

**RENAISSANCE ENTREPRENEURSHIP CENTER**

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**FINANCIAL STATEMENTS**

**DECEMBER 31, 2014**

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**INDEPENDENT AUDITORS' REPORT**

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To the Board of Directors  
Renaissance Entrepreneurship Center

**Report on the Financial Statements**

We have audited the accompanying financial statements of Renaissance Entrepreneurship Center (a nonprofit organization), which comprise the Statement of Financial Position as of December 31, 2014, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year 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.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 Renaissance Entrepreneurship Center as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## INDEPENDENT AUDITORS' REPORT

continued

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### Other Matters

#### *Summarized Comparative Information*

We have previously audited Renaissance Entrepreneurship Center's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 23, 2014. In our opinion the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Harrington Group*

San Francisco, California

July 28, 2015

# RENAISSANCE ENTREPRENEURSHIP CENTER

## STATEMENT OF FINANCIAL POSITION

December 31, 2014

With comparative totals at December 31, 2013

|   | <u>2014</u>         | <u>2013</u>         |
|---|---------------------|---------------------|
| <b>Assets</b>                           |                     |                     |
| Cash and cash equivalents               | \$ 762,537          | \$ 1,529,806        |
| Accounts receivable                     | 647,343             | 260,004             |
| Certificates of deposit (Note 3)        | 184,166             | 211,761             |
| Prepaid expense and other assets        | 142,869             | 120,907             |
| Property and equipment (Note 4)         | <u>2,007,798</u>    | <u>1,477,652</u>    |
| <b>Total assets</b>                     | <u>\$ 3,744,713</u> | <u>\$ 3,600,130</u> |
| <b>Liabilities and net assets</b>       |                     |                     |
| <b>Liabilities</b>                      |                     |                     |
| Accounts payable                        | \$ 192,609          | \$ 149,389          |
| Accrued liabilities (Note 5)            | 110,176             | 172,076             |
| Mortgage payable (Note 6)               | <u>2,151,026</u>    | <u>2,203,585</u>    |
| <b>Total liabilities</b>                | <u>2,453,811</u>    | <u>2,525,050</u>    |
| <b>Net assets</b>                       |                     |                     |
| Unrestricted                            | 587,400             | 637,058             |
| Temporarily restricted (Note 9)         | <u>703,502</u>      | <u>438,022</u>      |
| <b>Total net assets</b>                 | <u>1,290,902</u>    | <u>1,075,080</u>    |
| <b>Total liabilities and net assets</b> | <u>\$ 3,744,713</u> | <u>\$ 3,600,130</u> |

The accompanying notes are an integral part of these financial statements.

## RENAISSANCE ENTREPRENEURSHIP CENTER

### STATEMENT OF ACTIVITIES

For the year ended December 31, 2014

With comparative totals for the year ended December 31, 2013

|  | Unrestricted | Temporarily<br>Restricted | 2014         | 2013         |
|--|--------------|---------------------------|--------------|--------------|
| <b>Revenue and support</b>                         |              |                           |              |              |
| Contributions (Note 10)                            | \$ 1,467,949 | \$ 1,291,170              | \$ 2,759,119 | \$ 2,088,485 |
| Fees and grants from government agencies (Note 11) | 903,354      |                           | 903,354      | 718,596      |
| Incubator rent and fees                            | 371,847      |                           | 371,847      | 335,489      |
| Special events (net of expenses of \$88,692)       | 102,425      |                           | 102,425      | 101,285      |
| Program service fees                               | 158,764      |                           | 158,764      | 133,989      |
| Donated materials and services (Note 2)            | 87,625       |                           | 87,625       | 88,546       |
| Other income                                       | 5,465        |                           | 5,465        | 1,608        |
| Net assets released from purpose restrictions      | 1,025,690    | (1,025,690)               | -            | -            |
| <b>Total revenue and support</b>                   | 4,123,119    | 265,480                   | 4,388,599    | 3,467,998    |
| <b>Expenses</b>                                    |              |                           |              |              |
| Program services                                   | 3,358,367    |                           | 3,358,367    | 2,925,780    |
| Management and general                             | 581,521      |                           | 581,521      | 610,279      |
| Fundraising  | 232,889      |                           | 232,889      | 264,803      |
| <b>Total expenses</b>                              | 4,172,777    | -                         | 4,172,777    | 3,800,862    |
| <b>Change in net assets</b>                        | (49,658)     | 265,480                   | 215,822      | (332,864)    |
| <b>Net assets, beginning of year</b>               | 637,058      | 438,022                   | 1,075,080    | 1,407,944    |
| <b>Net assets, end of year</b>                     | \$ 587,400   | \$ 703,502                | \$ 1,290,902 | \$ 1,075,080 |

The accompanying notes are an integral part of these financial statements.

