

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

**(WITH PRIOR YEAR SUMMARIZED
COMPARATIVE INFORMATION FOR 2018)**

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY

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To the Board of Trustees of
Social Enterprise Greenhouse and Subsidiary

We have audited the accompanying consolidated financial statements of Social Enterprise Greenhouse and Subsidiary which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Social Enterprise Greenhouse and Subsidiary, LLC as of December 31, 2019, and the consolidated changes in its net assets, consolidated statement of functional expenses and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter – Prior Period Summarized Comparative Information

We have previously audited the Social Enterprise Greenhouse and Subsidiary, LLC's 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 28, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

Providence, RI
August 19, 2020

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

(WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION AS OF
DECEMBER 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
Assets				
Cash	\$ 148,332	\$ 162,146	\$ 310,478	\$ 403,678
Cash - SEG Loan Fund, LLC	61,970	--	61,970	24,795
Fiscal sponsorship funds	--	662	662	4,587
Grants and accounts receivable, net	159,311	--	159,311	173,136
Loans receivable	93,724	--	93,724	146,105
Prepaid expenses	3,523	--	3,523	3,350
Security deposit	3,720	--	3,720	3,720
Property and equipment, net	<u>177,980</u>	<u>--</u>	<u>177,980</u>	<u>200,159</u>
Total Assets	<u>\$ 648,560</u>	<u>\$ 162,808</u>	<u>\$ 811,368</u>	<u>\$ 959,530</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	\$ 65,349	\$ --	\$ 65,349	\$ 147,247
Deferred revenue	19,781	--	19,781	11,703
Loan fund - SEG Loan Fund, LLC	93,750	--	93,750	93,750
Fiscal sponsorship liability	<u>--</u>	<u>662</u>	<u>662</u>	<u>4,587</u>
Total Liabilities	<u>178,880</u>	<u>662</u>	<u>179,542</u>	<u>257,287</u>
Net Assets				
Without donor restrictions	469,680	--	469,680	506,015
With donor restrictions	<u>--</u>	<u>162,146</u>	<u>162,146</u>	<u>196,228</u>
Total Net Assets	<u>469,680</u>	<u>162,146</u>	<u>631,826</u>	<u>702,243</u>
Total Liabilities and Net Assets	<u>\$ 648,560</u>	<u>\$ 162,808</u>	<u>\$ 811,368</u>	<u>\$ 959,530</u>

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

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2019

(WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION FOR THE
YEAR ENDED DECEMBER 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Summarized
Revenue and Support				
Non-government grants and contracts	\$ 100,786	\$ 139,105	\$ 239,891	\$ 316,250
Government grants	519,541	--	519,541	316,729
Program fees	270,922	--	270,922	192,875
Membership dues	5,000	--	5,000	32,500
Contributions	92,528	23,041	115,569	308,697
Interest income	987	--	987	762
Interest income - SEG Loan Fund, LLC	5,812	--	5,812	3,905
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>196,228</u>	<u>(196,228)</u>	<u>--</u>	<u>--</u>
Total Revenue and Support	<u>1,191,804</u>	<u>(34,082)</u>	<u>1,157,722</u>	<u>1,171,718</u>
Expenses				
Program services	1,097,142	--	1,097,142	799,021
Management and general	99,218	--	99,218	96,626
Fundraising	<u>31,779</u>	<u>--</u>	<u>31,779</u>	<u>38,208</u>
Total Expenses	<u>1,228,139</u>	<u>--</u>	<u>1,228,139</u>	<u>933,855</u>
Change in Net Assets	(36,335)	(34,082)	(70,417)	237,863
Net Assets - Beginning of Year	<u>506,015</u>	<u>196,228</u>	<u>702,243</u>	<u>464,380</u>
Net Assets - End of Year	<u>\$ 469,680</u>	<u>\$ 162,146</u>	<u>\$ 631,826</u>	<u>\$ 702,243</u>

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

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2019

(WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018)

