

THE BROTHERHOOD/SISTER SOL, INC.

**INDEPENDENT AUDITORS' REPORT
ON
FINANCIAL STATEMENTS**

AS OF AUGUST 31, 2017

AND

FOR THE YEAR THEN ENDED

THE BROTHERHOOD/SISTER SOL, INC.

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MEMBERS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Brotherhood/Sister Sol, Inc.
New York, New York

We have audited the accompanying financial statements of The Brotherhood/Sister Sol, Inc., which comprise the statement of financial position as of August 31, 2017, 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 the 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 The Brotherhood/Sister Sol, Inc. as of August 31, 2017 and the changes in its net assets and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Weir & Co., P.C.".

New York, New York
January 18, 2018

**THE BROTHERHOOD/SISTER SOL, INC.
STATEMENT OF FINANCIAL POSITION
AS OF AUGUST 31, 2017**

ASSETS

Current Assets

Cash	\$ 67,265
Accounts receivable	5,000
Grants and contributions receivable - Notes 2 and 3	1,244,000
Due from governmental agencies	120,946
Prepaid expenses	40,614
Inventories, at lower of cost or market	<u>22,156</u>
Total Current Assets	1,499,981

Non-Current Assets

Grant receivable - Notes 2 and 3	284,558
Construction in progress - Note 11	224,211
Fixed assets, at cost, net of accumulated depreciation of \$267,461 - Notes 2 and 4	1,606,572
Security deposit	<u>320</u>
Total Assets	<u>\$ 3,615,642</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Current Liabilities

Loans payable - Note 6	\$ 107,474
Accounts and accrued expenses payable	116,359
Agency funds payable - Note 5	<u>160</u>
Total Current Liabilities	223,993

Non-Current Liability

Loan payable - Note 6	<u>1,291,105</u>
Total Liabilities	<u>1,515,098</u>

NET ASSETS

Unrestricted	338,530
Temporarily restricted - Note 9	<u>1,762,014</u>
Total Net Assets	<u>2,100,544</u>
Total Liabilities and Net Assets	<u>\$ 3,615,642</u>

See accompanying notes to financial statements.

THE BROTHERHOOD/SISTER SOL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Operating Activities			
Support and Revenue			
Grants, contributions and fees from:			
Individuals	\$ 152,159	\$ 308,160	\$ 460,319
Foundations and trusts	1,191,390	1,839,958	3,031,348
Corporations	61,505	50,391	111,896
Governmental agencies	238,745		238,745
Special events, net of direct event expenses of \$238,086 - Notes 2 and 7	795,299		795,299
Program fees	173,919		173,919
In-kind contribution - Notes 2 and 7	40,000		40,000
Merchandise sales	4,293		4,293
Other income	<u>235</u>		<u>235</u>
Total Operating Support and Revenue	2,657,545	2,198,509	4,856,054
Net assets released from restrictions - Note 8:			
Satisfaction of program restrictions	390,000	(390,000)	
Satisfaction of purpose restrictions	<u>447,595</u>	<u>(447,595)</u>	<u>-</u>
	<u>837,595</u>	<u>(837,595)</u>	<u>-</u>
Total Operating Support and Revenue	<u>3,495,140</u>	<u>1,360,914</u>	<u>4,856,054</u>
Expenses			
Program Services	2,561,359		2,561,359
Administrative and general	212,647		212,647
Fund raising	<u>401,272</u>		<u>401,272</u>
Total Expenses	<u>3,175,278</u>		<u>3,175,278</u>
Change in Net Assets from Operating Activities	<u>319,862</u>	<u>1,360,914</u>	<u>1,680,776</u>
Non-Operating Activities			
Interest income	70		70
Investment fee	(20)		(20)
Loan interest expenses	(89,819)		(89,819)
Mortgage expenses	<u>(15,062)</u>		<u>(15,062)</u>
Change in Net Assets from Non-Operating Activities	<u>(104,831)</u>		<u>(104,831)</u>
Change in Net Assets	215,031	1,360,914	1,575,945
Net Assets as of August 31, 2016	<u>123,499</u>	<u>401,100</u>	<u>524,599</u>
Net Assets as of August 31, 2017	<u>\$ 338,530</u>	<u>1,762,014</u>	<u>\$ 2,100,544</u>

See accompanying notes to financial statements.

