

**RENAISSANCE ENTREPRENEURSHIP CENTER**

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**FINANCIAL STATEMENTS,  
SUPPLEMENTAL SCHEDULE,  
and  
ADDITIONAL INFORMATION**

**DECEMBER 31, 2016**

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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, 2016, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2016, 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

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal and Non-federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

#### *Summarized Comparative Information*

We have previously audited Renaissance Entrepreneurship Center's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 28, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2016, on our consideration of Renaissance Entrepreneurship Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Renaissance Entrepreneurship Center's internal control over financial reporting and compliance.

*Harrington Group*

San Francisco, California  
May 9, 2017

# RENAISSANCE ENTREPRENEURSHIP CENTER

## STATEMENT OF FINANCIAL POSITION

December 31, 2016

With comparative totals at December 31, 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 404,378	\$ 173,699
Grants receivable	269,752	222,627
Pledges receivable (Note 3)	264,263	192,455
Accounts receivable	-	3,169
Certificates of deposit (Note 4)	50,292	74,290
Prepaid expense and other assets	83,383	113,335
Property and equipment (Note 5)	<u>1,981,740</u>	<u>1,972,350</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,053,808</u></u>	<u><u>\$ 2,751,925</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 118,624	\$ 88,924
Accrued liabilities (Note 6)	179,047	200,461
Mortgage payable (Note 7)	2,038,927	2,096,083
Line of credit (Note 8)	<u>360,000</u>	<u>150,000</u>
<b>TOTAL LIABILITIES</b>	<u>2,696,598</u>	<u>2,535,468</u>
<b>NET ASSETS</b>		
Unrestricted	(107,790)	116,457
Temporarily restricted (Note 10)	<u>465,000</u>	<u>100,000</u>
<b>TOTAL NET ASSETS</b>	<u>357,210</u>	<u>216,457</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 3,053,808</u></u>	<u><u>\$ 2,751,925</u></u>

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

## RENAISSANCE ENTREPRENEURSHIP CENTER

### STATEMENT OF ACTIVITIES

For the year ended December 31, 2016

With comparative totals for the year ended December 31, 2015

	Unrestricted	Temporarily Restricted	2016	2015
<b>REVENUE AND SUPPORT</b>				
Contributions (Note 11)	\$ 978,729	\$ 560,000	\$ 1,538,729	\$ 1,801,527
Fees and grants from government agencies (Note 12)	1,165,081		1,165,081	872,433
Incubator rent and fees	367,305		367,305	369,362
Program service fees	200,720		200,720	154,274
Special events (net of expenses of \$104,099)	164,933		164,933	124,702
Donated materials and services (Note 2)	60,994		60,994	15,038
Other income	3,396		3,396	9,401
Gain (loss) on disposal of assets	3,924		3,924	(16,238)
Net assets released from purpose restrictions	195,000	(195,000)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>3,140,082</b>	<b>365,000</b>	<b>3,505,082</b>	<b>3,330,499</b>
<b>EXPENSES</b>				
Program services	2,541,004		2,541,004	3,534,943
Management and general	545,568		545,568	572,948
Fundraising	277,757		277,757	297,053
<b>TOTAL EXPENSES</b>	<b>3,364,329</b>	<b>-</b>	<b>3,364,329</b>	<b>4,404,944</b>
<b>CHANGE IN NET ASSETS</b>	(224,247)	365,000	<b>140,753</b>	(1,074,445)
<b>NET ASSETS, BEGINNING OF YEAR</b>	116,457	100,000	<b>216,457</b>	1,290,902
<b>NET ASSETS END OF THE YEAR</b>	<b>\$ (107,790)</b>	<b>\$ 465,000</b>	<b>\$ 357,210</b>	<b>\$ 216,457</b>

