

**RENAISSANCE ENTREPRENEURSHIP CENTER**

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**FINANCIAL STATEMENTS  
and  
ADDITIONAL INFORMATION**

**DECEMBER 31, 2018**

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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, 2018, 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 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 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, 2018, 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 Matter

#### *Report on Summarized Comparative Information*

We have previously audited Renaissance Entrepreneurship Center's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 28, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, 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 July 26, 2019, 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 solely 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 the effectiveness of Renaissance Entrepreneurship Center's 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*

Oakland, California  
July 26, 2019

# RENAISSANCE ENTREPRENEURSHIP CENTER

## STATEMENT OF FINANCIAL POSITION

December 31, 2018

With comparative totals at December 31, 2017

	2018	2017
<b>ASSETS</b>		
Cash and cash equivalents	\$ 364,090	\$ 259,168
Grants receivable	541,968	318,390
Pledges receivable (Note 4)	157,529	66,703
Accounts receivable	2,881	2,864
Certificates of deposit (Note 5)	50,379	50,364
Prepaid expense and other assets	67,168	48,608
Property and equipment (Note 6)	2,034,485	1,840,970
<b>TOTAL ASSETS</b>	<b>\$ 3,218,500</b>	<b>\$ 2,587,067</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 320,789	\$ 90,017
Accrued liabilities (Note 7)	191,659	163,365
Deferred revenue (Note 8)	56,814	-
Mortgage payable (Note 9)	1,916,749	1,979,171
Line of credit (Note 10)	225,200	295,200
<b>TOTAL LIABILITIES</b>	<b>2,711,211</b>	<b>2,527,753</b>
<b>NET ASSETS</b>		
Without donor restrictions	370,489	(76,686)
With donor restrictions (Note 12)	136,800	136,000
<b>TOTAL NET ASSETS</b>	<b>507,289</b>	<b>59,314</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,218,500</b>	<b>\$ 2,587,067</b>

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

**RENAISSANCE ENTREPRENEURSHIP CENTER**

STATEMENT OF ACTIVITIES

For the year ended December 31, 2018

With comparative totals for the year ended December 31, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018</u>	<u>2017</u>
<b>REVENUE AND SUPPORT</b>				
Fees and grants from government agencies (Note 14)	\$ 1,507,141	\$ -	\$ 1,507,141	\$ 963,514
Contributions (Note 13)	1,246,280	136,800	<b>1,383,080</b>	1,116,686
Incubator rent and fees	418,204		<b>418,204</b>	392,105
Special events (net of expenses of \$107,389)	178,364		<b>178,364</b>	200,902
Program service fees	168,859		<b>168,859</b>	180,276
Other income	11,384		<b>11,384</b>	10,177
Donated materials and services (Note 2)	9,833		<b>9,833</b>	-
Gain on disposal of assets			-	1,039
Net assets released from restrictions (Note 12)	136,000	(136,000)	-	-
	<u>3,676,065</u>	<u>800</u>	<u><b>3,676,865</b></u>	<u>2,864,699</u>
<b>EXPENSES</b>				
Program services	2,524,358		<b>2,524,358</b>	2,481,661
Management and general	515,972		<b>515,972</b>	442,284
Fundraising	188,560		<b>188,560</b>	238,650
	<u>3,228,890</u>	<u>-</u>	<u><b>3,228,890</b></u>	<u>3,162,595</u>
<b>CHANGE IN NET ASSETS</b>	447,175	800	<b>447,975</b>	(297,896)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>(76,686)</u>	136,000	<u><b>59,314</b></u>	357,210
<b>NET ASSETS, END OF THE YEAR</b>	<u><u>\$ 370,489</u></u>	<u><u>\$ 136,800</u></u>	<u><u><b>\$ 507,289</b></u></u>	<u><u>\$ 59,314</u></u>