**THE BROTHERHOOD/SISTER SOL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2017**

	Program Services	Supporting Services		Total Program and Supporting Services
		Administrative and General	Fund Raising	
Salaries	\$ 1,439,422	\$ 83,989	\$ 235,619	\$ 1,759,030
Payroll taxes and employee benefits	332,561	19,404	54,437	406,402
Total Payroll and related expenses	1,771,983	103,393	290,056	2,165,432
Occupancy and space rental	15,742	405	1,476	17,623
Printing and publications	4,949	91	2,492	7,532
Equipment rental, repairs and maintenance	17,286	5,144	2,055	24,485
Telephone and communications	7,753	673	959	9,385
Meetings and conferences	2,810			2,810
Professional and consultant fees (including donated services of \$40,000)	237,317	72,484	74,763	384,564
Supplies and office expenses	66,240	1,404	844	68,488
Travel and transportation	57,205	163	1,542	58,910
Postage and mailing	2,856	32	1,113	4,001
Fees, dues and subscriptions	4,264	1,325	177	5,766
Insurance	16,694			16,694
Marketing and promotion	4,661	450	1,196	6,307
Honorarium	52,213			52,213
Event expenses	84		14,782	14,866
Collection loss	5,328			5,328
Staff development	490	127		617
Other program expenses	272,050	4,149	2,432	278,631
Credit card processing fees, bank and finance charges	3,168	21,354	40	24,562
Miscellaneous	3,264	578	4,889	8,731
Total Expenses before depreciation	2,546,357	211,772	398,816	3,156,945
Depreciation	15,002	875	2,456	18,333
Total Expenses	\$ 2,561,359	\$ 212,647	\$ 401,272	\$ 3,175,278

See accompanying notes to financial statements.

**THE BROTHERHOOD/SISTER SOL, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2017**

<u>Cash Flows from Operating Activities</u>	
Change in Net Assets	\$1,575,945
Adjustments to reconcile change in Net Assets to net cash provided by operating activities	
Depreciation	18,333
Changes in assets and liabilities:	
Increase in accounts receivable	(3,500)
Increase in grants and contributions receivable	(1,356,230)
Decrease in due from governmental agencies	72,638
Increase in prepaid expenses	(9,700)
Decrease in inventories	4,107
Decrease in accounts and accrued expenses payable	(52,497)
Decrease in advance from governmental agency	(14,610)
 Net Cash Provided by Operating Activities	 <u>234,486</u>
 <u>Cash Flows from Investing Activities</u>	
Increase in construction in progress	(224,211)
 Net Cash Used in Investing Activities	 <u>(224,211)</u>
 <u>Cash Flows from Financing Activities</u>	
Amortization of mortgage payable	(4,885)
Mortgage repayment	(1,290,614)
Proceeds from loans	1,511,461
Loan payments	(187,882)
 Net Cash Provided by Financing Activities	 <u>28,080</u>
 Net Increase in Cash	 38,355
Cash balance as of August 31, 2016	<u>28,910</u>
Cash balance as of August 31, 2017	<u>\$ 67,265</u>
 <u>Supplemental Disclosure of Cash Flow Information:</u>	
Cash paid during the year for interest	<u>\$ 89,811</u>

See accompanying notes to financial statements.

THE BROTHERHOOD/SISTER SOL, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

NOTE 1 ORGANIZATION

The Brotherhood/Sister Sol, Inc. (the "Organization") is a unique youth development organization recognized for providing an innovative and highly successful model of comprehensive, holistic and long-term support services to youth who range in ages 8-22 through which young people learn critical thinking skills toward becoming social change makers.