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

## RENAISSANCE ENTREPRENEURSHIP CENTER

### STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2016

With comparative totals for the year ended December 31, 2015

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>	
				2016	2015
Salaries	\$ 1,094,498	\$ 361,474	\$ 216,474	\$ 1,672,446	\$ 2,046,256
Employee benefits	95,400	44,919	25,163	165,482	225,223
Payroll taxes	93,211	30,808	17,322	141,341	160,352
Total personnel costs	<u>1,283,109</u>	<u>437,201</u>	<u>258,959</u>	<u>1,979,269</u>	<u>2,431,831</u>
Consultants and instructors	491,041			491,041	572,381
Occupancy	260,096	3,842	1,550	265,488	630,099
Depreciation	139,217	12,270	1,221	152,708	156,086
Professional fees	44,221	55,950	5,058	105,229	193,324
Interest	90,945	3,381	1,072	95,398	96,263
In-kind expenses	60,994			60,994	15,038
Equipment maintenance and leases	54,098	302		54,400	61,349
Events	32,864	772	5,705	39,341	39,810
Conference and training	25,523	10,156	926	36,605	39,609
Telecommunications and internet	29,577			29,577	47,114
Miscellaneous	11,909	6,175	1,860	19,944	28,811
Supplies	11,216	2,068		13,284	19,461
Insurance	841	9,928	10	10,779	20,915
Printing and publications	3,622	2,188	1,189	6,999	7,941
Advertisement and promotion	314	1,311		1,625	5,061
Postage and delivery	1,317	24	207	1,548	10,882
Awards and grants given	100			100	28,969
<b>TOTAL 2016 FUNCTIONAL EXPENSES</b>	<b><u>\$ 2,541,004</u></b>	<b><u>\$ 545,568</u></b>	<b><u>\$ 277,757</u></b>	<b><u>\$ 3,364,329</u></b>	
<b>TOTAL 2015 FUNCTIONAL EXPENSES</b>	<b><u>\$ 3,534,943</u></b>	<b><u>\$ 572,948</u></b>	<b><u>\$ 297,053</u></b>		<b><u>\$ 4,404,944</u></b>

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

**RENAISSANCE ENTREPRENEURSHIP CENTER**

STATEMENT OF CASH FLOWS  
For the year ended December 31, 2016

With comparative totals for the year ended December 31, 2015

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 140,753	\$ (1,074,445)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	152,708	156,086
(Gain) loss on disposal of assets	(3,924)	16,238
(Increase) decrease in operating assets:		
Grants receivable	(47,125)	97,908
Pledges receivable	(71,808)	120,938
Accounts receivable	3,169	10,246
Prepaid expense	29,952	29,534
Increase (decrease) in operating liabilities:		
Accounts payable	29,700	(103,685)
Accrued liabilities	(21,414)	90,285
	<u>212,011</u>	<u>(656,895)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(158,174)	(136,876)
Net changes in certificates of deposits	23,998	109,876
	<u>(134,176)</u>	<u>(27,000)</u>
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Borrowings on line of credit	210,000	150,000
Principal payments on mortgage payable	(57,156)	(54,943)
	<u>152,844</u>	<u>95,057</u>
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		
<b>NET INCREASE (DECREASE) IN CASH</b>	230,679	(588,838)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>173,699</u>	<u>762,537</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 404,378</u>	<u>\$ 173,699</u>
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Operating activities reflects interest paid of:	<u>\$ 95,398</u>	<u>\$ 96,263</u>

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”) brings the power of entrepreneurship to lower-income individuals and communities. Our work creates systemic change, breaking the cycle of poverty by helping English- and Spanish-speaking women and men achieve economic mobility, build assets, and create better futures for themselves and their families through small business ownership.

Renaissance’s mission is to empower and increase the entrepreneurial capacities of socially and economically diverse women and men, and thereby strengthen our communities through the creation of sustainable businesses, new jobs and the promotion of financial self-sufficiency.

