

THE BROTHERHOOD/SISTER SOL, INC.
INDEPENDENT AUDITOR'S REPORT
ON
FINANCIAL STATEMENTS
AS OF AUGUST 31, 2021
AND
FOR THE YEAR THEN ENDED

THE BROTHERHOOD/SISTER SOL, INC.

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INDEPENDENT AUDITOR'S 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, 2021, 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.

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 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, 2021 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.

Emphasis of Matter - Subsequent Event

As discussed in Note 5 to the financial statements, in May 2020, The Brotherhood/Sister Sol, Inc. received an unsecured loan in the amount of \$604,100 due to the Small Business Administration ("SBA"), as part of the *Coronavirus Aid, Relief, and Economic Security Act ("CARES Act")* Payment Protection Plan, as amended by the *Consolidated Appropriations Act, 2021*. On September 20, 2021, The Brotherhood/Sister Sol, Inc. received notification from the SBA that the entire \$604,100 loan balance was forgiven. Our opinion is not modified with respect to these matters.

Winnie Lam & Co., P.C.

New York, New York
March 3, 2022

**THE BROTHERHOOD/SISTER SOL, INC.
STATEMENT OF FINANCIAL POSITION
AS OF AUGUST 31, 2021**

ASSETS

Current Assets

| | |
|---|------------------|
| Cash | \$ 1,435,986 |
| Accounts receivable | 16,256 |
| Pledges, grants and contributions receivable - Note 2 | 323,000 |
| Prepaid expenses | 374,333 |
| Inventories, at lower of cost or market | <u>20,372</u> |
| Total Current Assets | 2,169,947 |

Non-Current Assets

| | |
|---|-----------------------------|
| Construction in progress - Note 10 | 16,695,477 |
| Fixed assets, at cost, net of accumulated depreciation and amortization of \$346,373 - Notes 2 and 4 | 1,279,817 |
| Security deposits | <u>35,600</u> |
| Total Assets | <u>\$ 20,180,841</u> |

LIABILITIES AND NET ASSETS

LIABILITIES

Current Liabilities

| | |
|---------------------------------------|------------------|
| Loans payable - Note 5 | \$ 656,654 |
| Accounts and accrued expenses payable | 254,562 |
| Construction costs payable | <u>2,903,721</u> |
| Total Current Liabilities | 3,814,937 |

Non-Current Liabilities

| | |
|--------------------------------|-------------------------|
| Deferred rent payable - Note 7 | 4,096 |
| Loan payable - Note 5 | <u>2,038,041</u> |
| Total Liabilities | <u>5,857,074</u> |

NET ASSETS

| | |
|----------------------------------|----------------|
| Without donor restrictions | 13,940,767 |
| With donor restrictions - Note 9 | <u>383,000</u> |

Total Net Assets **14,323,767**

Total Liabilities and Net Assets **\$ 20,180,841**

See accompanying notes to financial statements.

THE BROTHERHOOD/SISTER SOL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2021

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|--------------------------|
| Operating Activities | | | |
| Support and Revenue | | | |
| Grants, contributions and fees from: | | | |
| Foundations and trusts | \$ 1,193,948 | \$ 2,103,415 | \$ 3,297,363 |
| Individuals | 1,038,433 | 666,503 | 1,704,936 |
| Corporations | 266,715 | 763,000 | 1,029,715 |
| Church | - | 100,000 | 100,000 |
| Federation | - | 555 | 555 |
| Governmental agencies | - | 4,800,386 | 4,800,386 |
| Special events | 1,114,382 | | 1,114,382 |
| Program fees | 17,259 | | 17,259 |
| In-kind contributions - Notes 2 and 6 | 330,410 | | 330,410 |
| Merchandise sales | 3,489 | | 3,489 |
| Other income | <u>2,958</u> | | <u>2,958</u> |
| Total Operating Support and Revenue | 3,967,594 | 8,433,859 | 12,401,453 |
| Net assets released from restrictions - Note 8 | <u>9,054,410</u> | <u>(9,054,410)</u> | <u>-</u> |
| Total Operating Support and Revenue | <u>13,022,004</u> | <u>(620,551)</u> | <u>12,401,453</u> |
| Expenses | | | |
| Program Services | 5,162,267 | | 5,162,267 |
| Administrative and general | 593,313 | | 593,313 |
| Fundraising | <u>720,121</u> | | <u>720,121</u> |
| Total Expenses | <u>6,475,701</u> | | <u>6,475,701</u> |
| Change in Net Assets from Operating Activities | <u>6,546,303</u> | <u>(620,551)</u> | <u>5,925,752</u> |
| Non-Operating Activities | | | |
| Interest income | 2,982 | | 2,982 |
| Loan interest expenses | <u>(118,828)</u> | | <u>(118,828)</u> |
| Change in Net Assets from Non-Operating Activities | <u>(115,846)</u> | | <u>(115,846)</u> |
| Change in Net Assets | 6,430,457 | (620,551) | 5,809,906 |
| Net Assets as of August 31, 2020 | <u>7,510,310</u> | <u>1,003,551</u> | <u>8,513,861</u> |
| Net Assets as of August 31, 2021 | <u>\$ 13,940,767</u> | <u>\$ 383,000</u> | <u>\$ 14,323,767</u> |