	Program Services							2018 Summarized
	Hub Coworking	Venture Development	Regional	SEG Loan Fund, LLC	Best for Rhode Island	Management and General	2019 Total	
Personnel Costs								
Salaries	\$ 62,089	\$ 336,314	\$ 113,829	\$ --	\$ 5,174	\$ 52,916	\$ 587,961	\$ 518,124
Payroll taxes	8,277	44,833	15,175	--	690	16,802	88,430	61,459
Total Personnel Costs	70,366	381,147	129,004	--	5,864	69,718	676,391	579,583
Other Costs								
Advertising and marketing	--	4,123	217	--	--	--	377	12,580
Bad debt expense	161	251	--	15,000	--	--	--	2,905
Bank fees	2,593	291	29	--	--	186	3,099	2,354
Conference and meetings	--	--	3,690	--	--	5,622	17,570	9,729
Consultants	19,398	51,729	8,891	808	--	15,395	96,221	67,477
Depreciation	25,675	--	--	--	--	--	25,675	8,839
Dues and subscriptions	--	147	--	--	--	121	268	--
Insurance	--	8,370	--	3,096	--	2,352	14,700	10,491
Miscellaneous	--	--	--	--	--	4,477	4,477	1,193
Non-capital equipment	2,790	377	603	--	--	1,126	4,896	2,265
Office rent and utilities	188,536	20,949	--	--	--	--	209,485	126,407
Office supplies	235	2,116	67	839	101	221	3,690	3,004
Program material	69,113	35,709	10,367	--	--	--	115,189	66,339
Program meetings	483	12,391	3,219	--	--	--	16,093	16,809
Program travel	--	174	--	--	--	--	2	699
Repairs and maintenance	--	--	--	--	--	--	--	335
Travel	--	170	416	--	--	--	1,857	2,271
VISTA volunteers	--	17,637	--	--	--	--	17,637	20,575
Total Other Costs	308,984	154,434	27,499	19,743	101	29,500	551,748	354,272
Total Expenses	\$ 379,350	\$ 535,581	\$ 156,503	\$ 19,743	\$ 5,965	\$ 99,218	\$ 1,228,139	\$ 933,855

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

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

(WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION FOR THE
YEAR ENDED DECEMBER 31, 2018)

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ (70,417)	\$ 237,863
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	25,675	8,839
(Increase) decrease in:		
Fiscal sponsorship funds	3,925	8,534
Grants and accounts receivable, net	13,825	(72,370)
Loans receivable	52,381	(66,105)
Prepaid expenses	(173)	(484)
Increase (decrease) in:		
Accounts payable and accrued expenses	(81,898)	119,011
Deferred revenue	8,078	(7,360)
Fiscal sponsorship liability	(3,925)	(8,534)
Net Cash (Used by) Provided from Operating Activities	(52,529)	219,394
Cash Flows from Investing Activities		
Purchases of property and equipment	(3,496)	(176,971)
Net Cash Used in Investing Activities	(3,496)	(176,971)
Net Change in Cash and Cash Equivalents	(56,025)	42,423
Cash and Cash Equivalents - Beginning	428,473	386,050
Cash and Cash Equivalents - Ending	\$ 372,448	\$ 428,473
Cash is Reported in the Financial Statements as Follows		
Cash	\$ 310,478	\$ 403,678
Cash - SEG Loan Fund, LLC	61,970	24,795
Total Cash and Cash Equivalents	\$ 372,448	\$ 428,473

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

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

**(WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION FOR THE
YEAR ENDED DECEMBER 31, 2018)**

NOTE 1 – ORGANIZATION

Social Enterprise Greenhouse is a Rhode Island nonprofit corporation exempt from federal and state income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code and is not considered a private foundation. Started in April, 2007, Social Enterprise Greenhouse creates positive social and economic impact by providing social entrepreneurs and enterprises with the tools and networks they need to thrive. Social Enterprise Greenhouse also fosters an ecosystem of diverse stakeholders who work to enable a more just, equitable and resilient economy.

In July 2016, Social Enterprise Greenhouse registered SEG Loan Fund, LLC, as a single member LLC, with the State of Rhode Island and designated Social Enterprise Greenhouse as its sole member. SEG Loan Fund, LLC will operate under Social Enterprise Greenhouse and Social Enterprise Greenhouse’s Board of Directors, and under Social Enterprise Greenhouse’s Section 501(c)(3) status. The purpose of the new entity was to spin the loan fund off into a separate legal entity.