Renaissance is a recognized leader in delivering end-to-end English and Spanish language entrepreneurship and empowerment training - from ideation to business planning, launch and growth – that directly addresses the challenges lower-income individuals face as they strive to achieve economic self-sufficiency. Renaissance was launched in San Francisco in 1985 with small business planning classes and has grown into a regional organization serving Bay Area residents through our four Centers in Bayview Hunters Point and South of Market in San Francisco, East Palo Alto in San Mateo County, and Richmond in Contra Costa County.

We own and/or manage over 47,000 square feet of commercial real estate that hosts over 70 thriving small businesses and community-serving organizations. The building Renaissance owns in South of Market was appraised in 2012 at \$5.8 million.

Each year, Renaissance serves over 1,600 Bay Area women and men who in turn start and grow more than 500 businesses. Our clients are: 87% very-low to moderate income; 74% women; 76% people of color; and 16% LGBTQ.

Renaissance provides the comprehensive **training**, access to capital and **resources**, and **ongoing support** all entrepreneurs need to succeed. Our programs include: intensive English and Spanish-language training **classes** (four to 24 sessions), **workshops**, one-on-one **consulting**, access to **capital**, **markets** and **networks**, **financial empowerment**, on site **business incubation** and **special programs for women**. Clients graduate with both technical and “soft” business skills, a written business plan, confidence, and a network of like-minded entrepreneurs.

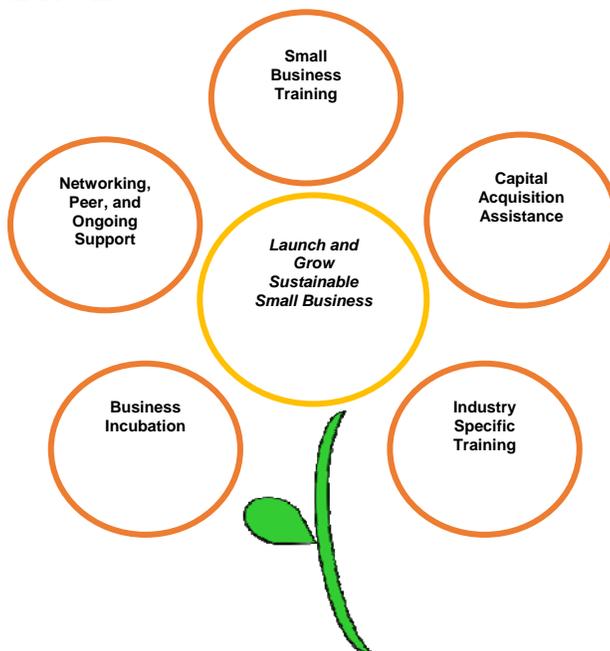
# RENAISSANCE ENTREPRENEURSHIP CENTER

## NOTES TO FINANCIAL STATEMENTS

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

Small Business in Full Bloom



Renaissance's core programs and services include:

- *Intensive Training*: At the heart of Renaissance's program are our intensive small business training classes. They are offered as 4-12 week (12-72 hour) practical, hands-on classes on the introductory and business planning levels. All classes are taught by Renaissance-trained small business consultants, staff and industry experts using our award-winning curriculum.
- *Workshops*: Workshops in marketing, management, finance, and technology support clients in increasing operational efficiencies and implementing growth strategies.
- *Industry Specific Training*: Specialized training, consulting, and roundtables in the Fashion and Construction sectors.
- *Women Focused Programs*: Renaissance has served as the U.S. Small Business Administration San Francisco Women's Business Center since 1999, delivering customized training, one-on-one consulting, and monthly Women's Network events.
- *Access to Capital*: Our individual technical assistance helps clients become better financial managers of their businesses and is complemented by loan packaging to help clients secure capital from banks, nonprofit loan funds, and private sources.
- *Individual Consulting*: Renaissance staff, consultants, and volunteers provide one-on-one consulting and support in sales, marketing, management, operations, and start up and growth strategies.
- *Business Incubation*: Our on-site Small Business Incubators in South of Market, Bayview Hunters Point, and East Palo Alto provide low-cost, professional office space, business development support, and shared services for local small businesses and community-serving non-profit organizations.