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and similar provisions of the State Code.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a) The accompanying financial statements of the organization have been prepared on the accrual basis of accounting.
- b) Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

All contributions are considered to be available for unrestricted use unless specifically restricted by donor. Contributions received and unconditional promises to give are measured at their fair value and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

- c) Cash consist of cash held in checking and money market accounts and cash on hand. These accounts are maintained at a high quality financial institution. Management believes that the Organization is not exposed to significant credit risk on cash.
- d) Inventories are stated at the lower of cost, determined by the FIFO method, or market.

(Continue)

THE BROTHERHOOD/SISTER SOL, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

- e) The Organization capitalized all significant expenditures for fixed assets. All fixed assets are recorded at cost and depreciation is provided for on a straight-line basis over the estimated useful lives of the assets ranging from 3 to 39 years.
- f) The classification of an organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the three classes of net assets, permanently restricted, temporarily restricted and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

The classes of net assets are defined as follows:

Permanently Restricted - Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Temporarily Restricted - Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

Unrestricted - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

- g) Program fees are recognized as operating income in the period in which they are earned. Program fees received in advance are recorded as deferred revenue.
- h) Donated goods and services are reflected in the statement of activities at their fair values. Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt.
- i) The Organization divides its Statement of Activities into operating and non-operating activities. The operating activities of the Organization include all support, revenue and expenses related to carrying out its mission. Non-operating activities include investment income and mortgage and interest expenses.

(Continue)

THE BROTHERHOOD/SISTER SOL, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

- j) The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- k) The Organization adopted *Financial Accounting Standards Board* (“FASB”) guidance on uncertain income tax positions in its financial statements. The Organization recognizes the effect of tax positions only when they are more likely than not of being sustained. Management is not aware of any violation of its tax status as an organization exempt from income taxes, nor of any exposure to unrelated business income tax.

NOTE 3 PROMISES TO GIVE

Unconditional promises to give as of August 31, 2017 are as follows:

Receivable in less than one year		\$ 1,244,000
Receivable in one to five years		<u>300,000</u>
		1,544,000
Total unconditional promises to give		1,544,000
Less: net present value discount		(<u>15,442</u>)
		\$ <u>1,528,558</u>
		\$ 1,528,558
Current		\$ 1,244,000
Non-current		<u>284,558</u>
		\$ <u>1,528,558</u>
		\$ 1,528,558

Long-term promises to give are recognized at fair value, using present value techniques and a discount rate of 4.25%.

THE BROTHERHOOD/SISTER SOL, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

NOTE 4 FIXED ASSETS

As of August 31, 2017, the costs and accumulated depreciation were as follows:

Land	\$ 1,246,883
Building and improvements	620,207
Office equipment and furniture	3,375
Computer equipment	<u>3,568</u>
	1,874,033
Less: accumulated depreciation	(<u>267,461</u>)
Net	<u>\$ 1,606,572</u>

Fully depreciated office equipment and furniture of \$1,855 and computer equipment of \$10,900 has been written off during the year.

NOTE 5 AGENCY FUNDS PAYABLE

The Organization is the fiscal sponsor of Bro/Sis Brazil. The net assets for this sponsored project as of August 31, 2017 is reflected in the accompanying financial statements as agency funds payable.

NOTE 6 LOANS PAYABLE

On November 3, 2016, the Organization obtained a \$1,350,000 term loan from the Nonprofit Finance Fund to refinance the indebtedness secured by a mortgage on the property located at 512 West 143rd Street and 514 West 143rd Street. The agreement provides for, among other matters, an annual interest rate of 6.25% payable in equal monthly payments for interest and principal over twenty (20) years with balance of principal due on December 1, 2018. The loan is collateralized by the fixed assets of the Organization. As of August 31, 2017, the outstanding balance was \$1,327,118.

