166	5,117,984	4,226,640
Sponsorships	1,745,565	366	1,745,931	3,568	303	1,749,802	298,677
Contracted labor	746,890	149,750	896,640	32,644	59	929,343	427,459
Travel	551,412	11,064	562,476	9,322	13,155	584,953	45,586
Events and marketing	559,152	5,151	564,303	1,276	1,028	566,607	484,801
Professional fees and recruitment	237,367	66,736	304,103	132,620	8,315	445,038	313,183
Publication and subscription	123,089	11,991	135,080	15,142	3,505	153,727	99,104
Office supplies and technology	112,272	5,902	118,174	25,328	9,966	153,468	179,954
Occupancy	113,316	15,113	128,429	6,827	12,013	147,269	162,171
Printing	59,109	745	59,854	168	19	60,041	37,677
Professional development	27,658	1,730	29,388	3,930	2,029	35,347	40,577
Communications	25,364	3,351	28,715	3,199	2,760	34,674	33,124
Depreciation	20,229	2,704	22,933	2,815	2,087	27,835	28,664
Meeting and conference	8,048	1,310	9,358	2,092	699	12,149	17,407
Insurance	8,398	1,121	9,519	1,156	874	11,549	10,556
Postage and delivery	5,381	299	5,680	759	233	6,672	4,229
Other expenses	2,967	122	3,089	3,090	441	6,620	5,054
Total operating expenses	\$ 7,534,231	\$ 842,253	\$ 8,376,484	\$ 1,015,942	\$ 650,652	\$ 10,043,078	\$ 6,414,863

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, 2021

	Program			General and Adminis- trative	Develop- ment	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
Payroll taxes and benefits	439,882	79,907	519,789	70,928	44,317	635,034
Total personnel and related	2,876,431	492,743	3,369,174	539,726	317,740	4,226,640
Sponsorships	296,139	204	296,343	2,218	116	298,677
Contracted labor	340,915	59,750	400,665	26,794	-	427,459
Travel	31,276	5,371	36,647	3,798	5,141	45,586
Events and marketing	479,418	775	480,193	-	4,608	484,801
Professional fees and recruitment	153,102	43,648	196,750	112,114	4,319	313,183
Publication and subscription	77,687	9,088	86,775	10,006	2,323	99,104
Office supplies and technology	141,610	7,305	148,915	19,737	11,302	179,954
Occupancy	114,254	19,244	133,498	17,704	10,969	162,171
Printing	32,858	4,399	37,257	260	160	37,677
Professional development	25,709	8,666	34,375	4,113	2,089	40,577
Communications	23,316	4,109	27,425	3,519	2,180	33,124
Depreciation	20,249	3,380	23,629	3,109	1,926	28,664
Meeting and conference	13,781	1,318	15,099	1,215	1,093	17,407
Insurance	7,466	1,241	8,707	1,142	707	10,556
Postage and delivery	3,600	238	3,838	267	124	4,229
Other expenses	3,044	254	3,298	309	1,447	5,054
Total operating expenses	<u>\$ 4,640,855</u>	<u>\$ 661,733</u>	<u>\$ 5,302,588</u>	<u>\$ 746,031</u>	<u>\$ 366,244</u>	<u>\$ 6,414,863</u>

The accompanying notes are an integral part of these statements.

## INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements  
December 31, 2022 and 2021

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### 1. OPERATIONS AND NONPROFIT STATUS

Initiative for a Competitive Inner City, Inc. (ICIC), located in Boston, Massachusetts, is a Delaware nonprofit 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).

#### Recently Adopted Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases in the statement of financial position. ICIC elected to adopt *Topic 842* on January 1, 2022, using the optional transition method, as allowed by ASU 2018-11. Under this transition method, financial information related to years prior to adoption was as originally reported under *Topic 840*.

ICIC elected the package of practical expedients permitted under the transition guidance within the new standard, which, among other things, allowed ICIC to carry forward the historical lease classification as operating or capital leases. ICIC also elected to exclude short-term leases with an initial term of twelve months or less from the statement of financial position. ICIC did not elect the hindsight practical expedient in determining the lease term for existing leases as of January 1, 2022. ICIC has elected to establish an accounting policy to account for lease and non-lease components as a single component for class of assets.

