

RENAISSANCE ENTREPRENEURSHIP CENTER

FINANCIAL STATEMENTS

DECEMBER 31, 2020

PASADENA
2698 Mataro St.
Pasadena, CA 91107
p: 626.403.6801

A Trusted Nonprofit Partner

Main Fax: 626.403.6866

www.npocpas.com

OAKLAND
1901 Harrison St., Suite 115C
Oakland, CA 94612
p: 510.379.1182

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INDEPENDENT AUDITORS' REPORT

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, 2020, 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, 2020, 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

Other Matter

Report on Summarized Comparative Information

We have previously audited Renaissance Entrepreneurship Center's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 8, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, 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 December 22, 2021, 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
December 22, 2021

RENAISSANCE ENTREPRENEURSHIP CENTER

STATEMENT OF FINANCIAL POSITION

December 31, 2020

With comparative totals at December 31, 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 2,101,029	\$ 223,007
Certificates of deposit (Note 5)	50,520	50,402
Grants receivable	703,586	376,658
Pledges receivable (Note 4)	212,738	904,355
Accounts receivable	29,780	20,051
Prepaid expense and other assets	44,042	54,236
Property and equipment (Note 6)	1,841,687	1,960,512
TOTAL ASSETS	<u>\$ 4,983,382</u>	<u>\$ 3,589,221</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 986,282	\$ 159,202
Accrued liabilities (Note 7)	315,576	209,460
Deferred revenue (Note 8)	188,836	9,760
Mortgage payable (Note 9)	1,783,015	1,851,240
Line of credit (Note 10)	-	195,200
Paycheck protection program loan (Note 11)	290,000	-
TOTAL LIABILITIES	<u>3,563,709</u>	<u>2,424,862</u>
NET ASSETS		
Without donor restrictions	615,373	379,059
With donor restrictions (Note 13)	804,300	785,300
TOTAL NET ASSETS	<u>1,419,673</u>	<u>1,164,359</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,983,382</u>	<u>\$ 3,589,221</u>

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

RENAISSANCE ENTREPRENEURSHIP CENTER

STATEMENT OF ACTIVITIES

For the year ended December 31, 2020

With comparative totals for the year ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	2020	2019
REVENUE AND SUPPORT				
Grants and contributions (Note 14)	\$ 6,592,278	\$ 532,800	\$ 7,125,078	\$ 3,531,777
Incubator rent and fees	403,567		403,567	472,629
Special events (net of expenses of \$58,520)	290,600		290,600	253,590
Donated materials and services (Note 2)	269,089		269,089	172,949
Program service fees	77,106		77,106	105,364
Other income	590		590	3,288
Net assets released from restrictions (Note 13)	513,800	(513,800)	-	-
TOTAL REVENUE AND SUPPORT	8,147,030	19,000	8,166,030	4,539,597
EXPENSES				
Program services	6,558,828		6,558,828	2,917,546
Management and general	1,081,303		1,081,303	777,984
Fundraising	270,585		270,585	186,997
TOTAL EXPENSES	7,910,716	-	7,910,716	3,882,527
CHANGE IN NET ASSETS	236,314	19,000	255,314	657,070
NET ASSETS, BEGINNING OF YEAR	379,059	785,300	1,164,359	507,289
NET ASSETS, END OF THE YEAR	\$ 615,373	\$ 804,300	\$ 1,419,673	\$ 1,164,359