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

**RENAISSANCE ENTREPRENEURSHIP CENTER**

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2018

With comparative totals for the year ended December 31, 2017

	<u>Program</u>		<u>Total</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>	
	<u>Training</u>	<u>Client Support Services</u>	<u>Program Services</u>			<u>2018</u>	<u>2017</u>
Salaries	\$ 122,808	\$ 817,263	\$ 940,071	\$ 305,155	\$ 150,920	\$ 1,396,146	\$ 1,488,323
Employee benefits	11,612	78,031	89,643	79,412	14,271	183,326	164,636
Payroll taxes	9,844	65,508	75,352	24,470	12,097	111,919	119,899
Total personnel costs	144,264	960,802	1,105,066	409,037	177,288	1,691,391	1,772,858
Consultants and instructors	174,709	513,254	687,963	190		688,153	485,465
Occupancy	91,510	202,245	293,755	4,360	1,758	299,873	271,339
Depreciation	17,214	116,657	133,871	2,057	1,835	137,763	147,970
Professional fees	120	53,112	53,232	37,673	2,736	93,641	140,491
Interest	10,419	72,619	83,038	8,044	994	92,076	92,588
Equipment maintenance and leases		60,507	60,507			60,507	55,721
Miscellaneous	1,167	6,125	7,292	21,185	470	28,947	24,976
Telecommunications and internet		26,880	26,880			26,880	24,812
Meeting and travel	958	13,576	14,534	4,912	1,548	20,994	22,139
Insurance		300	300	17,150		17,450	26,606
Events	4,846	11,843	16,689	110	630	17,429	58,696
Awards and grants given	2,300	13,967	16,267			16,267	6,800
Supplies	1,861	13,262	15,123	474	11	15,608	12,020
In-kind expenses			-	9,833		9,833	-
Advertisement and promotion	1,674	4,045	5,719	61		5,780	10,961
Printing and publications	1,160	1,427	2,587	447	880	3,914	6,847
Postage and delivery		1,535	1,535	439	410	2,384	2,306
<b>TOTAL 2018 FUNCTIONAL EXPENSES</b>	<b>\$ 452,202</b>	<b>\$ 2,072,156</b>	<b>\$ 2,524,358</b>	<b>\$ 515,972</b>	<b>\$ 188,560</b>	<b>\$ 3,228,890</b>	
<b>TOTAL 2017 FUNCTIONAL EXPENSES</b>	<b>\$ 476,470</b>	<b>\$ 2,005,191</b>	<b>\$ 2,481,661</b>	<b>\$ 442,284</b>	<b>\$ 238,650</b>		<b>\$ 3,162,595</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, 2018

With comparative totals for the year ended December 31, 2017

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 447,975	\$ (297,896)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	137,763	147,970
(Gain) on disposal of assets	-	(1,039)
(Increase) decrease in operating assets:		
Grants receivable	(223,578)	(48,638)
Pledges receivable	(90,826)	197,560
Accounts receivable	(17)	(2,864)
Prepaid expense	(18,560)	34,775
Increase (decrease) in operating liabilities:		
Accounts payable	230,772	(28,607)
Accrued liabilities	28,294	(15,682)
Deferred revenue	56,814	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>568,637</u>	<u>(14,421)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(331,278)	(6,161)
Net changes in certificates of deposits	(15)	(72)
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<u>(331,293)</u>	<u>(6,233)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payment on line of credit	(70,000)	(64,800)
Principal payments on mortgage payable	(62,422)	(59,756)
<b>NET CASH (USED) BY FINANCING ACTIVITIES</b>	<u>(132,422)</u>	<u>(124,556)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	104,922	(145,210)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>259,168</u>	<u>404,378</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 364,090</u>	<u>\$ 259,168</u>
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Operating activities reflects interest paid of:	<u>\$ 92,076</u>	<u>\$ 92,588</u>