In addition, the Organization received a non-interest bearing loan from the Fund for the City of New York of \$71,461. This loan is collateralized by the New York City Department of Youth and Community Development (“DYCD”) contract. It is due upon the earlier of receipt of funds from DYCD or demand for repayment by the Fund of the City of New York. The loan was subsequently paid on October 25, 2017.

(Continue)

THE BROTHERHOOD/SISTER SOL, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

NOTE 6 LOANS PAYABLE - (Continued)

Loans payable as of August 31, 2017 is as follows:

<u>Year ending August 31</u>		
2018		\$ 107,474
2019		<u>1,291,105</u>
	Total	1,398,579
	Current portion	<u>107,474</u>
	Non-current portion	<u>\$ 1,291,105</u>

NOTE 7 NON-CASH CONTRIBUTIONS

In-kind contributions received during the year consist of donated services of \$40,000. The Organization also received donated auction items of \$68,550 for their special events. Sold items which included current year donated auction items of 67,750 and an item from inventory of 6,000 were recorded in direct event expenses.

NOTE 8 NET ASSETS RELEASED FROM RESTRICTIONS

The amounts released from restrictions during the year are as follows:

Satisfaction of program restrictions:		
Rites of Passage		\$ 175,000
Arts Programming		50,000
College Advisory Program and Scholarships		20,000
Environmental Education Program		5,000
Liberty Program		100,000
Youth Program		<u>40,000</u>
		<u>390,000</u>
Satisfaction of purpose restrictions:		
Capital Campaign		422,595
Equipment Purchase		5,000
Fair Policing		15,000
Summer Internship		<u>5,000</u>
		<u>447,595</u>
Total		<u>\$ 837,595</u>

THE BROTHERHOOD/SISTER SOL, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

NOTE 9 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of August 31, 2017 are available for the following:

Capital Campaign	\$	757,456
Environmental Education Program		30,000
General Support designated for future periods		584,558
Rites of Passage		350,000
Youth Program		<u>40,000</u>
Total		<u>\$ 1,762,014</u>

NOTE 10 CONTINGENCIES

The Organization receives City contracts and contracts with other organizations for its youth programs. These contracts may be subject to financial and compliance audit by the funding agencies. The amount of expenditures, if any, that may be disallowed by the funding agencies cannot be determined at this time. Hence, no provision for such disallowance has been reflected in the financial statements.

NOTE 11 CAPITAL PROJECT

In 2016, the Organization started a campaign for the construction of the State-of-the-Art educational space and out-of-school-time facility (the "Capital Project") for young people. The estimated costs for the Capital Project is \$15 million dollars.

In 2016, the Organization received the following conditional promises to give totaling \$9,552,000 from the City and State of New York for the Capital Project acting by and through New York City Economic Development Corporation and the Dormitory Authority of the State of New York that are contingent upon the successful execution of the contracts.

New York Council Speaker Melissa Mark-Viverito	\$	5,152,000
New York Council Member Mark Levine		1,000,000
Manhattan District Attorney Cyrus Vance		2,000,000
Manhattan Borough President Gale Brewer		250,000
New York State Assemblyman Keith Wright		500,000
New York State Assemblyman Denny Farrell		500,000
New York State Assemblyman Robert Rodriguez		<u>150,000</u>
Total Conditional Promises to Give		<u>\$ 9,552,000</u>

(Continue)

THE BROTHERHOOD/SISTER SOL, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

NOTE 11 CAPITAL PROJECT - (Continued)

As of August 31, 2017, the Organization received \$1,368,691 in capital campaign contributions and incurred \$611,236 in capital project related expenses. Of which, \$224,211 was architecture, engineering and construction related fees. This amount is recorded as construction in progress in the statement of financial position and will be depreciated over the useful life of the building upon completion.

NOTE 12 FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various program and supporting services 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 benefitted.

NOTE 13 SUBSEQUENT EVENTS

The Organization evaluated subsequent events through January 18, 2018, which is the date the financial statements were available to be issued. No subsequent events were identified that required adjustment to or disclosure within the financial statements.