



ICIC

Initiative for a Competitive Inner City

**FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Contents
December 31, 2015 and 2014

	<u>Pages</u>
Independent Auditor’s Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Cash Flows	4
Statements of Functional Expenses	5 - 6
Notes to Financial Statements	7 - 15



21 East Main Street
Westborough, MA 01581
508.366.9100
aafcpa.com

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, 2015 and 2014, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Initiative for a Competitive Inner City, Inc. as of December 31, 2015 and 2014, 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.

Alexander, Brown, Fenning & Co., P.C.

Boston, Massachusetts
May 17, 2016

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.Statements of Financial Position
December 31, 2015 and 2014

Assets	2015	2014
Current Assets:		
Cash	\$ 1,520,259	\$ 1,458,259
Short-term investments	2,335,354	1,920,886
Accounts receivable, net of allowance for doubtful accounts of approximately \$3,700 at December 31, 2015	156,068	42,981
Prepaid expenses	23,885	35,795
Total current assets	4,035,566	3,457,921
Investments	1,177,429	971,748
Deposits	51,339	36,206
Furniture and Equipment	122,611	72,940
Total assets	<u>\$ 5,386,945</u>	<u>\$ 4,538,815</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 176,360	\$ 267,972
Deferred revenue	-	6,847
Security deposit	-	19,277
Total liabilities	<u>176,360</u>	<u>294,096</u>
Net Assets:		
Unrestricted:		
Operating	4,573,307	3,303,446
Furniture and equipment	122,611	72,940
Total unrestricted	4,695,918	3,376,386
Temporarily restricted	514,667	868,333
Total net assets	<u>5,210,585</u>	<u>4,244,719</u>
Total liabilities and net assets	<u>\$ 5,386,945</u>	<u>\$ 4,538,815</u>

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Operating Revenue:						
Grants and contributions	\$ 2,207,684	\$ 292,500	\$ 2,500,184	\$ 2,548,533	\$ 758,333	\$ 3,306,866
Consulting fees	658,841	-	658,841	91,625	-	91,625
Donated services	88,283	-	88,283	51,801	-	51,801
Other income	4,787	-	4,787	38,427	-	38,427
Net assets released from program restrictions	646,166	(646,166)	-	245,000	(245,000)	-
Total operating revenue	<u>3,605,761</u>	<u>(353,666)</u>	<u>3,252,095</u>	<u>2,975,386</u>	<u>513,333</u>	<u>3,488,719</u>
Operating Expenses:						
Program	2,523,261	-	2,523,261	2,457,744	-	2,457,744
General and administrative	404,217	-	404,217	278,914	-	278,914
Development	241,469	-	241,469	133,673	-	133,673
Total operating expenses	<u>3,168,947</u>	<u>-</u>	<u>3,168,947</u>	<u>2,870,331</u>	<u>-</u>	<u>2,870,331</u>
Changes in net assets from operations	<u>436,814</u>	<u>(353,666)</u>	<u>83,148</u>	<u>105,055</u>	<u>513,333</u>	<u>618,388</u>
Non-Operating Revenue (Expense):						
Investment income, net	927,957	-	927,957	550,075	-	550,075
Loss on disposal of furniture and equipment	(19,144)	-	(19,144)	(1,074)	-	(1,074)
Relocation expense	(26,095)	-	(26,095)	-	-	-
Total non-operating revenue (expense)	<u>882,718</u>	<u>-</u>	<u>882,718</u>	<u>549,001</u>	<u>-</u>	<u>549,001</u>
Changes in net assets	<u>1,319,532</u>	<u>(353,666)</u>	<u>965,866</u>	<u>654,056</u>	<u>513,333</u>	<u>1,167,389</u>
Net Assets:						
Beginning of year	<u>3,376,386</u>	<u>868,333</u>	<u>4,244,719</u>	<u>2,722,330</u>	<u>355,000</u>	<u>3,077,330</u>
End of year	<u>\$ 4,695,918</u>	<u>\$ 514,667</u>	<u>\$ 5,210,585</u>	<u>\$ 3,376,386</u>	<u>\$ 868,333</u>	<u>\$ 4,244,719</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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 965,866	\$ 1,167,389
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	44,511	47,345
Bad debt	3,742	35,928
Loss on disposal of furniture and equipment	19,144	1,074
Investment income, net	(927,957)	(550,075)
Changes in operating assets and liabilities:		
Accounts receivable	(116,829)	66,750
Prepaid expenses	11,910	18,885
Deposits	(15,133)	-
Accounts payable and accrued expenses	(91,612)	29,657
Deferred revenue	(6,847)	(12,115)
Security deposit	(19,277)	-
	<u>(132,482)</u>	<u>804,838</u>
Net cash provided by (used in) operating activities		
Cash Flows from Investing Activities:		
Proceeds from distribution of private equity investments	812,675	1,017,572
Proceeds from sale of investments	13,578	12,492
Capital calls of private equity investments	(4,659)	(27,806)
Purchase of investments	(513,786)	(912,411)
Acquisition of furniture and equipment	(113,326)	(19,387)
	<u>194,482</u>	<u>70,460</u>
Net cash provided by investing activities		
Net Change in Cash	62,000	875,298
Cash:		
Beginning of year	<u>1,458,259</u>	<u>582,961</u>
End of year	<u>\$ 1,520,259</u>	<u>\$ 1,458,259</u>