## RENAISSANCE ENTREPRENEURSHIP CENTER

### STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2014

With comparative totals for the year ended December 31, 2013

|                                       | <u>Program</u>             | <u>Management</u>        |                          | <u>Total Expenses</u>      |                     |
|---------------------------------------|----------------------------|--------------------------|--------------------------|----------------------------|---------------------|
|                                       | <u>Services</u>            | <u>and General</u>       |                          | <u>Fundraising</u>         | <u>2014</u>         |
| Salaries                              | \$ 1,255,274               | \$ 348,028               | \$ 160,103               | \$ 1,763,405               | \$ 1,576,651        |
| Employee benefits                     | 141,251                    | 42,857                   | 19,559                   | 203,667                    | 195,360             |
| Payroll taxes                         | 103,004                    | 28,025                   | 13,109                   | 144,138                    | 129,323             |
| Total personnel costs                 | <u>1,499,529</u>           | <u>418,910</u>           | <u>192,771</u>           | <u>2,111,210</u>           | <u>1,901,334</u>    |
| Occupancy                             | 621,149                    | 3,601                    | 1,453                    | 626,203                    | 610,685             |
| Consultants and instructors           | 625,527                    |                          |                          | 625,527                    | 496,478             |
| Professional fees                     | 137,339                    | 97,806                   | 1,618                    | 236,763                    | 305,291             |
| Depreciation                          | 96,858                     | 2,972                    | 2,013                    | 101,843                    | 69,861              |
| Interest                              | 92,338                     | 4,259                    | 1,109                    | 97,706                     | 93,331              |
| Awards and grants given               | 59,346                     |                          |                          | 59,346                     | 13,346              |
| Conference and training               | 32,824                     | 11,127                   | 2,788                    | 46,739                     | 56,683              |
| Equipment maintenance and leases      | 43,711                     | 68                       | 28                       | 43,807                     | 34,950              |
| Telecommunications and internet       | 32,797                     | 5,329                    | 2,870                    | 40,996                     | 38,394              |
| Events                                | 16,304                     | 1,230                    | 22,868                   | 40,402                     | 39,726              |
| Supplies                              | 35,103                     | 663                      | 831                      | 36,597                     | 36,376              |
| Miscellaneous                         | 22,228                     | 9,446                    | 1,999                    | 33,673                     | 41,233              |
| Printing and publications             | 16,848                     | 3,791                    | 1,775                    | 22,414                     | 15,836              |
| In-kind expenses                      | 17,625                     |                          |                          | 17,625                     | -                   |
| Insurance                             | 3,132                      | 11,781                   |                          | 14,913                     | 16,382              |
| Advertisement and promotion           | 2,385                      | 10,513                   |                          | 12,898                     | 15,185              |
| Postage and delivery                  | 2,666                      | 25                       | 766                      | 3,457                      | 4,127               |
| Program expenses                      | <u>658</u>                 |                          |                          | <u>658</u>                 | <u>11,644</u>       |
| <b>Total 2014 functional expenses</b> | <b><u>\$ 3,358,367</u></b> | <b><u>\$ 581,521</u></b> | <b><u>\$ 232,889</u></b> | <b><u>\$ 4,172,777</u></b> |                     |
| Total 2013 functional expenses        | <u>\$ 2,925,780</u>        | <u>\$ 610,279</u>        | <u>\$ 264,803</u>        |                            | <u>\$ 3,800,862</u> |

The accompanying notes are an integral part of these financial statements.