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

# RENAISSANCE ENTREPRENEURSHIP CENTER

## NOTES TO FINANCIAL STATEMENTS

### 1. Organization

#### Bringing the Power of Entrepreneurship to Lower-Income Individuals and Communities

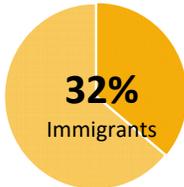
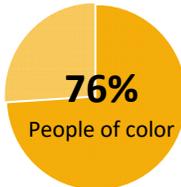
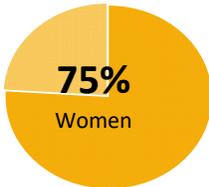
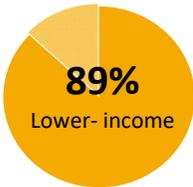
Renaissance Entrepreneurship Center (“Renaissance”) is a not-for-profit social impact organization working at the intersection of social, racial and economic justice. Our work demonstrates that through small business ownership, individuals who face systemic barriers to economic opportunity due to gender, sexual orientation, race, income level, immigration status, or former incarceration can achieve economic mobility, create better futures for themselves and their families, and play pivotal roles in building local economic prosperity.

Renaissance delivers comprehensive English- and Spanish-language entrepreneurship training, access to capital, special programs for women, and ongoing support that directly addresses the challenges disadvantaged communities face as they strive to achieve economic mobility. Renaissance clients graduate with the technical and soft business skills, business acumen, and supportive networks that all entrepreneurs need – and deserve – to build assets and create better futures for themselves, their families and communities.

Annually Renaissance delivers small business training and support services to more than 1,500 lower-income Bay Area individuals who, in turn, launch and grow more than 500 businesses, access over \$1 million in capital, and create employment for as many as 750 local residents.



Our clients are: 89% low- to moderate-income; 75% women; 76% people of color; 32% immigrants, 12% LGBTQ and 9% people with disabilities.



Renaissance reaches deeply into some of the Bay Area’s most under-resourced communities, delivering services through our four Centers: South of Market and Bayview Hunters Point in San Francisco, Richmond in Contra Costa County, and East Palo Alto in San Mateo County, as well as off-site services in Oakland, San Jose and East Contra Costa County. Our Centers not only remove geographic barriers to participation, they also build community and foster collaboration among business owners. Each center is designed to be responsive to community needs, offering accessible and affordable skills training, resources, and networks that help residents launch and grow sustainable businesses.

# RENAISSANCE ENTREPRENEURSHIP CENTER

## NOTES TO FINANCIAL STATEMENTS

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

#### **Our Impact**

Renaissance's work demonstrates that through customized small business training and support, individuals who face systemic barriers to economic opportunity can change the trajectory of lives, achieve economic mobility, and play pivotal roles in building local economy prosperity.

Our impact is demonstrated by our clients' success. According to our 2018 Entrepreneur Tracker evaluation, an independent survey conducted by the Aspen Institute:

- 68% of pre-business clients launched successfully in just one year
- 94% who came to Renaissance in business, stayed in business
- 68% of owners met their income goals and household incomes increased by 28%
- 45% of businesses employed others; on average each business supports three jobs with an average employee hourly wage of \$25.5/hour.
- 94% of clients said Renaissance services completely or mostly met their expectations.

The Bay Area reflects among the most extreme disparities of wealth in the country, and the risk of falling through the cracks is worsening by the day for people of color, women, individuals with lower-income, immigrants and the formerly incarcerated. Through small business ownership our clients are breaking that cycle by building better futures for themselves, their families and communities. Since our launch in 1985, Renaissance has served over 29,000 individuals who have started and grown over 12,500 businesses, created more than 18,750 jobs, built financial assets, and contributed to local economic vitality.

Renaissance owns and/or manages 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 San Francisco was appraised in 2012 at \$5.8 million.

***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 new businesses, new jobs and the promotion of financial self-sufficiency.***

### 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.

# RENAISSANCE ENTREPRENEURSHIP CENTER

## NOTES TO FINANCIAL STATEMENTS

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

#### Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Without Donor Restrictions.** Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

**With Donor Restrictions.** Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### 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 \$5,000 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

continued

# RENAISSANCE ENTREPRENEURSHIP CENTER

## NOTES TO FINANCIAL STATEMENTS

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

Renaissance is required to measure investments and new pledge contributions at fair value. The specific technique used to measure fair value for these financial statement elements are described in the notes below that relate to each element.