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# RENAISSANCE ENTREPRENEURSHIP CENTER

## NOTES TO FINANCIAL STATEMENTS

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

- *Secure Futures/Futuros Seguros*: This financial education, coaching, and savings program helps clients develop sound fiscal behaviors, access appropriate financial services, establish and grow savings, and repair/build credit.

The impact of our work is demonstrated by the success of our clients. In our first 32 years, Renaissance has served over 26,000 individuals who have started and grown over 12,000 businesses and created employment for more than 16,000 residents. According to a 2016 survey by Entrepreneur Tracker, an independent evaluation by the Aspen Institute's FIELD program, one year after our clients completed 10 or more hours of service:

- 46% who came to Renaissance in the pre-launch stage launched their businesses;
- 95% who came to Renaissance in business, stayed in business;
- 62% of businesses:
  - employ an average of 2 or more individuals;
  - Experienced, on average, a 17% increase in household income; and
  - Averaged \$98,000 in annual revenue.

Renaissance was recognized by the FIELD program of Aspen Institute for best practices in evaluation. CEO Sharon Miller was most recently recognized by the Alliance Francaise with their Annie E Powell Award (2016) for her work on behalf of women entrepreneurs in Bayview Hunters Point and by the National Association of Women Business Owners (NAWBO) Bay Area chapter with their 2015 Women's Business Advocate of the Year award for her contributions to empowering lower-income English- and Spanish-speaking women.

### 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:

# RENAISSANCE ENTREPRENEURSHIP CENTER

## NOTES TO FINANCIAL STATEMENTS

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

**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, 2016 totaled \$465,000.

**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, 2016.

#### 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.

# RENAISSANCE ENTREPRENEURSHIP CENTER

## NOTES TO FINANCIAL STATEMENTS

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

#### **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 contributions at fair value. The specific technique used to measure fair value for these financial statement elements are described in Note 14.

#### **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, 2016 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.

#### **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, 2016, Renaissance recorded in-kind contributions totaled \$60,994 for IT Training.

#### **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.

continued

# RENAISSANCE ENTREPRENEURSHIP CENTER

## NOTES TO FINANCIAL STATEMENTS

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

#### 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, 2015, from which the summarized information was derived.

#### Subsequent Events

Management has evaluated subsequent events through May 9, 2017, the date which the financial statements were available for issue. No events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

### 3. Pledges Receivable

Pledges receivable are recorded as support when pledged unless designated otherwise. Management deemed pledges collectible; accordingly no allowance for doubtful accounts has been established for uncollectible pledges. Additionally, all pledges are valued at their estimated fair value at December 31, 2016. Discount on pledges receivables is immaterial, accordingly unamortized discount on pledges receivable is not recorded. Total amount of pledges receivable at December 31, 2016, of \$264,263 is expected to be collected within the year.

### 4. Certificates of Deposit

The certificates of deposit totaling \$50,292 bear interest ranging from 0.10% to 2.25% and have maturities of six to twenty-four months, with penalties for early withdrawal.

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# RENAISSANCE ENTREPRENEURSHIP CENTER

## NOTES TO FINANCIAL STATEMENTS

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### 5. Property and Equipment

Property and equipment at December 31, 2016 consist of the following:

Land	\$ 340,000
Building and improvements	2,594,766
Furniture and equipment	<u>397,859</u>
	3,332,625
Less: accumulated depreciation	<u>(1,350,885)</u>
	<u>\$ 1,981,740</u>

Depreciation expense for the year ended December 31, 2016 was \$152,708.

The property at 5<sup>th</sup> Street in San Francisco has a net book value of \$486,809 as of December 31, 2016, and was appraised at \$5,800,000 in 2012 in advance of refinancing of Renaissance's mortgage.