The purpose of the SEG Loan Fund is to provide financial support to its local businesses in the State of Rhode Island. SEG Loan Fund, LLC received an initial amount of \$125,000 from Rhode Island Commerce Corporation to provide micro-loans to small local businesses. Each individual micro-loan cannot exceed \$25,000.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Social Enterprise Greenhouse and its wholly-owned subsidiary, SEG Loan Fund, LLC (collectively “SEG”). All significant intercompany accounts and transactions are eliminated in consolidation.

BASIS OF PRESENTATION

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) which involve the application of accrual accounting. Under accrual accounting revenues are recognized when earned and expensed when the related liability for goods and services is incurred, regardless of the timing of the related cash flows. Accordingly, the accounts are reported in the following net asset categories:

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

(WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION FOR THE
YEAR ENDED DECEMBER 31, 2018)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (CONTINUED)

Net Assets Without Donor Restrictions – represent amounts not restricted for identified purposes by donors or grantors. These funds are available to be used for the general purposes of the Organization and include resources designated by the Board of Directors for future capital improvements, renovations, or at its discretion, for other purposes.

Net Assets With Donor Restrictions – represents amounts whose use by the Organization have been limited by donors to a specific period or purpose or represent amounts that are subject to donor gift instruments requiring that the principal be invested in perpetuity and that only the income be used.

Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulations or by law. Expirations of restrictions on net assets, that is, the donor imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, are reported as reclassifications between the applicable classes of net assets.

COMPARATIVE FINANCIAL INFORMATION

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

CASH AND CASH EQUIVALENTS

Cash on hand, cash in checking accounts and in money market funds and short-term cash investments with original maturities when purchased within 90 days of year-end and are available for current purposes are considered cash and cash equivalents for the purpose of presentation of cash in the statements of cash flows. At year-end, SEG had no "cash-type" investments considered to be cash equivalents.

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

**(WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION FOR THE
YEAR ENDED DECEMBER 31, 2018)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONTRACT AND GRANT REVENUE RECOGNITION

Contract and grant revenue is recognized when earned as SEG fulfills the terms accompanying the award of such funds. Revenue received but not earned is classified as a liability or as net assets with donor restrictions in the consolidated statement of financial position.

CONTRIBUTIONS

Contributions received are recorded as support, depending on the existence or nature or any donor restrictions.

All donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

PROMISES TO GIVE

Unconditional promises to give, less an allowance for uncollectible amounts, are recognized as revenue in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

PROPERTY AND EQUIPMENT AND DEPRECIATION.

Property and equipment is stated at cost. Donated property and equipment is capitalized at its fair value at the date of donation. Depreciation is provided for by use of the straight-line method over the estimated useful lives of the assets. SEG capitalizes purchases or donations with a cost or fair value of \$2,500 or more with an estimated useful life of more than one year.

The carrying values of property and equipment are reviewed for impairment on an annual basis or more frequently if circumstances indicate a potential impairment exists or has occurred. There were no impairment losses recognized during the years ended December 31, 2019 and 2018.

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

**(WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION FOR THE
YEAR ENDED DECEMBER 31, 2018)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUNCTIONAL ALLOCATION OF EXPENSES

SEG allocates expenses between functional categories on a specific identification basis when practical and on a percentage allocation basis where specific identification is not practical based on management's judgement.

ADVERTISING EXPENSE

SEG purchases advertising through various local media to promote its programs and the related costs are expensed as incurred. For the years ended December 31, 2019 and 2018, advertising expense was \$4,717 and \$12,580 respectively.

DONATED SERVICES

SEG records donated goods and services that it would otherwise have expended resources to obtain at fair value at date of donation. During the years ended December 31, 2019 and 2018, SEG received donated goods and services for which the fair value was not readily determinable and therefore were not reflected in the consolidated financial statements.

VOLUNTEER SERVICES

SEG receives program services from volunteers. During the years ended December 31, 2019 and 2018, SEG received approximately 1,060 hours from 142 volunteers and 1,260 hours from 142 volunteers who provided mentoring services to SEG's program clients, respectively. These services were not recognized in the 2019 and 2018 consolidated financial statements as the recognition criteria was not met.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with GAAP includes the use of estimates that affect the consolidated financial statements. Accordingly, actual results could differ from those estimates.