#### **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, 2018 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, 2018, Renaissance received \$9,833 of donated materials and 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.

continued

# RENAISSANCE ENTREPRENEURSHIP CENTER

## NOTES TO FINANCIAL STATEMENTS

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

#### 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.

#### Recently Adopted Accounting Pronouncement

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now titled "without donor restrictions" and "with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed-in-service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for the periods prior to adoption. Renaissance's financial statements for year-ended December 31, 2018 are presented in accordance with ASU 2016-14.

#### 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, 2017, from which the summarized information was derived.

continued

# RENAISSANCE ENTREPRENEURSHIP CENTER

## NOTES TO FINANCIAL STATEMENTS

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### 3. Liquidity and Availability of Resources

Renaissance receives significant contributions and promises-to-give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. Of the \$136,800 in restricted net assets, \$133,800 will be eligible for release from restriction in the coming year. Management closely watches cash balances and the Finance Director prepares cash flow projections at least semi-monthly. Renaissance has a \$500,000 line of credit that can be used to meet short-term cash flow needs if necessary. In 2018, Renaissance did not need to access the line of credit and made a payment at the end of the year to reduce the balance due.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Renaissance considers all planned and budgeted expenditures related to the ongoing activities of its programs, as well as management and general and fundraising activities.

As of December 31, 2018, the following tables show the total financial assets held by Renaissance and the amounts of those financial assets that could readily be made available within one year of the balance sheet date to meet general expenditures:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 417,166	\$312,229
Accounts receivable	<u>702,378</u>	<u>387,957</u>
Total financial assets at year-end	<u>\$1,119,544</u>	<u>\$700,186</u>

Financial assets available to meet expenditures over the next 12 months.

Total financial assets	\$1,119,544	\$ 700,186
Less current liabilities	<u>(698,948)</u>	<u>(544,083)</u>
Assets available to meet expenditures in next 12 months	<u>\$ 420,596</u>	<u>\$ 156,103</u>

### 4. 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, 2018. Discount on pledges receivables is immaterial, accordingly unamortized discount on pledges receivable is not recorded. Total amount of pledges receivable at December 31, 2018, of \$157,529 is expected to be collected within the year.

# RENAISSANCE ENTREPRENEURSHIP CENTER

## NOTES TO FINANCIAL STATEMENTS

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### 5. Certificates of Deposit

The certificates of deposit totaling \$50,379 bear interest ranging from 0.10% to 2.25% and have maturities of six to twenty-four months, with penalties for early withdrawal.

### 6. Property and Equipment

Property and equipment at December 31, 2018 consist of the following:

Land	\$ 340,000
Building and improvements	2,933,215
Furniture and equipment	<u>397,859</u>
	3,671,074
Less: accumulated depreciation	<u>(1,636,589)</u>
	<u>\$ 2,034,485</u>

Depreciation expense for the year ended December 31, 2018 was \$137,763.

The property at 5<sup>th</sup> Street in San Francisco has a net book value of \$756,427 as of December 31, 2018, and was appraised at \$5,800,000 in 2012 in advance of refinancing of Renaissance's mortgage.

### 7. Accrued Liabilities

Accrued liabilities at December 31, 2018 consist of the following:

Accrued vacation	\$ 64,243
Accrued payroll	56,374
Retirement contribution payable	40,285
Tenant security deposits	29,237
Other accrued liabilities	<u>1,520</u>
	<u>\$191,659</u>

### 8. Deferred Revenue

Deferred revenue at December 31, 2018 consist of the following:

Grant advances	\$56,477
Prepaid rent income	<u>337</u>
	<u>\$56,814</u>

continued

# RENAISSANCE ENTREPRENEURSHIP CENTER

## NOTES TO FINANCIAL STATEMENTS

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### 9. Mortgage Payable

Mortgage payable at December 31, 2018 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. \$1,916,749

Maturities for the note payable are as follows:

<u>Year ending December 31,</u>	
2019	\$ 67,114
2020	70,093
2021	73,203
2022	76,452
2023	<u>1,629,887</u>
	<u>\$1,916,749</u>

### 10. Line of Credit

Renaissance has a line of credit with the Straus Family Trust in the amount of \$500,000, at the rate of 0.70%, secured by real property due April 14, 2022. There was an outstanding balance of \$225,200 on the line of credit as of December 31, 2018 (see Note 17).