See accompanying notes to financial statements.

**THE BROTHERHOOD/SISTER SOL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2021**

| | Program Services | Supporting Services | | Total Program and Supporting Services |
|--|---------------------|----------------------------------|-------------------|--|
| | | Administrative and General | Fundraising | |
| Salaries | \$ 2,322,248 | \$ 230,601 | \$ 330,797 | \$ 2,883,646 |
| Payroll taxes and employee benefits | 714,943 | 70,995 | 101,842 | 887,780 |
| Total Payroll and related expenses | 3,037,191 | 301,596 | 432,639 | 3,771,426 |
| Occupancy and space rental | 228,337 | 23,000 | | 251,337 |
| Printing and publications | 217 | 1,085 | 4,698 | 6,000 |
| Equipment rental, repairs and maintenance | 13,769 | 1,368 | 1,961 | 17,098 |
| Telephone and communications | 25,468 | 9,894 | 19,892 | 55,254 |
| Meetings and conferences | 5,549 | 273 | 1,640 | 7,462 |
| Professional and consultant fees (including donated services of \$119,492 - Note 6) | 534,356 | 106,362 | 209,970 | 850,688 |
| Supplies and office expenses | 117,389 | 53,135 | 5,534 | 176,058 |
| Travel and transportation | 48,863 | 1,927 | 14 | 50,804 |
| Postage and mailing | 5,253 | 1,236 | 1,712 | 8,201 |
| Fees, dues and subscriptions | 7,442 | 4,346 | 209 | 11,997 |
| Insurance | 17,785 | 55,321 | 981 | 74,087 |
| Marketing and promotion | 44,000 | 11,000 | 2,444 | 57,444 |
| Food distribution (including donated food pantry of \$210,918 - Note 6) | 710,398 | 9,497 | 1,308 | 721,203 |
| Other program expenses | 113,541 | 1,624 | 17,568 | 132,733 |
| Honorarium and youth stipends | 131,099 | | | 131,099 |
| Staff development | 4,644 | | 729 | 5,373 |
| Credit card processing fees, bank fees and other charges | 28,704 | 2,884 | | 31,588 |
| Miscellaneous expense | | | 6,249 | 6,249 |
| Total Expenses before depreciation and amortization | 5,074,005 | 584,548 | 707,548 | 6,366,101 |
| Depreciation and amortization | 88,262 | 8,765 | 12,573 | 109,600 |
| Total Expenses | \$ 5,162,267 | \$ 593,313 | \$ 720,121 | \$ 6,475,701 |

See accompanying notes to financial statements.

**THE BROTHERHOOD/SISTER SOL, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2021**

Cash Flows from Operating Activities

| | |
|--|------------------|
| Change in Net Assets | \$ 5,809,906 |
| Adjustments to reconcile change in Net Assets to net cash provided by operating activities | |
| Depreciation and amortization | 109,600 |
| Grants and contributions for capital campaign | (5,447,788) |
| Changes in assets and liabilities: | |
| Increase in accounts receivable | (13,332) |
| Decrease in pledges, grants and contributions receivable | 730,530 |
| Increase in prepaid expenses | (222,279) |
| Decrease in inventories | 6,000 |
| Decrease in security deposits | 3,750 |
| Increase in accounts and accrued expenses payable | 41,194 |
| Decrease in deferred rent payable | (9,374) |
| Net Cash Provided by Operating Activities | 1,008,207 |