The following table summarize the statement of financial position line items affected by adopting *Topic 842* as of January 1, 2022:

<u>Statement of Financial Position</u>	<u>As Previously Reported</u>	<u>Effect of Adoption</u>	<u>As Adjusted</u>
Operating lease ROU asset	\$ -	\$ 174,315	\$ 174,315
Operating lease liability	\$ -	\$ 174,315	\$ 174,315
Accounts payable and accrued expenses	\$ 1,752	\$ (1,752)	\$ -

ICIC expects the impact of adoption to be immaterial to the accompanying statements of activities and changes in net assets and cash flows on an ongoing basis. As part of the adoption, ICIC also modified its control procedures and processes, none of which materially affected their internal control over financial reporting.

## INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements  
December 31, 2022 and 2021

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Recently Adopted Accounting Pronouncements (Continued)

Also, in 2022, ICIC adopted FASB's ASU 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 is intended to increase the transparency of contributed nonfinancial assets (in-kind goods and services) for not-for-profit entities through enhancements to presentation and disclosure. The adoption of this ASU did not change the recognition and measurement requirements of in-kind goods and services and it did not impact ICIC's net asset classes, results of operations, or cash flows for the years ended December 31, 2022 and 2021. This ASU has been applied retrospectively to all periods presented.

#### Revenue Recognition

##### *Grants and Contributions*

In accordance with FASB's 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 (see Note 12). 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 the program restrictions have been satisfied.

##### *Revenue from Contracts with Customers*

ICIC generally measures earned income based on the amount of consideration that 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.

## INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements  
December 31, 2022 and 2021

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue Recognition (Continued)

##### *Revenue from Contracts with Customers (Continued)*

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 to recognize revenue in the amount to which ICIC has the 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, 2022 and 2021, 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.

#### Right-of-Use Assets and Lease Liabilities

ICIC determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified furniture and equipment (an identified asset) in exchange for consideration. ICIC determines these assets are leased because ICIC has the right to obtain substantially all of the economic benefit from and the right to direct the use of the identified asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Leases result in the recognition of ROU assets and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. ICIC determines lease classification as operating or finance at the later of January 1, 2022, or the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. ICIC uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, ICIC uses the risk-free discount rate for the term closest to the full term of the lease, based on the information available at the later of January 1, 2022, or the commencement date to determine the present value of lease payments.

## INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements  
December 31, 2022 and 2021

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Right-of-Use Assets and Lease Liabilities (Continued)

The lease term may include options to extend or to terminate the lease that ICIC is reasonably certain to exercise. The office space lease does have an option to extend but ICIC has not determined with certainty to extend thus has excluded this option in the calculation of the ROU asset and lease liability accordingly as of December 31, 2022. Lease expense is generally recognized on a straight-line basis over the lease term.

#### 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 (expense) includes investment activity (see Note 4), relocation expense (see Note 5), 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.

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, 2022 and 2021. 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, 2022 and 2021.

## INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements  
December 31, 2022 and 2021

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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.

#### *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, 2022 and 2021 (see Note 8). ICIC has committed capital calls of \$40,000 to ICV Associates III, LLC. As of December 31, 2022 and 2021, 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.

## INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements  
December 31, 2022 and 2021

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### 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 is 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 22, 2023, which is the date the financial statements were available to be issued. No events met the criteria for recognition and disclosure in the accompanying 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 and operating lease ROU asset, net of related liabilities.

## INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements  
December 31, 2022 and 2021

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Net Assets

##### *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>2022</u>	<u>2021</u>
Purpose restricted	\$ 2,369,924	\$ 1,324,839
Time restricted	<u>190,000</u>	<u>233,000</u>
	<u>\$ 2,559,924</u>	<u>\$ 1,557,839</u>

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

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restrictions	\$ 1,108,339	\$ 2,190,769
Expiration of time restrictions	<u>173,000</u>	<u>75,000</u>
	<u>\$ 1,281,339</u>	<u>\$ 2,265,769</u>

### 3. LEASE AGREEMENTS

ICIC leases office space under an operating lease in Massachusetts, which expires in August 2023. Under the agreement, monthly rent for the years ended December 31, 2022 and 2021, was \$8,630 and \$8,974, respectively.