### 6. Accrued Liabilities

Accrued liabilities at December 31, 2016 consist of the following:

Accrued payroll	\$ 63,338
Accrued vacation	74,135
Tenant security deposits	36,576
Other accrued liabilities	<u>4,998</u>
	<u>\$179,047</u>

### 7. Mortgage Payable

Mortgage payable at December 31, 2016 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. \$2,038,927

Maturities for the note payable are as follows:

<u>Year ended December 31,</u>	
2017	\$ 61,417
2018	64,142
2019	66,989
2020	69,962
2021	73,066
Thereafter	<u>1,703,351</u>
	<u>\$2,038,927</u>

continued

# RENAISSANCE ENTREPRENEURSHIP CENTER

## NOTES TO FINANCIAL STATEMENTS

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### 8. Line of Credit

Renaissance has a line of credit with Straus Family Trust in the amount of \$500,000, at the rate of 0.70%, secured by real property due April 14, 2019. There was an outstanding balance of \$360,000 on the line of credit as of December 31, 2016 (see Note 15).

### 9. 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>	
2017	\$ 85,400
2018	78,400
2019	38,400
2020	<u>38,400</u>
	<u>\$240,600</u>

Rent expense under operating leases for the year ended December 31, 2016 was \$99,101.

#### 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.

### 10. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2016 consist of the following:

Mid-peninsula programs	<u>\$465,000</u>
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For the year ended December 31, 2016, net assets released from purpose restrictions were \$195,000.

# RENAISSANCE ENTREPRENEURSHIP CENTER

## NOTES TO FINANCIAL STATEMENTS

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### 11. Contributions

Contributions for the year ended December 31, 2016 consist of the following:

Foundations:	
Sobrato Family Foundation	\$ 350,000
Walter & Elise Haas Fund	80,000
Others	<u>423,621</u>
	853,621
Corporate	575,810
Individual	<u>109,298</u>
	<u>\$1,538,729</u>

### 12. Fees and Grants from Government Agencies

Fees and grants from government agencies for the year ended December 31, 2016 consist of the following:

US SBA Women's Business Center – San Francisco	\$ 146,851
US SBA PRIME – TAP Program	112,500
San Francisco CDBG:	
Bayview Programs	117,129
SOMA Training	68,090
Women TA in English & Spanish	33,692
Redwood City CDBG	80,947
Daly City CDBG	61,286
San Mateo County CDBG	43,420
SOMA Revitalization Grants:	
Fund Development Consultant	50,036
Offsite Programs/Restaurants	74,757
Legal Assistance for Small Businesses	55,090
San Francisco MOEWD Grants:	
Fashion SF	22,987
Assistance for Established Women Entrepreneurs	87,500
Bayview Women	23,278
Bayview and Visitacion Valley Grant	2,500
Bus Rapid Transit Business Technical Assistance	5,000
City of East Palo Alto Grant	41,667
Elevator Grant	102,376
Other	<u>35,975</u>
	<u>\$1,165,081</u>

continued

# RENAISSANCE ENTREPRENEURSHIP CENTER

## NOTES TO FINANCIAL STATEMENTS

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### 13. 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, 2016.

### 14. Fair Value Measurements

The table below presents the balances of assets measured at fair value at December 31, 2016 on a recurring basis:

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

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.

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

Beginning balance at January 1, 2016				\$2,697
Purchases, sales, issuances, and settlements – net				-
Ending balance at December 31, 2016				\$2,697

The table below present transaction measures at fair value on a non-recurring basis during the year ended December 31, 2016.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pledges contributions – current year	\$ -	\$ -	\$215,000	\$215,000
Donated services		60,994		60,994
	\$ -	\$60,994	\$215,000	\$275,994

The fair value of pledged contributions – current year has been measured on a non-recurring basis using the value provided by the donor at the date of pledge and based on evaluating the credit worthiness of the donor (Level 3 inputs).

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).