Cash Flows from Investing Activities

| | |
|--|---------------------|
| Increase in construction in progress, net | (8,292,933) |
| Net Cash Used in Investing Activities | (8,292,933) |

Cash Flows from Financing Activities

| | |
|--|------------------|
| Grants and contributions for capital campaign | 5,447,788 |
| Payment of deferred loan costs | (109,405) |
| Proceeds from loan | 2,200,000 |
| Repayment of loan | (2,214,766) |
| Net Cash Provided by Financing Activities | 5,323,617 |

| | |
|------------------------------------|---------------------|
| Net Decrease in Cash | (1,961,109) |
| Cash balance as of August 31, 2020 | 3,397,095 |
| Cash balance as of August 31, 2021 | \$ 1,435,986 |

Supplemental Disclosure of Cash Flow Information:

| | |
|--|------------|
| Cash paid during the year for interest | \$ 179,073 |
|--|------------|

See accompanying notes to financial statements.

THE BROTHERHOOD/SISTER SOL, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

NOTE 1 ORGANIZATION

The Brotherhood/Sister Sol, Inc. (“Bro/Sis”) 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 age from eight to twenty-two. Bro/Sis offers wrap around evidence-based programming.

Bro/Sis focuses on issues such as leadership development and educational achievement, sexual responsibility, sexism and misogyny, political education and social justice, Pan-African and Latino history, and global awareness.

Bro/Sis is exempt from income taxes under Section 501(c)3 of the Internal Revenue Code and similar provisions of the State Code. Contributions to Bro/Sis are tax deductible to donors under Section 170 of the IRC. Bro/Sis is not classified as a private foundation.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bro/Sis prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America for not-for-profit entities.

The significant accounting and reporting policies used by Bro/Sis are described below to enhance the usefulness and understandability of the financial statements.

- a) The accompanying financial statements have been prepared using the accrual basis of accounting.
- b) Grants and contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

(Continue)

THE BROTHERHOOD/SISTER SOL, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Grants and contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Unconditional promises to give that are expected to be collected in less than one year are reflected as current promises to give and are reported at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are reflected as long-term promises to give and are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectibility of individual promises.

As of August 31, 2021, all unconditional promises to give are due in less than one year.

- c) Cash consists of cash held in checking accounts and cash on hand. At year end and throughout the year, Bro/Sis' cash balances were deposited in a high quality financial institution which, at times, may exceed the current insured amount under Federal Deposit Insurance Corporation ("FDIC") protection. Management believes that Bro/Sis is not exposed to any significant credit risk on cash.
- d) Inventories are stated at the lower of cost, determined by the LIFO method, or market.
- e) Bro/Sis capitalized all significant expenditures for fixed assets. These assets are recorded at cost. Equipment is capitalized if it has a cost of \$5,000 or more and a useful life when acquired of more than 1 year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is provided for on a straight-line basis over the estimated useful lives of the assets ranging from 3 to 39 years. Leasehold improvements are amortized over their estimated lives or the remaining term of the lease, whichever is shorter.
- f) The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

(Continue)

THE BROTHERHOOD/SISTER SOL, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

- g) Bro/Sis' policy is to account for the forgivable loans received through the Small Business Administration ("SBA") under the *Coronavirus Aid, Relief, and Economic Security Act ("CARES Act")* Paycheck Protection Program ("PPP") as debt in accordance with Accounting Standards Codification ("ASC") 470, *Debt*, and other related accounting pronouncements. The forgiveness of debt, in whole or in part, is recognized once the debt is extinguished, which occurs when Bro/Sis is legally released from the liability by the SBA. Any portion of debt forgiven, adjusted for accrued interest forgiven and unamortized debt issuance costs, is recorded as a gain on extinguishment of debt, and presented in the non-operating activities section on the statement of activities.
- h) Debt issuance costs incurred in connection with the issuance of long-term debt are capitalized and amortized to interest expense over the term of the debt using a straight-line method, which approximates the effective interest method. The unamortized amount is presented as a reduction of loans payable on the balance sheet.
- i) 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.
- j) Donated services are reflected in the statement of activities at their fair value. 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.
- k) The preparation of financial statements 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.