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Statement of Functional Expenses

For the Year Ended December 31, 2015

(With Summarized Comparative Totals for the Year Ended December 31, 2014)

	2015					2014	
	Urban Business Initiatives	Research and Advisory	Total Program	General and Administrative	Development	Total	Total
Personnel and related:							
Salaries	\$ 947,669	\$ 385,954	\$ 1,333,623	\$ 237,666	\$ 168,720	\$ 1,740,009	\$ 1,291,885
Payroll taxes and benefits	134,201	66,718	200,919	25,360	20,906	247,185	200,784
Total personnel and related	1,081,870	452,672	1,534,542	263,026	189,626	1,987,194	1,492,669
Professional fees and recruitment	151,560	29,408	180,968	67,442	6,846	255,256	233,183
Events and marketing	201,446	448	201,894	-	-	201,894	410,602
Occupancy	110,185	33,055	143,240	22,037	11,018	176,295	111,882
Travel	88,195	26,208	114,403	1,069	24,958	140,430	144,275
Contracted labor	89,424	3,750	93,174	22,407	-	115,581	203,151
Printing	48,282	19,871	68,153	1,597	799	70,549	77,727
Sponsorships	66,500	-	66,500	-	-	66,500	15,000
Office supplies and expenses	34,682	1,624	36,306	9,276	543	46,125	23,926
Communications	10,392	3,104	13,496	2,069	1,035	16,600	22,122
Publication and subscription	8,138	4,490	12,628	1,638	847	15,113	18,128
Postage and delivery	9,169	703	9,872	410	205	10,487	9,494
Meeting and conference	2,664	2,122	4,786	518	414	5,718	7,161
Other expenses	4,050	394	4,444	363	866	5,673	6,603
Insurance	3,337	1,002	4,339	667	334	5,340	6,575
Bad debt	-	-	-	3,742	-	3,742	35,928
Professional development	862	1,077	1,939	-	-	1,939	4,560
Total operating expenses before depreciation	1,910,756	579,928	2,490,684	396,261	237,491	3,124,436	2,822,986
Depreciation	20,641	11,936	32,577	7,956	3,978	44,511	47,345
Total operating expenses	\$ 1,931,397	\$ 591,864	\$ 2,523,261	\$ 404,217	\$ 241,469	\$ 3,168,947	\$ 2,870,331

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, 2014

	Program			General and Adminis- trative	Development	Total
	Urban Business Initiatives	Research and Advisory	Total Program			
Personnel and related:						
Salaries	\$ 718,040	\$ 335,352	\$ 1,053,392	\$ 152,628	\$ 85,865	\$ 1,291,885
Payroll taxes and benefits	112,159	57,030	169,189	19,061	12,534	200,784
Total personnel and related	830,199	392,382	1,222,581	171,689	98,399	1,492,669
Professional fees and recruitment	179,641	32,777	212,418	15,012	5,753	233,183
Events and marketing	405,605	4,997	410,602	-	-	410,602
Occupancy	65,263	24,863	90,126	15,540	6,216	111,882
Travel	112,301	20,012	132,313	909	11,053	144,275
Contracted labor	181,372	-	181,372	21,324	455	203,151
Printing	48,168	23,974	72,142	2,128	3,457	77,727
Sponsorships	15,000	-	15,000	-	-	15,000
Office supplies and expenses	19,567	1,823	21,390	1,877	659	23,926
Communications	12,313	4,691	17,004	2,932	2,186	22,122
Publication and subscription	10,435	4,016	14,451	2,599	1,078	18,128
Postage and delivery	7,952	723	8,675	452	367	9,494
Meeting and conference	4,803	1,301	6,104	409	648	7,161
Other expenses	5,000	778	5,778	478	347	6,603
Insurance	3,836	1,461	5,297	913	365	6,575
Bad debt	-	-	-	35,928	-	35,928
Professional development	4,560	-	4,560	-	-	4,560
Total operating expenses before depreciation	1,906,015	513,798	2,419,813	272,190	130,983	2,822,986
Depreciation	27,171	10,760	37,931	6,724	2,690	47,345
Total operating expenses	\$ 1,933,186	\$ 524,558	\$ 2,457,744	\$ 278,914	\$ 133,673	\$ 2,870,331

The accompanying notes are an integral part of these statements.