# RENAISSANCE ENTREPRENEURSHIP CENTER

## NOTES TO FINANCIAL STATEMENTS

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### 15. **Related Party Transactions**

Renaissance has a line of credit with a family trust in the amount of \$500,000, at the rate of 0.70%, secured by real property due April 14, 2019. There was an outstanding balance of \$360,000 on the line of credit and accrued interest in the amount of \$1,450 as of December 31, 2016. A Board member, related party is a trustee of the Straus Family Trust (see Note 8).

**SUPPLEMENTAL SCHEDULE**

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RENAISSANCE ENTREPRENEURSHIP CENTER

SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS  
For the year ended December 31, 2016

Program Name	Pass-through Contract Number	Federal CFDA Number	Contract Term	Award	Governmental Revenue		Program Expenditure	Pass-through to Sub-recipients
					Federal	Non-Federal		
<b>Federal Awards</b>								
U.S. Department of Housing and Urban Development ("HUD"):								
Community Development Block Grants/Entitlement Grants ("CDBG")								
Pass-through San Francisco Mayor's Office on Economic and Workforce Development ("MOEWD"):								
Bayview Grant (a)	73668-15	14.218	7/1/15 - 6/30/16	\$ 100,000	\$ 66,608	\$ -	\$ 66,608	\$ -
Bayview Grant (a)	83879-16	14.218	7/1/16 - 6/30/17	100,000	50,521	-	50,521	-
South of Market ("SOMA") Training Program (a)	73534-15	14.218	7/1/15 - 6/30/16	75,000	23,410	-	23,410	-
South of Market ("SOMA") Training Program (a)	83880-16	14.218	7/1/16 - 6/30/16	75,000	44,680	-	44,680	-
Women's TA in English and Spanish (a)	73669-15	14.218	7/1/15 - 6/30/16	40,000	18,110	-	18,110	-
Women's TA in English and Spanish (a)	83881-16	14.218	7/1/16 - 6/30/17	40,000	15,582	-	15,582	-
Elevator	77860-15	14.218	7/1/15 - 12/31/15	140,000	102,376	-	102,376	-
<b>Sub-total pass-through MOEWD</b>				<b>570,000</b>	<b>321,287</b>	<b>-</b>	<b>321,287</b>	<b>-</b>
Pass-through Daly City, CDBG (a)		14.218	7/1/15 - 6/30/16	75,000	31,971	-	31,971	-
Pass-through Daly City, CDBG (a)		14.218	9/1/16 - 1/31/17	35,000	29,315	-	29,315	-
<b>Sub-total pass-through Daly City</b>				<b>110,000</b>	<b>61,286</b>	<b>-</b>	<b>61,286</b>	<b>-</b>
Pass-through Redwood City, CDBG (a)		14.218	7/1/15 - 6/30/16	69,362	41,384	-	41,384	-
Pass-through Redwood City, CDBG (a)		14.218	7/1/16 - 6/30/17	70,034	39,563	-	39,563	-
<b>Sub-total pass-through Redwood City</b>				<b>139,396</b>	<b>80,947</b>	<b>-</b>	<b>80,947</b>	<b>-</b>
Pass-through County of San Mateo, CDBG (a)	7900-15-D006	14.218	7/1/15 - 6/30/16	36,860	11,206	-	11,206	-
Pass-through County of San Mateo, CDBG (a)	7900-15-D006	14.218	7/1/16 - 6/30/17	45,000	32,214	-	32,214	-
<b>Sub-total pass-through County of San Mateo</b>				<b>81,860</b>	<b>43,420</b>	<b>-</b>	<b>43,420</b>	<b>-</b>
Capacity Building for Community Development and Affordable Housing								
Pass-through Local Initiatives Support Corporation ("LISC"):								
LISC	43192-0014	14.252	9/1/16 - 8/31/17	25,000	6,288	-	6,288	-
<b>Sub-total pass-through LISC</b>				<b>25,000</b>	<b>6,288</b>	<b>-</b>	<b>6,288</b>	<b>-</b>
<b>Total HUD</b>				<b>926,256</b>	<b>513,228</b>	<b>-</b>	<b>513,228</b>	<b>-</b>
U.S. Small Business Administration ("SBA"):								
Directly from SBA, Women's Business Ownership Assistance Grant,								
Women's Business Center	SBAHQ-15 W-0002	59.043	9/30/15 - 9/29/16	131,250	109,351	-	109,351	-
Women's Business Center	SBAHQ-15 W-0002	59.043	9/30/16 - 9/29/17	150,000	37,500	-	37,500	-
PRIME	SBAHQ-15 PR-0029	59.050	9/30/15 - 9/29/16	150,000	112,500	-	112,500	-
I-Corp				25,000	20,000	-	20,000	-
<b>Sub-total direct SBA</b>				<b>456,250</b>	<b>279,351</b>	<b>-</b>	<b>279,351</b>	<b>-</b>
<b>Total Federal and Non-federal Awards</b>				<b>\$ 1,382,506</b>	<b>\$ 792,579</b>	<b>\$ -</b>	<b>\$ 792,579</b>	<b>\$ -</b>