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

RENAISSANCE ENTREPRENEURSHIP CENTER

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2020

With comparative totals for the year ended December 31, 2019

	Program Services		Total Program Services	Management and General	Fundraising	Total Expenses	
	Training	Client Support Services				2020	2019
Salaries	\$ 141,208	\$ 1,197,217	\$ 1,338,425	\$ 436,196	\$ 167,294	\$ 1,941,915	\$ 1,568,643
Employee benefits	15,315	137,757	153,072	112,036	19,930	285,038	197,689
Payroll taxes	10,480	92,990	103,470	30,795	13,476	147,741	126,901
Total personnel costs	167,003	1,427,964	1,594,967	579,027	200,700	2,374,694	1,893,233
Awards and grants given		3,583,673	3,583,673			3,583,673	32,340
Consultants and instructors	195,092	435,976	631,068	3,220	2,807	637,095	697,207
Occupancy	47,788	240,040	287,828	6,267	4,324	298,419	298,472
Professional fees	2,481	60,722	63,203	187,743	23,237	274,183	199,281
In-kind expenses		58,000	58,000	181,998	29,091	269,089	172,949
Depreciation	22,646	93,099	115,745	19,739	3,284	138,768	143,828
Interest	11,274	60,399	71,673	13,857	2,441	87,971	89,384
Utilities	12,702	46,192	58,894	5,034	1,419	65,347	87,461
Miscellaneous	690	19,682	20,372	37,398	2,533	60,303	53,082
Equipment maintenance and leases	33,854	17,368	51,222		286	51,508	56,481
Supplies		9,003	9,003	19,046	58	28,107	32,223
Insurance				23,653		23,653	24,176
Advertisement and promotion		6,405	6,405			6,405	10,402
Meeting and travel	508	3,874	4,382	1,458	405	6,245	26,096
Printing and publications		1,024	1,024	1,283		2,307	2,881
Events	536	135	671	1,208		1,879	60,885
Postage and delivery	379	319	698	372		1,070	2,146
TOTAL 2020 FUNCTIONAL EXPENSES	\$ 494,953	\$ 6,063,875	\$ 6,558,828	\$ 1,081,303	\$ 270,585	\$ 7,910,716	
TOTAL 2019 FUNCTIONAL EXPENSES	\$ 837,618	\$ 2,079,928	\$ 2,917,546	\$ 777,984	\$ 186,997		\$ 3,882,527

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

RENAISSANCE ENTREPRENEURSHIP CENTER

STATEMENT OF CASH FLOWS

For the year ended December 31, 2020

With comparative totals for the year ended December 31, 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 255,314	\$ 657,070
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	138,768	143,828
(Increase) decrease in operating assets:		
Grants receivable	(326,928)	165,310
Pledges receivable	691,617	(746,826)
Accounts receivable	(9,729)	(17,170)
Prepaid expense	10,194	12,932
Increase (decrease) in operating liabilities:		
Accounts payable	827,080	(161,587)
Accrued liabilities	106,116	17,801
Deferred revenue	179,076	(47,054)
	1,871,508	24,304
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(19,942)	(69,855)
Net changes in certificates of deposits	(118)	(23)
	(20,060)	(69,878)
NET CASH (USED) BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment on line of credit	(195,200)	(30,000)
Principal payments on mortgage payable	(68,226)	(65,509)
Proceeds from paycheck protection program loan	290,000	-
	26,574	(95,509)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH	1,878,022	(141,083)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	223,007	364,090
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,101,029	\$ 223,007
SUPPLEMENTAL DISCLOSURES:		
Operating activities reflects interest paid of:	\$ 87,971	\$ 89,384

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

1. Organization

Transforming Lives and Communities through Entrepreneurship

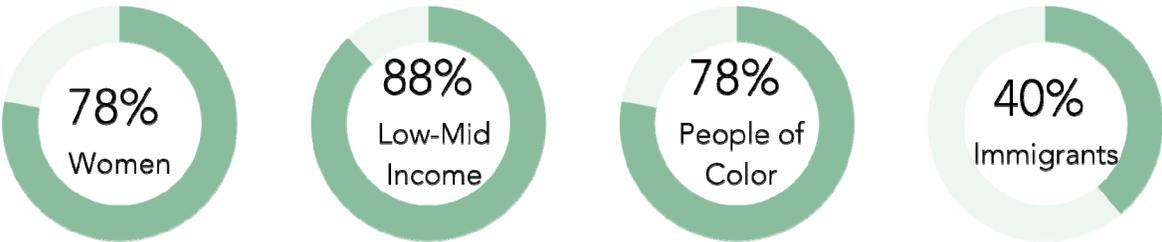
Renaissance Entrepreneurship Center (“Renaissance”) (www.rencenter.org), is a not-for-profit social impact organization working at the intersection of social, racial and economic justice. Renaissance’s work demonstrates that through small business ownership, individuals who face systemic barriers to economic opportunity due to race, gender, sexual orientation, income level, immigration status, or former incarceration can achieve economic stability, 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 individuals and communities face as they strive to achieve economic stability. 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.

COVID-19 Global Pandemic

In 2020, Renaissance was a first responder in the San Francisco Bay Area economy. We acted quickly to address increased demand for our services, pivoted repeatedly as the impact of the pandemic progressed, built new programs and services, and served a record number of existing and emerging entrepreneurs - both business owners needing to rebuild their operations, as well as the surge of recently unemployed people seeking entrepreneurship as a means to rebuild their livelihoods.