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements
December 31, 2015 and 2014

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 inner-cities that create jobs, income, wealth, and economic opportunity for local residents. ICIC performs research relating to inner-city economic development and operates programs that engage local communities, government, business schools, and the private sector in building inner-city businesses. To support its purposes, ICIC receives its funding from corporations, foundations and private 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 established by the Financial Accounting Standards Board (FASB). References to United States generally accepted accounting principles (U.S. GAAP), in these notes, are to the FASB Accounting Standards Codification (ASC).

Revenue Recognition

Consulting fees are recorded as earned over the term of the contract. Deferred revenue consists of consulting fees received in advance of services being performed.

Revenue from unrestricted grants and contributions is recorded as unrestricted revenue and net assets when received or unconditionally committed by the donor. Revenue from donor designated grants and contributions are recorded as temporarily restricted revenues and net assets when received or unconditionally committed by the donor. Net assets released from restrictions are transfers made to unrestricted revenues and net assets as costs are incurred or time restrictions or program restrictions have been satisfied. Temporarily restricted grants and contributions received and spent in the same period are recorded as unrestricted revenue.

Interest and dividends are recognized when earned and are included in investment income in the accompanying statements of activities and changes in net assets. Gains and losses are recognized as incurred upon maturity of investments or based on fair value changes during the period (see Note 4).

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. Peripheral or incidental transactions are reported as non-operating revenue (expense). Non-operating revenue (expense), consistent with industry practice, includes investment activity (see Note 4), relocation expense and loss on disposal of property and equipment.

Expense Allocations

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

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements
December 31, 2015 and 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2015 and 2014.

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. An allowance for doubtful accounts of approximately \$3,700 is reflected in the accompanying financial statements for the year ended December 31, 2015. There was no allowance deemed necessary as of December 31, 2014.

Fair Value Measurements

ICIC follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that ICIC would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

ICIC uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of ICIC. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.
- Level 3: Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements
December 31, 2015 and 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Investments

Investments include the following:

ICV Partners II, L.P. (Fund II)

Fund II is a private equity fund making investments primarily in smaller middle-market companies. ICV Associates II, LLC is the general partner of Fund II, holding a 1% interest in the income, losses and distributions of Fund II. At December 31, 2015 and 2014, ICIC had a 5% equity interest in ICV Associates II, LLC (see Note 7). ICIC has committed capital calls of \$156,500 to ICV Associates II, LLC. As of December 31, 2015 and 2014, ICIC has made \$130,905 and \$130,855, respectively, in capital calls to Fund II.

ICV Partners III, L.P. (Fund III)

Fund III is a private equity fund making investments primarily in middle-market companies. ICV Associates III, LLC is the general partner of Fund III, holding a 1% interest in the income, losses and distributions of Fund III. Under the agreement, ICIC is the special member of ICV Associates III, LLC, having a 1% equity interest in ICV Associates III, LLC at December 31, 2015 and 2014 (see Note 7). ICIC has committed capital calls of \$40,000 to ICV Associates III, LLC. As of December 31, 2015 and 2014, ICIC has made \$19,352 and \$14,743, respectively, in capital calls to Fund III.

ICIC cannot sell its interest in these private equity investments. The term of Fund II ends in April 2017, and can be extended for one-year. Fund III is intended to end in November 2023 and can be extended for two one-year periods.

ICIC values private equity investments using Level 3 inputs. Level 3 inputs reflect ICIC's assumptions about the assumptions market participants would use in pricing the private equity investments.

ICIC has relied upon the fair values determined by ICV Partners (ICV) to determine the fair value of Funds II and III. ICV's equity investments generally consist of control 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.

Investments also include mutual funds, which are recorded at fair value. ICIC values these investments using Level 1 inputs. Investment income is recorded as earned. Gains and losses on investments are recognized as incurred or based on market value changes during the period.

Investments are not insured and are subject to ongoing market fluctuation.

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements
December 31, 2015 and 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

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.