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

**(WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION FOR THE
YEAR ENDED DECEMBER 31, 2018)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES

SEG is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. The accounting standard on accounting for uncertainty in income taxes addresses determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under this guidance, SEG may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax exempt status of SEG and various positions related to the potential sources of unrelated business taxable income (UBTI). The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There are no unrecognized tax benefits identified or recorded as liabilities for the years ended December 31, 2019 and 2018.

The Agency recognizes and measures its unrecognized tax positions in accordance with *FASB ASC 740, Income Taxes*. Under that guidance the Agency assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax positions is adjusted when new information is available, or when an event occurs that requires a change. Interest and penalties associated with unrecognized tax positions are classified as interest expense and income tax expense, respectively, in the Consolidated Statement of Activities. The Agency did not identify any uncertain tax positions in 2019 or 2018.

The Agency is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods pending or in progress.

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

**(WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION FOR THE
YEAR ENDED DECEMBER 31, 2018)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION

On January 1, 2019, the Agency adopted new accounting guidance under Accounting Standards Codification Topic 606 (ASC 606), *Revenue from Contracts with Customers*. ASC 606 outlines a single comprehensive model for entities to utilize for revenues. The guidance is based on the principle that an entity should recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the entity expects to be entitled in exchange for such goods or services. The Agency elected to adopt this guidance using the modified retrospective transition method. No adjustments to net assets were required as of January 1, 2019, as there was no impact to previously reported revenue or expenses associated with adopting ASC 606.

The Agency generates a majority of its revenue from both governmental and non-governmental grants, contributions, and program fees which include membership income, office space rent, workshops and advisory income.

CONTRIBUTIONS

On January 1, 2019, the Agency adopted new accounting guidance under Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). Contributions received are recorded as increases in net assets with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose restrictions.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 19, 2020, which is the date the financial statements were available for issuance. Except as described below, there were no other subsequent events identified which require recognition or disclosure in the financial statements.

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

**(WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION FOR THE
YEAR ENDED DECEMBER 31, 2018)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SUBSEQUENT EVENTS (CONTINUED)

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the United States of America. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. The COVID-19 outbreak in the United States of America has caused significant business disruption through mandated and voluntary closings of businesses and organizations across the country for non-essential services. While the disruption is expected to be temporary, there is considerable uncertainty about the duration of the closings.

Subsequent to year-end, SEG was significantly impacted by COVID-19. On March 16, 2020, SEG temporarily closed its offices, ceased in-person events, transitioned all trainings and meetings to be held virtually, and transitioned all staff working remotely. On July 22, 2020, SEG reopened its offices based on guidelines issued by the Center for Disease Control and Prevention as well as the State of Rhode Island.

As of the date the financial statements were available to be issued, there was considerable uncertainty about the expected duration of this pandemic. The eventual financial impact to SEG cannot be reasonably estimated at this time.

On April 23, 2020, SEG entered into a Promissory Note dated April 23, 2020 (the “PPP Note”) with Citizens Bank, as the lender (the “Lender”), pursuant to which the Lender agreed to make a loan to SEG under the Paycheck Protection Program (the “PPP Loan”) offered by the U.S. Small Business Administration (the “SBA”) in a principal amount of \$139,900 pursuant to Title 1 of the Coronavirus Aid, Relief, and Economic Security Act.

The PPP Loan proceeds are available to be used to pay for payroll costs, including salaries, commissions, and similar compensation, group health care benefits, and paid leaves; rent; utilities; and interest on certain other outstanding debt. The amount that will be forgiven will be calculated in part with reference to SEG’s full time headcount during the period following the funding of the PPP Loan.

The interest rate on the PPP Note is a fixed rate of 1% per annum. To the extent that the amounts owed under the PPP Loan, or a portion of them, are not forgiven, SEG will be required to make principal and interest payments in monthly installments beginning seven months from April 2020. The PPP Note matures in two years.

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

(WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION FOR THE
YEAR ENDED DECEMBER 31, 2018)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SUBSEQUENT EVENTS (CONTINUED)

The PPP Note includes events of default. Upon the occurrence of an event of default, the Lender will have the right to exercise remedies against SEG, including the right to require immediate payment of all payments due under the PPP Note.