In 2020, we served 3,081 clients, an increase of 50% over previous years: **78% women, 88% low-mod- income; 78% people of color; 40% immigrants.**



Within days of the “shelter in place” mandate, Renaissance conducted a client survey; 82% reported needing immediate financial assistance; 84% needed help navigating and understanding pandemic resources available to them; and 40% did not have computers or laptops, relying on smartphones for internet access. In response we built upon our track record to modify and design services to adapt to the needs of our clients:

RENAISSANCE ENTREPRENEURSHIP CENTER

NOTES TO FINANCIAL STATEMENTS

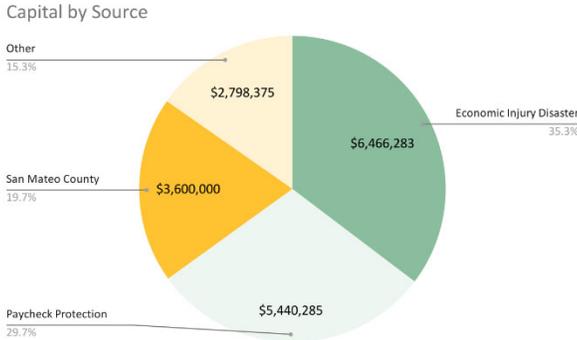
1. Organization, continued

Delivery: Renaissance immediately moved all of our programs and consulting services online to increase client access to support and services despite sheltering in place. We rapidly increased our one-on-one online and telephone consulting services to address the panic, as well as unique needs each of our vulnerable business owners faced helping them pivot operations to continue to conduct business and maintain safety protocols. All services, consultations and resources continue to be provided in English and Spanish.

Programs: Renaissance launched new programming and curriculum to help businesses navigate unforeseen and shifting challenges. In addition to introduction to business, business planning, and other foundation programs, we developed additional curriculum and offered new classes, workshops and consultations in finance, legal, marketing, networking, soft skills and more. We offered numerous activities to enable our entrepreneurs to support each other with resource-sharing and ideas in real time as they responded to the pandemic’s impact on their businesses.

Technology: Pandemic sheltering restrictions immediately decimated business operations most notably for 40% of our clients who entered the pandemic with minimal technology and technology capacity, having operated their businesses solely in person or on their phones. Up to 70% of our clients lacked the ability to receive online payments, store data on their clients electronically, or use online bookkeeping software. We created services and training to enable them to move online, building their skills in bookkeeping, social media, online marketing, sales and e-commerce. We supplied clients with technology and provided consulting and expertise to help them quickly develop websites, online financial systems, payment processing and e-commerce capability.

Economic Relief/Access to Capital: Helping underserved entrepreneurs overcome barriers to needed emergency capital became a major focus for Renaissance once the pandemic hit. We helped diverse small businesses access over **\$18.5M in capital** (compared to \$1.6M in 2019). While we helped clients access much of these funds through federal relief programs (Payment Protection Program and Economic Injury Disaster Loans), Renaissance was also tapped by San Mateo County and Contra Costa County to distribute \$3.6M and \$575,000 respectively in assistance to their most vulnerable businesses.



RENAISSANCE ENTREPRENEURSHIP CENTER

NOTES TO FINANCIAL STATEMENTS

1. **Organization**, continued

As the economy evolves through the global pandemic, Renaissance continues to focus, refine and add support and services to enable the San Francisco Bay Area's most vulnerable entrepreneurs to survive, pivot and thrive.

Renaissance reaches deeply into some of the Bay Area's most under-resourced communities to deliver our services. Our approach is designed to remove barriers to economic self-sufficiency, build entrepreneurial community and foster collaboration among business owners. While the pain of the global pandemic is universal, its impact is not evenly distributed. The small business community has been affected in an unprecedented manner with Renaissance's target market of lower-income individuals, people of color, immigrants and women being among the hardest hit.

Launched in 1985, Renaissance has now served over 32,000 individuals who have started and grown over 18,000 businesses, created more than 24,000 jobs, built financial assets, and contributed to local economic vitality. Renaissance's entrepreneurial community includes over 47,000 square feet of commercial real estate that we own and/or manage, hosting over 70 small businesses and community-serving organizations. The building Renaissance owns in South of Market San Francisco was appraised in 2012 at \$5.8 million.

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.

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.

continued

RENAISSANCE ENTREPRENEURSHIP CENTER

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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

Renaissance is required to measure certain investments, in-kind contributions, and new pledge contributions at fair value. The specific techniques 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.

continued

RENAISSANCE ENTREPRENEURSHIP CENTER

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

The primary receivable balance outstanding at December 31, 2020 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, 2020, Renaissance received \$269,089 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.

Revenue and Revenue Recognition

Renaissance recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

A portion of Renaissance's revenue are derived from cost-reimbursable federal, state, county or local contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Renaissance has incurred expenditures in compliance with specific contract or grant provisions.