Furniture and equipment consist of the following at December 31:

	<u>2015</u>	<u>2014</u>
Equipment	\$ 58,954	\$ 48,416
Website and software	156,569	156,569
Furniture	<u>105,980</u>	<u>69,861</u>
	321,503	274,846
Less - accumulated depreciation	<u>198,892</u>	<u>201,906</u>
	<u>\$ 122,611</u>	<u>\$ 72,940</u>

Depreciation expense for the years ended December 31, 2015 and 2014, was \$44,511 and \$47,345, respectively.

Subsequent Events

Subsequent events have been evaluated through May 17, 2016, which is the date the financial statements were available to be issued.

Net Assets

Unrestricted Net Assets

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by ICIC. ICIC has grouped its unrestricted net assets 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.

Temporarily Restricted Net Assets

ICIC receives contributions and grants which are designated by donors for specific purposes. These contributions are recorded as temporarily restricted net assets until they are expended for their designated purposes. At December 31, 2015 and 2014, temporarily restricted net assets consist of purpose restricted grants and contributions.

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements
December 31, 2015 and 2014

3. LEASES

In September 2015, ICIC entered into a five-year lease agreement for office space, which expires in August 2020. ICIC may elect to extend this lease for one additional five year period. Under this agreement, monthly rent is \$7,566 for the first year and escalates thereafter. In accordance with ASC Topic, *Leases*, ICIC is recognizing rent expense on a straight-line basis. ICIC has recognized \$33,017 of rent expense under this agreement for the year ended December 31, 2015. At December 31, 2015, accrued rent of \$2,063 is included in accounts payable and accrued expenses in the accompanying statement of financial position.

ICIC leased office space in Boston, Massachusetts, under a seven-year lease agreement that expired in December 2015. Under this agreement, ICIC received three months of free rent. Monthly rent under this agreement was \$24,021. ICIC was responsible for its proportionate share of real estate taxes, operating costs, and utilities. In accordance with ASC Topic, *Leases*, ICIC recognized rent expense on a straight-line basis. ICIC has recognized \$253,464 of rent expense under this agreement for the years ended December 31, 2015 and 2014. At December 31, 2014, accrued rent of \$34,773, is included in accounts payable and accrued expenses in the accompanying statement of financial position.

In February 2013, ICIC moved into the space described below and began to sublet the office space described above to two third-parties under leases which expired in September 2015. Average monthly rent for the first sublease was \$10,819 and \$10,746 for the years ended December 31, 2015 and 2014, respectively. Monthly rent for the second sublease commencing on May 6, 2013, was \$6,426. The subtenants were responsible for their proportionate share of real estate taxes, operating costs, and utilities (approximately \$1,700 per month). Total rental income for the years ended December 31, 2015 and 2014, was \$193,872 and \$225,675, respectively, and is netted with occupancy expense in the accompanying statements of functional expenses.

From February 2013 through August 31, 2015, ICIC occupied office space from a related party and received in-kind rent (see Notes 5 and 7).

Future minimum lease payments under the above agreement are as follows:

2016	\$ 92,170
2017	\$ 96,297
2018	\$ 100,424
2019	\$ 104,551
2020	\$ 71,535

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.Notes to Financial Statements
December 31, 2015 and 2014**4. INVESTMENTS**

At December 31, 2015 and 2014, investments, summarized using the inputs under the ASC Topic, *Fair Value Measurements* standard, consist of the following:

<u>Description</u>	2015			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Private equity investment:				
Fund II	\$ -	\$ -	\$ 1,150,329	\$ 1,150,329
Fund III	-	-	27,100	27,100
Total private equity investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,177,429</u>	<u>\$ 1,177,429</u>
Other investments:				
Mutual funds – bonds	\$ 1,058,175	\$ -	\$ -	\$ 1,058,175
Mutual funds - equities	474,419	-	-	474,419
Mutual funds - commodities	324,107	-	-	324,107
Mutual funds - international equities	265,951	-	-	265,951
Mutual funds - real estate	124,418	-	-	124,418
Money market fund	<u>88,284</u>	<u>-</u>	<u>-</u>	<u>88,284</u>
Total other investments	<u>\$ 2,335,354</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,335,354</u>
<u>Description</u>	2014			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Private equity investment:				
Fund II	\$ -	\$ -	\$ 951,101	\$ 951,101
Fund III	-	-	20,647	20,647
Total private equity investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 971,748</u>	<u>\$ 971,748</u>
Other investments:				
Mutual funds - bonds	\$ 606,069	\$ -	\$ -	\$ 606,069
Mutual funds - equities	516,919	-	-	516,919
Mutual funds - commodities	333,189	-	-	333,189
Mutual funds - international equities	232,923	-	-	232,923
Mutual funds - real estate	182,670	-	-	182,670
Money market fund	<u>49,116</u>	<u>-</u>	<u>-</u>	<u>49,116</u>
Total other investments	<u>\$ 1,920,886</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,920,886</u>