# RENAISSANCE ENTREPRENEURSHIP CENTER

## STATEMENT OF CASH FLOWS

For the year ended December 31, 2014

With comparative totals at December 31, 2013

|  | 2014              | 2013         |
|--|-------------------|--------------|
| <b>Cash flows from operating activities:</b>   |                   |              |
| Change in net assets   | \$ 215,822        | \$ (332,864) |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: |                   |              |
| Depreciation   | 101,843           | 69,861       |
| Donation of property and equipment   | (70,000)          | (88,546)     |
| Changes in operating assets and liabilities:   |                   |              |
| (Increase) decrease in accounts receivable   | (387,339)         | 656,852      |
| (Increase) decrease in prepaid expense   | (21,962)          | 9,953        |
| Increase in accounts payable   | 43,220            | 35,348       |
| (Decrease) increase in accrued liabilities   | (61,900)          | 79,227       |
| <b>Net cash (used) provided by operating activities</b>  | <b>(180,316)</b>  | 429,831      |
| <b>Cash flows from investing activities:</b>   |                   |              |
| Purchase of property and equipment   | (561,989)         | (99,680)     |
| Net changes in certificates of deposits  | 27,595            | (249)        |
| <b>Net cash (used) by investing activities</b>   | <b>(534,394)</b>  | (99,929)     |
| <b>Cash flows from financing activities:</b>   |                   |              |
| New borrowings on mortgage payable   | -                 | 663,233      |
| Principal payments on mortgage payable   | (52,559)          | (46,415)     |
| <b>Net cash (used) provided by financing activities</b>  | <b>(52,559)</b>   | 616,818      |
| <b>Net (decrease) increase in cash</b>   | <b>(767,269)</b>  | 946,720      |
| <b>Cash and cash equivalents, beginning of year</b>  | <b>1,529,806</b>  | 583,086      |
| <b>Cash and cash equivalents, end of year</b>  | <b>\$ 762,537</b> | \$ 1,529,806 |
| <b>Supplemental disclosures:</b>   |                   |              |
| Operating activities reflects interest paid of:  | <b>\$ 97,706</b>  | \$ 93,331    |

The accompanying notes are an integral part of these financial statements.

# RENAISSANCE ENTREPRENEURSHIP CENTER

## NOTES TO FINANCIAL STATEMENTS

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### 1. Organization

Renaissance Entrepreneurship Center (“Renaissance”) [www.rencenter.org](http://www.rencenter.org), brings the power of entrepreneurship to under-resourced communities in the San Francisco Bay Area. Our mission is to empower and increase the entrepreneurial capacities of socially and economically diverse women and men, thereby strengthening our communities through the creation of new and sustainable businesses, new jobs and the promotion of financial self-sufficiency.

Renaissance’s comprehensive programs and services respond to the multiple needs of diverse small business owners at every stage of business development, from idea feasibility to launch, sustainability and growth, while also directly addressing the societal, economic, and personal challenges under-resourced individuals face as they strive to achieve economic independence. Our clients reflect the diversity of the Bay Area: 88% are very low - to moderate-income; 68% are women; 62% are people of color.

In 2014, through our Centers in South of Market and Bayview Hunters Point in San Francisco, San Mateo County, and Marin County, Renaissance served 2,121 women and men who started and grew 658 businesses. We also added a fifth center in Richmond in Contra Costa County and built a business incubator in East Palo Alto. Due to their closure in 2014, Renaissance assumed the programs and services of Women’s Initiative, to ensure support for low-income, high potential Bay Area entrepreneurial women.

Renaissance owns and/or manages over 47,000 square feet of commercial real estate that houses thriving small businesses, as well as the training classrooms and offices where our programs are conducted. We host over 70 small businesses and non-profit organizations around the Bay Area. The building we own in San Francisco’s South of Market district is valued on the financial statements at \$1.17M, however, it was appraised in 2012 at \$5.8M.

**Primary Services:** Renaissance provides comprehensive English and Spanish language small business training, financial education and support services that clients may access throughout the life cycles of their businesses. Services include:

**Training Classes:** At the heart of Renaissance’s program is our award-winning curriculum taught by Renaissance-trained small business owners and staff. Curriculum is offered as 3-28 session (9-84 hour) practical, intensive, hands-on courses including *Start Smart*, *Business Prep*, *Urban FIRE*, *Simple Steps* (formerly provided by Women’s Initiative), and *Business Planning*, often referred to as the mini-MBA due to the intensity of the curriculum as well as the business networks clients create.

**Workshops:** Standalone, one- to three-part skill-building topical training workshops offer opportunities to increase specific business knowledge, network, and receive inspiration and guidance from successful entrepreneurs, including Renaissance graduate and peer businesses. Varied topics include Social Media, Accounting and Bookkeeping, Human Resources, Branding, etc.