NOTE 3 – GRANTS AND ACCOUNTS RECEIVABLE

Grants and accounts receivable at December 31, 2019 and 2018 consisted of:

	2019	2018
Department of Labor and Training	\$ 104,367	\$ 152,026
Other	29,486	10,828
RI Commerce Corp	25,000	--
Individuals	2,458	3,782
City of Providence	--	4,500
Brown University	--	4,000
	<u>161,311</u>	<u>175,136</u>
Allowance for doubtful accounts	<u>(2,000)</u>	<u>(2,000)</u>
Grants and Accounts Receivable, net	<u>\$ 159,311</u>	<u>\$ 173,136</u>

SEG uses the allowance method in identifying bad debts. At December 31, 2019 and 2018, the allowance for doubtful accounts was \$2,000.

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

(WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018)

NOTE 4 – LOANS RECEIVABLE

Loans receivable at December 31, 2019 and 2018 consisted of:

	2019	2018
Asthenis LLC	\$ 12,500	\$ --
The Capital Good	--	25,000
The Compost Plant	25,000	25,000
Feast and Fettle	25,000	25,000
Hands in Harmony	14,556	22,917
Maternova, Inc.	--	8,188
Mighty Well, Inc.	16,668	25,000
Sphere-E Inc.	--	15,000
	<hr/>	<hr/>
Total	<u>\$ 93,724</u>	<u>\$ 146,105</u>

SEG uses the allowance method in identifying bad debts. At December 31, 2019 and 2018, per management's analysis of loans receivable, an allowance for doubtful accounts was deemed not necessary.

Future expected annual principal payments are as follows:

Year Ending December 31,

2020	\$ 37,499
2021	45,831
2022	<hr/>
	10,394
	<hr/>
	\$ 93,724

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

(WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION FOR THE
YEAR ENDED DECEMBER 31, 2018)

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

The following net assets are subject to donor-imposed restrictions, as specified by the contract, which will be met either by actions of SEG and/or the passage of time. The following net assets with donor restrictions were comprised of the following at December 31, 2019 and 2018:

	2019	2018
United Way	\$ 95,638	\$ --
Van Beuren Foundation	21,783	--
Rhode Island Commerce Corporation	14,413	1,251
Rhode Island Foundation	13,945	37,951
Delta Dental	8,628	--
EJMP	4,728	--
Miss Swinburne Fund	3,011	--
Fundraising and other crowdsourcing	--	85,095
Newman's Own Foundation	--	68,778
Heron Foundation & Sylvia Brown	--	3,153
Total	<u>\$ 162,146</u>	<u>\$ 196,228</u>

NOTE 6 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net consist of the following at December 31, 2019 and 2018:

	2019	2018
Office equipment	\$ 8,716	\$ 5,221
Furniture and fixtures	52,174	32,588
Leasehold improvements	175,593	18,207
	236,483	56,016
Less accumulated depreciation	(58,503)	(32,828)
	177,980	23,188
Construction in progress	--	157,386
Assets not yet placed in service	--	19,585
Property and Equipment, Net	<u>\$ 177,980</u>	<u>\$ 200,159</u>

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

(WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION FOR THE
YEAR ENDED DECEMBER 31, 2018)

NOTE 6 – PROPERTY AND EQUIPMENT, NET (CONTINUED)

Depreciation expense for the years ended December 31, 2019 and 2018 was \$25,675 and \$8,839, respectively.

NOTE 7 – COMMITMENTS

OPERATING LEASES

On September 27, 2018, SEG entered into a four-year lease for office space located at 10 Davol Square, Providence, Rhode Island with escalating monthly lease payments. The lease term is January 1, 2019 through October 31, 2023, with SEG having an option to extend the lease for five years until October 31, 2028.

During the years ended December 31, 2019 and 2018, rent expense was \$157,368 and \$111,324, respectively.