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.

RENAISSANCE ENTREPRENEURSHIP CENTER

NOTES TO FINANCIAL STATEMENTS

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.

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, 2019, from which the summarized information was derived.

Reclassification

Certain amounts from the December 31, 2019 financial statements have been reclassified to conform to the December 31, 2020 presentation.

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 \$804,300 in restricted net assets, \$802,700 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 2020, Renaissance did not need to access the line of credit and paid the remaining balance on the line of credit in full.

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.

continued

RENAISSANCE ENTREPRENEURSHIP CENTER

NOTES TO FINANCIAL STATEMENTS

3. Liquidity and Availability of Resources, continued

As of December 31, 2020, 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 statement of financial position date to meet general expenditures:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$2,151,549	\$ 273,409
Accounts receivable	<u>946,104</u>	1,301,064
Total financial assets at year-end	3,097,653	1,574,473
Less: cash and pledges with donor restrictions	<u>(804,300)</u>	(785,300)
Assets available to meet expenditures in next 12 months	<u>\$2,293,353</u>	<u>\$ 789,173</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, 2020. Total amount of pledges receivable at December 31, 2020, of \$212,738 is expected to be collected within the year.

5. Certificates of Deposit

The certificates of deposit totaling \$50,520 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, 2020 consist of the following:

Land	\$ 340,000
Building and improvements	2,977,326
Furniture and equipment	<u>443,974</u>
	3,761,300
Less: accumulated depreciation	<u>(1,919,613)</u>
	<u>\$ 1,841,687</u>

Depreciation expense for the year ended December 31, 2020 was \$138,768.

The property at 5th Street in San Francisco has a net book value of \$686,045 as of December 31, 2020, and was appraised at \$5,800,000 in 2012 in advance of the refinancing of Renaissance's mortgage.

continued

RENAISSANCE ENTREPRENEURSHIP CENTER

NOTES TO FINANCIAL STATEMENTS

7. Accrued Liabilities

Accrued liabilities at December 31, 2020 consist of the following:

Accrued vacation	\$117,080
Accrued payroll	84,821
Tenant security deposits	34,399
Accrued workers compensation	13,773
Retirement contribution payable	63,275
Other accrued liabilities	<u>2,228</u>
	<u>\$315,576</u>

8. Deferred Revenue

Deferred revenue at December 31, 2020 consists of prepaid rent income of \$188,836.

9. Mortgage Payable

Mortgage payable at December 31, 2020 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.	<u>\$1,783,015</u>
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Maturities for the mortgage payable are as follows:

<u>Year ending December 31,</u>	
2021	\$ 73,203
2022	76,452
2023	<u>1,633,360</u>
	<u>\$1,783,015</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 2.49%, secured by real property due April 14, 2022. The outstanding balance on the line of credit has been paid off as of December 31, 2020.

A Board member (related party), is a trustee of the Straus Family Trust.

RENAISSANCE ENTREPRENEURSHIP CENTER

NOTES TO FINANCIAL STATEMENTS

11. Paycheck Protection Program

In April 2020, Renaissance received loan proceeds in the amount of \$290,000 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loan and accrued interest are potentially forgivable after a period of up to twenty-four weeks (the “covered period”) after the date of funding as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of forgiveness may be reduced if the recipient terminates employees or reduces salaries during the cover period.

The unforgiven portion of the PPP grant is payable over two years at an interest rate of 1%, with a deferral of either (1) the date that the Small Business Administration (“SBA”) remits the recipient’s forgiveness amount to the lender institution or (2) if the recipient does not apply for forgiveness, 10 months after the end of the recipient’s forgiveness covered period. Renaissance intends to use the proceeds for purposes consistent with the PPP regulations.

On August 2021, Renaissance was notified by the SBA that the PPP loan of \$290,000 was fully forgiven (see Note 17).

12. 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>	
2021	\$ 99,000
2022	70,200
2023	39,600
2024	39,600
2025	<u>13,200</u>
	<u>\$261,600</u>

Rent expense under operating leases for the year ended December 31, 2020 was \$122,637.

RENAISSANCE ENTREPRENEURSHIP CENTER

NOTES TO FINANCIAL STATEMENTS

12. 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.