### 11. Commitments and Contingencies

#### Obligations Under Operating Leases

Renaissance leases various facilities and equipment 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 ending December 31,</u>	
2019	\$38,400
2020	<u>9,600</u>
	<u>\$48,000</u>

Rent expense under operating leases for the year ended December 31, 2018 was \$103,679.

# RENAISSANCE ENTREPRENEURSHIP CENTER

## NOTES TO FINANCIAL STATEMENTS

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### 11. 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.

### 12. Net Assets With Donor Restrictions

Renaissance's donor restricted net assets at December 31, 2018 consist of the following:

Mid-peninsula programs	\$131,600
General operating	<u>5,200</u>
	<u>136,800</u>

For the year ended December 31, 2018, net assets released from purpose restrictions were \$136,000.

### 13. Contributions

Contributions for the year ended December 31, 2018 consist of the following:

Foundations:	
Hearst Foundation	\$ 100,000
Walter and Elise Haas Fund	60,000
Others	<u>353,500</u>
	513,500
Corporate	783,327
Individual	<u>86,253</u>
	<u>\$1,383,080</u>

### 14. Fees and Grants from Government Agencies

Fees and grants from government agencies for the year ended December 31, 2018 consist of the following:

U.S. SBA Women's Business Center – San Francisco	\$ 150,000
San Francisco CDBG:	
Bayview Programs	90,966
SOMA Training	64,123
Women TA in English and Spanish	39,913
San Mateo County CDBG	42,918
Redwood City CDBG	24,147

continued

# RENAISSANCE ENTREPRENEURSHIP CENTER

## NOTES TO FINANCIAL STATEMENTS

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### 14. Fees and Grants from Government Agencies, continued

EDA Richmond	103,145
Contra Costa CDBG	35,226
SOMA Revitalization Grants:	
Offsite Programs/Restaurants	62,471
San Francisco MOEWD Grants:	
HVAC	355,505
SF Shines	165,111
Bayview Women	61,663
Distributions and Repair Business Services	42,693
Assistance for Established Women Entrepreneurs	36,504
Fashion SF	19,115
City of East Palo Alto Grant	50,000
Bus Rapid Transit Business Technical Assistance	25,366
Project We Hope/Measure C	24,332
LISC Federal	32,625
Other	81,318
	<u>\$1,507,141</u>

### 15. Employee Benefit Plan

Renaissance has a defined contribution plan for all eligible employees. Employer contributions to the Plan are discretionary. Employer contribution to the Plan for the year ended December 31, 2018 was \$38,700.

### 16. Fair Value Measurements

The table below presents the balances of assets measured at fair value at December 31, 2018 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Real estate partnership investment	<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.

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

Beginning balance at January 1, 2018	\$2,697
Purchases, sales, issuances, and settlements – net	-
Ending balance at December 31, 2018	<u>\$2,697</u>

continued

# RENAISSANCE ENTREPRENEURSHIP CENTER

## NOTES TO FINANCIAL STATEMENTS

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### 16. Fair Value Measurements, continued

The table below present transaction measures at fair value on a non-recurring basis during the year ended December 31, 2018.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pledges contributions – current year	<u>\$ -</u>	<u>\$ -</u>	<u>\$60,800</u>	<u>\$60,800</u>

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).

### 17. 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, 2022. There was an outstanding balance of \$225,200 on the line of credit and accrued interest in the amount of \$2,520 as of December 31, 2018. A Board member, related party is a trustee of the Straus Family Trust (see Note 10).

### 18. Subsequent Events

Subsequent to year end the Board of Directors elected to make a discretionary employer retirement contribution in the amount of \$38,700 for the year ended December 31, 2018. The financial statements as of December 31, 2018 includes the adjustment resulting from this transaction.

Management has evaluated subsequent events through July 26, 2019, the date which the financial statements were available for issue. Except as described above, no other events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

**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, 2018, 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 dated July 26, 2019.

**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 from 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*

Oakland, California

July 26, 2019