Future aggregate monthly lease payments are as follows:

Year Ending December 31,

2020	\$	168,987
2021		179,533
2022		184,922
2023		<u>157,948</u>
	\$	<u><u>691,390</u></u>

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

(WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION FOR THE
YEAR ENDED DECEMBER 31, 2018)

NOTE 8 – FISCAL SPONSORSHIP LIABILITY

SEG acts as an agent accepting funding on behalf of grassroots organizations, which are currently in the process of applying for tax-exempt status. During the years ended December 31, 2019 and 2018, SEG received \$1,835 and \$25,448, respectively, on behalf of these organizations and disbursed \$5,760 and \$33,982, respectively, to these organizations.

At December 31, 2019 and 2018, funds due to others are as follows:

	2019	2018
CHI-RI	\$ 570	\$ 4,417
Learning 401	57	57
Bike Newport	35	--
Maternova Research	--	113
	<hr/>	<hr/>
Total	<u>\$ 662</u>	<u>\$ 4,587</u>

NOTE 9 – RISKS AND UNCERTAINTIES

CASH AND FISCAL SPONSORSHIP FUNDS IN EXCESS OF INSURED LIMITS

The standard insurance amount at all Federal Deposit Insurance Corporation (FDIC) insured institutions is \$250,000 per depositor, per insured bank for each account ownership category. As of December 31, 2019 and 2018, there were \$116,598 and \$183,060 in deposits in excess of federally insured amounts, respectively.

Cash and securities products provided by brokerage houses are not insured by FDIC. Cash and securities held by members of Securities Investor Protection Corporation (SIPC) are protected up to a ceiling of \$500,000, with a limit of \$250,000 for cash. At December 31, 2019 and 2018, there were no accounts with amounts in excess of this limit.

SEG has not experienced any losses in its cash and fiscal sponsorship accounts and management believes it is not exposed to any significant credit risk on deposits.

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

(WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION FOR THE
YEAR ENDED DECEMBER 31, 2018)

NOTE 9 – RISKS AND UNCERTAINTIES (CONTINUED)

CONCENTRATION OF FUNDING

During the year ended December 31, 2019, SEG received 10% or more of its revenue from the following sources:

Source	Income Received	% of Total Agency Income
Rhode Island Department of Labor and Training	\$ 345,285	30%

During the year ended December 31, 2018, SEG received 10% or more of its revenue from the following source:

Source	Income Received	% of Total Agency Income
Rhode Island Department of Labor and Training	\$ 218,788	19%
Fidelity Foundation	\$ 146,250	12%
Rhode Island Foundation	\$ 120,000	10%

NOTE 10 – RELATED PARTY TRANSACTIONS

Social Enterprise Greenhouse may obtain grants to be used for the purpose of providing low interest loans to entities with social components. These grants are held in a separate account under the SEG Loan Fund, LLC, and qualifying loans will be disbursed from this account. \$100,000 was deposited into this account during fiscal 2016, of which the entire balance has been disbursed as of December 31, 2019. The funding held by SEG Loan Fund, LLC was provided by the Rhode Island Commerce Corporation, which shares a mutual board member.

SEG receives a variety of revenues such as membership program fees, dues, contributions, sponsorships, etc. from various members of the Board of Directors and other related parties. In 2019 and 2018, SEG received approximately \$25,000 and \$114,000 from such parties, respectively.

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

(WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION FOR THE
YEAR ENDED DECEMBER 31, 2018)

NOTE 11 – AVAILABLE RESOURCES AND LIQUIDITY

The following reflects the Organization’s financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	2019	2018
Financial assets at year end:		
Cash	\$ 310,478	\$ 403,678
Cash - SEG Loan Fund, LLC	61,970	24,795
Fiscal sponsorship funds	662	4,587
Grants and accounts receivable, net	159,311	173,136
Current portion of loans receivable	<u>37,499</u>	<u>74,852</u>
Subtotal	<u>569,920</u>	<u>681,048</u>
Less: amounts restricted by contract or donor		
Contract restricted	(62,632)	(29,382)
Donor restricted	<u>(162,146)</u>	<u>(196,228)</u>
Subtotal	<u>(224,778)</u>	<u>(225,610)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 345,142</u>	<u>\$ 455,438</u>

The Organization is substantially supported by grants and contributions, some of which are restricted. Because a donor’s restriction requires resources to be used in a particular manner or in a future period, the Organization ensures that it maintains sufficient resources to meet those responsibilities to its donors.