(a) Audited as a major program

**Note 1. Basis of Presentation**

The accompany Schedule of Expenditures of Federal Awards includes the Federal Award activity of Renaissance, under the programs of the federal government for the year ended December 31, 2016 in accordance with requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit requirement for Federal Award* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Renaissance, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Renaissance.

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

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or limited as to reimbursement. Renaissance has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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

**ADDITIONAL INFORMATION**

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**Independent Auditors' Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

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To the Board of Directors  
Renaissance Entrepreneurship Center

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Renaissance Entrepreneurship Center ("Renaissance"), which comprise the Statement of Financial Position as of December 31, 2016, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 9, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Renaissance's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Renaissance's internal control. Accordingly, we do not express an opinion on the effectiveness of Renaissance's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Renaissance's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Independent Auditors' Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

continued

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**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Harrington Group*

San Francisco, California

May 9, 2017

**Independent Auditors' Report on Compliance for Each Major Program  
and on Internal Control Over Compliance Required by the Uniform Guidance**

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To the Board of Directors  
Renaissance Entrepreneurship Center

**Report on Compliance for Each Major Federal Program**

We have audited Renaissance Entrepreneurship Center's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Renaissance Entrepreneurship Center's major federal programs for the year ended December 31, 2016. Renaissance Entrepreneurship Center's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Renaissance Entrepreneurship Center's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the type of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Renaissance Entrepreneurship Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Renaissance Entrepreneurship Center compliance.

**Opinion on Each Major Federal Program**

In our opinion, Renaissance Entrepreneurship Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

**Independent Auditors' Report on Compliance for Each Major Program  
and on Internal Control Over Compliance Required by the Uniform Guidance**  
continued

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**Report on Internal Control Over Compliance**

Management of Renaissance Entrepreneurship Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Renaissance Entrepreneurship Center' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Renaissance Entrepreneurship Center' internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Harrington Group*

San Francisco, California  
May 9, 2017

**RENAISSANCE ENTREPRENEURSHIP CENTER**  
**Schedule of Findings and Questioned Costs**  
For the year ended December 31, 2016

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**Section I – Summary of Auditors’ Results**

Financial Statements:

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiencies identified? None reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 200.516 Audit Findings of the Uniform Guidance? No

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? No

Identification of Major Programs:

U.S. Department of Housing and Urban Development:

Community Development Block Grants/Entitlement Grants 14.218

**Section II – Financial Statements Findings**

There are no findings required to be reported in accordance with *Generally Accepted Government Auditing Standards*.

**Section III – Federal Award Findings and Questioned Costs**

There are neither findings nor questioned costs for Federal Awards as defined in the Uniform Guidance.

**Section IV – Summary Schedule of Prior Year Findings**

None.