**Individual Consulting:** Delivered at Renaissance and onsite at clients’ businesses by small business and industry experts, these customized sessions address topics such as sales, merchandising, marketing, management, finance, operations, strategic growth, etc.

# RENAISSANCE ENTREPRENEURSHIP CENTER

## NOTES TO FINANCIAL STATEMENTS

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### 1. **Organization**, continued

**Access to Capital:** Individual support to help clients become better financial managers of their businesses and to understand their growth options, as well as loan packaging to help clients secure capital for business launch and growth from banks, nonprofit loan funds, private sources, and crowdfunding.

**Business Incubation:** Onsite entrepreneurial communities at our SOMA, Bayview, Marin and East Palo Alto centers receive customized business development services, low-cost office space, consulting services, shared meeting rooms, office reception, utilities and other supports. Renaissance Marin features a commercial kitchen business incubator program.

**Women's Business Center (WBC):** Renaissance is the U.S. Small Business Administration's San Francisco Women's Business Center, offering customized training for women entrepreneurs, industry-specific workshops, round tables, consultations, and our Successful Women in Business Speaker Series;

**Small Business Development Center (SBDC):** Renaissance is the U.S. Small Business Administration's SBDC in Marin County, offering business training classes and workshops, and in-depth, counseling for existing businesses and start-ups with potential for above average job creation, revenue and profit growth, towards stimulating economic development in Marin County and beyond.

**Industry Specific Training:** Customized training for entrepreneurs in the Construction, Food and Fashion sectors.

**Secure Future\$/Futuro\$ Seguros:** A financial education and savings program providing training classes and individual coaching to help clients learn financial skills and develop new behaviors to better manage their personal and household finances, participate in the banking system, build and repair credit, and establish assets.

**Graduate Services:** Advanced training and mentorship and networking through our Alumni Association to connect clients from all years of graduation and across all program locations. Expansion of Programs for Women: In May 2014, Renaissance agreed to assume the programs and services of Women's Initiative due to its closure.

**Renaissance's Impact:** Renaissance received the *2014 Influential Organization Award* from the San Francisco Small Business Network. Renaissance's impact is demonstrated by the success of our clients. Renaissance graduates are successfully establishing new businesses, creating employment for themselves and other residents, establishing economic self-sufficiency, developing communities and growing the Bay Area economy. A 2014 microTracker survey, conducted by the Aspen Institute's Fund for Innovation, Education, Learning and Dissemination (FIELD) program, noted the following for clients one year after receiving services:

continued

# RENAISSANCE ENTREPRENEURSHIP CENTER

## NOTES TO FINANCIAL STATEMENTS

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### 1. **Organization**, continued

- 52% who came to Renaissance in the pre-launch stage launched their businesses;
- 97% of clients who came to Renaissance in business, stayed in business;
- 40% of businesses employ two or more individuals;
- 98% highly valued our services; and
- 94% stated: "It would not have been possible to start or sustain a business without participating in Renaissance's programs."

### 2. **Summary of Significant Accounting Policies**

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

#### **Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting.

#### **Accounting**

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of Renaissance are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

**Unrestricted.** These generally result from revenue generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

**Temporarily Restricted.** Renaissance reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from program or capital restrictions. Renaissance's temporarily restricted net assets at December 31, 2014 totaled \$703,502.

**Permanently Restricted.** These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit Renaissance to expend all of the income (or other economic benefits) derived from the donated assets. Renaissance has no permanently restricted net assets at December 31, 2014.

continued

# RENAISSANCE ENTREPRENEURSHIP CENTER

## NOTES TO FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies, continued

#### **Cash and Cash Equivalents**

Renaissance has defined cash and cash equivalents as cash in banks and all short-term debt securities purchased with a maturity of three months or less.

#### **Accounts Receivable**

Accounts receivable are receivables from governmental agencies. Therefore, no allowance for doubtful accounts has been provided.

#### **Property and Equipment**

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to one thousand dollars and the useful life is greater than one year.

#### **Fair Value Measurements**

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs - quoted prices in active markets for identical assets

Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs - estimates using the best information available when there is little or no market

Renaissance is required to measure investments and non-cash assets at fair value. The specific technique used to measure fair value for this financial statement element is described in Note 13.