Impact of COVID-19 Virus

In March 2020, the COVID-19 virus was declared a global pandemic. Renaissance complied with state and local government sheltering mandates and safety protocols, while pivoting quickly to provide services to our clients through on-line and remote processes. Renaissance management continues to monitor the effect of the pandemic on the demand for our services as well as our revenue streams, strategizing our best response. No adjustments have been made to these financial statements as a result of the pandemic. Initial impacts of the COVID-19 pandemic have occurred subsequent to December 31, 2019: Demand for Renaissance's services increased as small businesses grappled with the pandemic's economic impact. While Renaissance's earned revenue streams decreased slightly and ongoing volatility in these revenues is anticipated, revenue from government agencies, corporations and foundations specific to COVID-19 economic relief has increased.

13. Net Assets With Donor Restrictions

Renaissance's donor restricted net assets of \$804,300 at December 31, 2020, are restricted for general operations and multi programs.

For the year ended December 31, 2020, net assets released from purpose restrictions were \$513,800.

14. Grants and Contributions

Contributions for the year ended December 31, 2020 consist of the following:

Fees and grants from government agencies:

San Francisco CDBG:

Bayview Grant CDBG	\$	53,178
Bayview Established Bayview & Hunters Point CDBG		16,251
Bayview 3rd Street and Lower Fillmore CDBG		16,453
Microenterprise Grant CDBG		60,652
Women's TA in English and Spanish CDBG		36,476

Alameda County CDBG		16,281
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RENAISSANCE ENTREPRENEURSHIP CENTER

NOTES TO FINANCIAL STATEMENTS

14. Grants and Contributions, continued

San Mateo County CDBG:	
The City of San Mateo CDBG	10,772
The City of San Mateo CDBG	11,515
Redwood City, CDBG	968
Redwood City, CDBG	21,587
County of San Mateo, CDBG	17,435
County of San Mateo, CDBG	23,216
Contra Costa County CDBG:	
Contra Costa County, CDBG	13,772
Contra Costa County, CDBG	28,796
Contra Costa County COVID Program, CDBG	161,316
The City of Pittsburg, CDBG	6,825
City of Oakland CSBG	59,281
EDA Small Business Training and Support Services Initiative	38,316
Small Business Administration:	
County of San Mateo - CARES Act Funds Initial Contract	3,923,901
Women's Business Center	112,500
Women's Business Center	37,500
Small Business Cares Act	197,707
State of California:	
GOBiz TAEP WBC	123,903
GOBiz TAEP Richmond	18,351
CA Department of Rehabilitation	1,040
San Mateo Get Healthy	1,533
San Francisco:	
EPA Measure C Funds	21,000
SF Adult Probation Dept	545
SF TA for Lower Fillmore Corridor	32,120
CDBG - Women's Programs – Established	45,487
MOEWD - Fashion SF	20,500
MOEWD - Women's Programs Bayview	80,218
MOEWD - SF Shines Express Dist 5	96,815
MOEWD - Dist & Repair Business Svcs	5,460
City of East Palo Alto COVID Assistance	21,547
Other	5,454
Total fees and grants from government agencies	<u>5,338,671</u>

continued

RENAISSANCE ENTREPRENEURSHIP CENTER

NOTES TO FINANCIAL STATEMENTS

14. Grants and Contributions, continued

Foundation contributions:	
Silicon Valley Community Foundation	139,625
Arthur and Charlotte Zitrin Foundation	118,330
Sandor and Faye Strauss Foundation	100,000
Y&H Soda Foundation	75,000
Walter & Elise Haas Fund	50,000
Others	<u>256,600</u>
Total foundation contributions	<u>739,555</u>
Corporate contributions	949,880
Individual contributions	<u>96,972</u>
Total grants and contributions	<u>\$7,125,078</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, 2020 was \$61,000.

16. Fair Value Measurements

The table below presents the balances of assets measured at fair value at December 31, 2020 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 real estate partnership 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, 2020	\$2,697
Purchases, sales, issuances, and settlements – net	<u>-</u>
Ending balance at December 31, 2020	<u>\$2,697</u>

continued

RENAISSANCE ENTREPRENEURSHIP CENTER

NOTES TO FINANCIAL STATEMENTS

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, 2020.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Donated materials and services	\$ -	\$269,089	\$ -	\$269,089
Pledged contributions – new			<u>606,700</u>	<u>606,700</u>
Fair value at December 31, 2020	<u>\$ -</u>	<u>\$269,089</u>	<u>\$606,700</u>	<u>\$875,789</u>

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

The fair value of pledged contributions – new 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. Subsequent Events

In August 2021, Renaissance was notified by the SBA that the PPP loan of \$290,000 was fully forgiven (see Note 11).

Management has evaluated subsequent events through December 21, 2021, the date which the financial statements were available for issue. Except for the above, no other events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.