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements
December 31, 2015 and 2014

4. INVESTMENTS (Continued)

The changes in private equity investments for which ICIC has used Level 3 inputs to determine fair value were as follows for the years ended December 31:

	<u>Fund II</u>	<u>Fund III</u>	<u>Total</u>
Fair value, December 31, 2013	\$ 1,425,175	\$ 13,658	\$ 1,438,833
Purchase of investments	13,953	13,853	27,806
Distributions	(1,013,997)	(3,575)	(1,017,572)
Realized and unrealized gain (loss) on investments	<u>525,970</u>	<u>(3,289)</u>	<u>522,681</u>
Fair value, December 31, 2014	951,101	20,647	971,748
Purchase of investments	50	4,609	4,659
Distributions	(810,072)	(2,603)	(812,675)
Realized and unrealized gain on investments	<u>1,009,250</u>	<u>4,447</u>	<u>1,013,697</u>
Fair value, December 31, 2015	<u>\$ 1,150,329</u>	<u>\$ 27,100</u>	<u>\$ 1,177,429</u>

Realized and unrealized gains on private equity investments are included in return on investments in the accompanying statements of activities and changes in net assets for the years ended December 31, 2015 and 2014.

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

	<u>2015</u>	<u>2014</u>
Unrealized gains	\$ 923,358	\$ 517,932
Realized gains (losses)	(26,267)	18,455
Interest and dividends	44,548	23,248
Investment management fees	<u>(13,682)</u>	<u>(9,560)</u>
	<u>\$ 927,957</u>	<u>\$ 550,075</u>

ICIC holds its 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 consolidated financial statements. Investments are not insured and are subject to ongoing market fluctuations.

5. DONATED SERVICES

Donated services consists of donated rent (see Notes 3 and 7) and legal services. The value of these services for the years ended December 31, 2015 and 2014, are as follows:

	<u>2015</u>	<u>2014</u>
Legal services	\$ 53,749	\$ -
Rent	<u>34,534</u>	<u>51,801</u>
	<u>\$ 88,283</u>	<u>\$ 51,801</u>

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements
December 31, 2015 and 2014

5. DONATED SERVICES (Continued)

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

6. 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 \$31,000 and \$24,000 to the plan during 2015 and 2014, respectively. These amounts are included in payroll taxes and benefits in the accompanying statements of functional expenses.

7. RELATED PARTY TRANSACTIONS

Investments

As described in Note 2, ICIC has made investments in Funds II and III. A member of ICIC's Board of Directors is the President 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:

	2015		2014	
	Equity Investments	Distributions	Equity Investments	Distributions
Fund II	\$ 50	\$ 810,072	\$ 13,953	\$ 1,013,997
Fund III	\$ 4,609	\$ 2,603	\$ 13,853	\$ 3,575

Collaboration Agreement

In December 2012, ICIC entered into a collaboration agreement with a merchant bank which specializes on working with urban enterprises. The collaboration agreement allowed for sharing of employees and administrative resources, as well as collaborating on certain projects and joint proposals. For the year ended December 31, 2015, there were no monetary transactions between the merchant bank and ICIC. In 2014, ICIC charged the merchant bank \$4,475 for research and advisory work on shared projects, which is included in consulting fees in the accompanying statements of activities and changes in net assets.

For the year ended December 31, 2014, the merchant bank and ICIC shared two grants. These grants totaled approximately \$140,000, of which ICIC received approximately \$103,000 and the merchant bank received approximately \$37,000.

The merchant bank also leases office space to ICIC in the form of in-kind rent commencing in February 2013 and concluding in August 2015 (see Notes 3 and 5). This arrangement ended during September 2015, upon occupying new space.

The collaboration agreement expired in December 2015 and was not renewed.

8. CONTINGENCY

From time-to-time, ICIC is involved in various disputes in the course of its ordinary business. ICIC takes the appropriate legal steps in defense of these disputes as they arise. It is management's opinion that any potential settlement would not be material to the accompanying financial statements.

INITIATIVE FOR A COMPETITIVE INNER CITY, INC.

Notes to Financial Statements
December 31, 2015 and 2014

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% of total operating revenue for the year ended December 31, 2015. One donor represented 36% of total operating revenue for the year ended December 31, 2014.

Five donors or customers represent 90% of total accounts receivable as of December 31, 2015. One customer represented 92% of total accounts receivable as of December 31, 2014.

10. RECLASSIFICATION

Certain amounts in the December 31, 2014 financial statements have been reclassified to conform with the December 31, 2015 presentation.