ICIC leased office space under a second operating lease in Massachusetts, which expired in August 2022. The lease was not extended. Under this agreement, monthly rent expense was \$3,245. ICIC recognized \$27,892 and \$38,367 of rent expense under this agreement for the years ended December 31, 2022 and 2021, respectively, which is included in occupancy in the accompanying statements of functional expenses.

ICIC leases office equipment under an operating lease agreement, which expires in February 2024. Monthly payment under the terms of the agreement is \$251 during 2022 and 2021 and is not expected to change in future years.

ICIC has paid \$15,132 in security deposits under these lease agreements as of December 31, 2022 and 2021, which is included in the accompanying statements of financial position.

As of December 31, 2022, there were no material leases that have been executed but not yet commenced.

#### ASC 840

For the year ended December 31, 2021, ICIC recognized rent expense on a straight-line basis over the term of the lease agreements as described in accordance with ASC Topic 840, *Leases*. Accrued rent as of December 31, 2021, was \$1,752, which is included in accounts payable and accrued expenses in the accompanying 2021 statement of financial position.



## INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements  
December 31, 2022 and 2021

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### 3. LEASE AGREEMENTS (Continued)

#### ASC 840 (Continued)

The scheduled minimum lease payments under the lease terms at December 31, 2021, were:

	<u>Facility</u>	<u>Equipment</u>
2022	\$ 129,512	\$ 3,012
2023	69,037	3,012
2024	<u>-</u>	<u>502</u>
	<u>\$ 198,549</u>	<u>\$ 6,526</u>

Rent expense was \$101,493 for the year ended December 31, 2021, which is included in occupancy in the accompanying 2021 statement of functional expenses.

#### ASC 842

As of December 31, 2022, the ROU asset had a balance of \$70,402, and operating lease liability equal to the present value of the future payments of the leases totaling \$71,503 in the accompanying statement of financial position. Cash paid for operating lease obligations totaled \$104,932 at December 31, 2022.

As part of the adoption, ICIC considered an asset capitalization threshold of \$15,000 and determined that certain equipment leases were not capitalizable under *Topic 842*. Equipment lease expense of \$3,012 at December 31, 2022, is included in occupancy in the accompanying 2022 statement of functional expenses.

In evaluating its contracts, ICIC separately identifies lease and non-lease components, such as common area and other maintenance costs, in calculating the ROU assets and lease liabilities for its office buildings. ICIC has elected the practical expedient to not separate lease and non-lease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the non-lease component.

	<u>2022</u>
Lease costs (included in occupancy expenses):	
Operating lease costs	\$ 132,823
Variable lease costs	11,434
Short-term lease costs	<u>3,012</u>
Total lease costs	<u>\$ 147,269</u>

The following summarizes the weighted-average remaining lease terms and discount rate as of December 31, 2022:

Weighted-average remaining lease term	2 years
Weighted-average discount rate	0.98%

The scheduled minimum lease payments under the lease terms are as follows for the year ending December 31, 2023:

Future minimum lease payments - 2023	\$ 71,789
Less - discount to present value	<u>(286)</u>
Present value of lease liabilities	<u>\$ 71,503</u>

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

Notes to Financial Statements  
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**4. INVESTMENTS**

At December 31, 2022 and 2021, investments summarized using the inputs under the ASC Topic, *Fair Value Measurements* standard, consist of the following:

<u>Description</u>	<b>2022</b>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Private equity investment:				
Fund III	\$ -	\$ -	\$ 34,639	\$ 34,639
Other investments:				
Corporate bonds	-	48,691	-	48,691
Exchange-traded fund - fixed income	1,707,121	-	-	1,707,121
Exchange-traded fund - equity	3,220,650	-	-	3,220,650
Government bonds	-	237,917	-	237,917
Money market fund	30,701	-	-	30,701
Total other investments	4,958,473	286,608	-	5,245,080
Total investments	\$ 4,958,473	\$ 286,608	\$ 34,639	\$ 5,279,719