#### **Concentration of Credit Risks**

Renaissance places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. Renaissance has not incurred losses related to these investments.

The primary receivable balance outstanding at December 31, 2014 consists of government contract receivables due from county, state, and federal granting agencies. Concentration of credit risks with respect to trade receivables are limited, as the majority of Renaissance's receivables consist of earned fees from contract programs granted by governmental agencies.

continued

# RENAISSANCE ENTREPRENEURSHIP CENTER

## NOTES TO FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies, continued

#### **Donated Materials and Services**

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. For the year ended December 31, 2014, Renaissance recorded in-kind contributions totaled \$87,625 of which \$70,000 consisted of donated furniture and equipment whereas the remaining \$17,625 was donated services.

#### **Income Taxes**

Renaissance is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by Renaissance in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. Renaissance's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

#### **Functional Allocation of Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

#### **Comparative Totals**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Renaissance's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

continued

# RENAISSANCE ENTREPRENEURSHIP CENTER

## NOTES TO FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies, continued

#### Reclassification

Certain amounts from the December 31, 2013 financial statements have been reclassified to conform to the December 31, 2014 presentation.

#### Subsequent Events

Management has evaluated subsequent events through July 28, 2015 the date which the financial statements were available.

### 3. Certificates of Deposit

The certificates of deposit totaling \$184,166 bear interest ranging from 0.10% to 2.25% and have maturities of six to twenty-four months, with penalties for early withdrawal.

### 4. Property and Equipment

Property and equipment at December 31, 2014 consist of the following:

|                                |                     |
|--------------------------------|---------------------|
| Land                           | \$ 340,000          |
| Building and improvements      | 2,327,225           |
| Furniture and equipment        | <u>383,463</u>      |
|                                | 3,050,688           |
| Less: accumulated depreciation | <u>(1,042,890)</u>  |
|                                | <u>\$ 2,007,798</u> |

Depreciation expense for the year ended December 31, 2014 was \$101,843.

The property at 5<sup>th</sup> Street in San Francisco is valued at \$1.17 million, but was appraised at \$5.8 million in 2012 in advance of refinancing of Renaissance's mortgage.

### 5. Accrued Liabilities

Accrued liabilities at December 31, 2014 consist of the following:

|                           |                  |
|---------------------------|------------------|
| Accrued vacation          | \$ 67,661        |
| Tenant security deposits  | 31,234           |
| Deferred revenues         | 7,917            |
| Other accrued liabilities | <u>3,364</u>     |
|                           | <u>\$110,176</u> |

continued

# RENAISSANCE ENTREPRENEURSHIP CENTER

## NOTES TO FINANCIAL STATEMENTS

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### 6. Mortgage Payable

Mortgage payable at December 31, 2014 consist of the following:

Mortgage payable to a corporation, secured by real property, monthly payments of \$12,396, interest, at 4.35% due January 2023. \$2,151,026

Maturities for the note payable are as follows:

| <u>Year ended December 31,</u> |                    |
|--------------------------------|--------------------|
| 2015                           | \$ 53,916          |
| 2016                           | 56,308             |
| 2017                           | 58,807             |
| 2018                           | 61,417             |
| 2019                           | 64,142             |
| Thereafter                     | <u>1,856,436</u>   |
|                                | <u>\$2,151,026</u> |

### 7. Line of Credit

Renaissance has a revolving line of credit with bank, in the amount of \$250,000, at a variable interest rate not lower than 4%, secured by real property due January 2016. There was no outstanding balance on the line of credit as of December 31, 2014.

### 8. Commitments and Contingencies

#### Obligations Under Operating Leases

Renaissance leases various facilities and equipments under operating leases with various terms. Future minimum payments, by year and in the aggregate, under these leases with initial or remaining terms of one year or more, consist of the following:

| <u>Year ended December 31,</u> |                    |
|--------------------------------|--------------------|
| 2015                           | \$ 394,294         |
| 2016                           | 384,764            |
| 2017                           | 380,004            |
| 2018                           | <u>190,002</u>     |
|                                | <u>\$1,349,064</u> |

Rent expense under operating leases for the year ended December 31, 2014 was \$469,331.

continued

# RENAISSANCE ENTREPRENEURSHIP CENTER

## NOTES TO FINANCIAL STATEMENTS

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### 8. Commitments and Contingencies, continued

#### Contracts

Renaissance's grants and contracts are subject to inspection and audit by the appropriate governmental funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously-funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, Renaissance has no provision for the possible disallowance of program costs on its financial statements.

### 9. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2014 consist of the following:

|   |                  |
|---|------------------|
| Training and support services for Marin County                    | \$400,000        |
| Occupancy support for Marin County                                | 195,585          |
| San Francisco Foundation – Women's Initiative for Self Employment | 100,000          |
| Wells Fargo – IDA Match   | <u>7,917</u>     |
|   | <u>\$703,502</u> |

For the year ended December 31, 2014, net assets released from purpose restrictions were \$1,025,690.

### 10. Contributions

Contributions for the year ended December 31, 2014 consist of the following:

|             |                    |
|-------------|--------------------|
| Foundations | \$2,073,209        |
| Corporate   | 651,800            |
| Individual  | <u>34,110</u>      |
|             | <u>\$2,759,119</u> |

continued

# RENAISSANCE ENTREPRENEURSHIP CENTER

## NOTES TO FINANCIAL STATEMENTS

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### 11. Fees and Grants from Government Agencies

Fees and grants from government agencies for the year ended December 31, 2014 consist of the following:

|  |                  |
|--|------------------|
| San Francisco CDBG:  |                  |
| South of Market (“SOMA”) Training Programs   | \$114,791        |
| Bayview Programs   | 97,461           |
| Elevator Grant   | 32,282           |
| Stairway Grant   | 16,000           |
| Daly City CDBG   | 89,622           |
| Redwood City CDBG  | 84,080           |
| County of San Mateo CDBG   | <u>38,663</u>    |
|  | <u>472,899</u>   |
| <br>   |                  |
| US SBA Women’s Business Center   | 119,422          |
| Small Business Neighborhood Connection Grant   | 108,850          |
| US SBA Small Business Development Center (passed through from Humboldt State University) | 74,479           |
| County of San Mateo Department of Housing, Incubator Grant                               | 50,000           |
| Other  | 32,196           |
| U.S. Department of Health and Human Services (Assets for Independence)                   | 27,187           |
| City of East Palo Alto Measure C Funds   | <u>18,321</u>    |
|  | <u>\$903,354</u> |

### 12. Employee Benefit Plan

Renaissance has a defined contribution plan for all eligible employees. Employer contributions to the Plan are discretionary. There were no employer contributions to the Plan for the year ended December 31, 2014.

### 13. Fair Value Measurements

The table below presents the balances of assets measured at fair value at December 31, 2014 on a recurring basis:

|                                    | <u>Level 1</u>  | <u>Level 2</u>  | <u>Level 3</u> | <u>Total</u>   |
|------------------------------------|-----------------|-----------------|----------------|----------------|
| Real estate partnership investment | \$ _____        | \$ _____        | <u>\$2,697</u> | <u>\$2,697</u> |
|                                    | <u>\$ _____</u> | <u>\$ _____</u> | <u>\$2,697</u> | <u>\$2,697</u> |

The fair value of the investment which is included with other assets, has been measured on a non-recurring basis using the best information available (Level 3 inputs). Thus, the fair value is measured at initial contribution amount.

continued

# RENAISSANCE ENTREPRENEURSHIP CENTER

## NOTES TO FINANCIAL STATEMENTS

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### 13. Fair Value Measurements, continued

The following table provides further details of the Level 3 fair value measurements:

|  |                |
|--|----------------|
| Beginning balance at January 1, 2014               | \$2,697        |
| Purchases, sales, issuances, and settlements – net | <u>-</u>       |
| Ending balance at December 31, 2014                | <u>\$2,697</u> |

|                                   | <u>Level 1</u> | <u>Level 2</u>  | <u>Level 3</u> | <u>Total</u>    |
|-----------------------------------|----------------|-----------------|----------------|-----------------|
| Donated property<br>and equipment | \$ -           | \$70,000        | \$ -           | \$70,000        |
| Donated services                  | <u>-</u>       | <u>17,625</u>   | <u>-</u>       | <u>17,625</u>   |
|                                   | <u>\$ -</u>    | <u>\$87,625</u> | <u>\$ -</u>    | <u>\$87,625</u> |

The fair value of donated services and property and equipment has been measured on a non-recurring basis using quoted prices for similar services and assets in inactive markets (Level 2 inputs).