<u>Description</u>	<b>2021</b>			<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	5,896,337	336,366	-	6,232,703
Total investments	\$ 5,896,337	\$ 336,366	\$ 36,217	\$ 6,268,920

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:

	<b>Fund III</b>	
	<u>2022</u>	<u>2021</u>
Fair value, beginning of year	\$ 36,217	\$ 45,480
Capital distribution	(373)	(4,063)
Realized and unrealized losses on investments	(1,205)	(5,200)
Fair value, end of year	\$ 34,639	\$ 36,217

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, 2022 and 2021.

## INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements  
December 31, 2022 and 2021

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### 4. INVESTMENTS (Continued)

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

	<u>2022</u>	<u>2021</u>
Unrealized gains (losses)	\$ (1,119,425)	\$ 594,246
Interest and dividends	125,768	102,142
Realized gains	-	41,351
Investment management fees	-	(1)
	<u>\$ (993,657)</u>	<u>\$ 737,738</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>2022</u>	<u>2021</u>
Equipment	\$ 146,746	\$ 151,539
Furniture	121,473	143,971
Website and software	<u>4,283</u>	<u>2,159</u>
	272,502	297,669
Less - accumulated depreciation	<u>219,644</u>	<u>239,143</u>
	<u>\$ 52,858</u>	<u>\$ 58,526</u>

In August 2022, ICIC moved out of one of the office spaces in Massachusetts (see Note 3). ICIC disposed of leasehold improvements and equipment from the location in 2022 with a net book value of \$10,186. The loss on disposal of the assets is included in relocation expense in the accompanying 2022 statement of activities and changes in net assets.

### 6. DONATED SERVICES

Donated services are reflected as contributions at their fair value at the date of donation and are reported as operating revenue and without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. These amounts have been reported as donated services in the accompanying statements of activities and changes in net assets. ICIC recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

Donated services consist of pro-bono legal services provided by a law firm. The value of these services for the years ended December 31, 2022 and 2021, was \$63,797 and \$77,992, respectively. The value of these services is assigned by the donors based on time incurred at market billable rates and is included in professional fees and recruitment in the accompanying statements of functional expenses.

## INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements  
December 31, 2022 and 2021

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### 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 \$95,000 and \$84,000 to the plan during 2022 and 2021, 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 \$374 and \$4,063 of Fund III for the years ended December 31, 2022 and 2021, respectively.

### 9. CONCENTRATIONS

ICIC maintains its cash in two national banks. 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 46% and 52% of total operating revenue for the years ended December 31, 2022 and 2021, respectively.

Two and three donors represented 79% and 97% of total accounts and grants receivable as of December 31, 2022 and 2021, 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>2022</u>	<u>2021</u>
Cash	\$ 6,090,351	\$ 4,244,636
Accounts and grants receivable	<u>133,319</u>	<u>467,000</u>
	6,223,670	4,711,636
Less - donor-restricted assets for specified purposes	<u>(2,369,924)</u>	<u>(1,324,839)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,853,746</u>	<u>\$ 3,386,797</u>

ICIC has approximately five and seven months of financial assets available within one year to cover operating expenses, net of depreciation and donated services, at December 31, 2022 and 2021, respectively. Additionally, ICIC has \$5,245,080 and \$6,232,703 in investments at December 31, 2022 and 2021, 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.

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

Notes to Financial Statements  
December 31, 2022 and 2021

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### **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.

On 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 and changes in net assets for the year ended December 31, 2021.

### **12. CONDITIONAL GRANT**

During 2022, ICIC received a grant that contained donor-imposed conditions that represent a barrier that must be overcome, as well as a right of return of assets or release from obligations. ICIC recognizes these grants when donor-imposed conditions are substantially met (see Note 2). Conditional promises to give as of December 31, 2022, was \$29,996, which is conditional upon performance measurements being met and properly not reflected in the accompanying financial statements as of December 31, 2022, as the conditions have not been met.