(Continue)

THE BROTHERHOOD/SISTER SOL, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

On an ongoing basis, Bro/Sis' management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. Bro/Sis' management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

- 1) Bro/Sis adopted *Financial Accounting Standards Board* ("FASB") guidance on uncertain income tax positions in its financial statements. Bro/Sis 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.

NOTE 3 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of August 31, 2021 are:

| | |
|--|---------------------|
| Financial Assets: | |
| Cash | \$ 1,435,986 |
| Accounts receivable | 16,256 |
| Pledges, grants and contributions receivable | <u>323,000</u> |
| Total Financial Assets | 1,775,242 |
| Less financial assets held to meet donor-imposed restrictions: | |
| Purpose-restricted net assets | <u>(233,000)</u> |
| Amount available for general Expenditures within one year | <u>\$ 1,542,242</u> |

As part of the liquidity management plan, Bro/Sis invests cash in excess of daily requirements in interest-bearing checking accounts.

THE BROTHERHOOD/SISTER SOL, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

NOTE 4 FIXED ASSETS

As of August 31, 2021, the costs of the assets and the related accumulated depreciation and amortization were as follows:

| | |
|---|---------------------|
| Land | \$ 1,246,883 |
| Furniture and equipment | 49,976 |
| Leasehold improvements | <u>329,331</u> |
| | 1,626,190 |
| Less: accumulated depreciation and amortization (_____) | <u>346,373</u>) |
| Net | <u>\$ 1,279,817</u> |

NOTE 5 LOANS PAYABLE / RELATED PARTY TRANSACTION

On November 3, 2016, Bro/Sis 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 maturity date was extended to September 1, 2021. As of August 31, 2021, this loan was paid in full.

On April 30, 2018, Bro/Sis received an unsecured term loan of \$1,000,000 from a company in which a Board member held ownership. The agreement provides for, among other matters, an annual interest rate of 2.60% with principal and unpaid interest due on June 30, 2020. The maturity date was extended to June 30, 2021. As of August 31, 2021, this loan was paid in full.

On August 30, 2021, Bro/Sis entered into a loan agreement with a financial institution for available funds of up to \$3,400,000. Bro/Sis has received the initial advance of \$2,200,000 to refinance the outstanding loans. The loan agreement provides for, among other matters, an annual interest rate of 3.82% payable in equal monthly payments for interest and principal over seven (7) years with balance of the principal due on September 10, 2028. The amortization of principal is calculated over twenty (20) years. The loan is collateralized by the property located at 512 West 143rd Street and 514 West 143rd Street. In September 2021, Bro/Sis has made a down payment on property located at 510 West 143rd Street. Bro/Sis may use the remaining proceeds of the loan of \$1,200,000 to purchase this property once the sale has been finalized. As of August 31, 2021, the outstanding balance was \$2,200,000.

(Continue)

THE BROTHERHOOD/SISTER SOL, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

NOTE 5 LOANS PAYABLE / RELATED PARTY TRANSACTION - (Continued)

In March 2020, the federal government passed the *Coronavirus Aid, Relief, and Economic Security Act* (“*CARES Act*”) to help businesses retain employees through a program called the Paycheck Protection Program (“PPP”). Participating in the PPP enables the business to obtain a loan from the Small Business Administration (“SBA”) sector of the government.

On May 18, 2020, Bro/Sis obtained an unsecured loan outstanding in the amount of \$604,100 due to SBA and administered by a local bank. Under the terms of the loan agreements, loan payments are deferred for six months or until Bro/Sis receives notification from the SBA as to the amount of the loan forgiven. Thereafter, monthly payments are due, including interest at 1% per annum, which approximates the effective interest rate. The maturity date on the loan is May 18, 2022.

The loan terms provide that a portion or all of the loan is forgivable to the extent that Bro/Sis uses the loan proceeds to fund qualifying payroll and other expenses during a designated 24-week period. On September 20, 2021, Bro/Sis received notification from the SBA that the entire loan balance of \$604,100 has been forgiven.

In addition, Bro/Sis had incurred \$109,405 in refinancing costs. As of August 31, 2021, total outstanding loans, net of unamortized debt issuance costs of \$109,405, was \$2,694,695, payable as follows:

| <u>Year ending August 31</u> | |
|------------------------------|---------------------|
| 2022 | \$ 656,654 |
| 2023 | 61,407 |
| 2024 | 64,227 |
| 2025 | 67,592 |
| 2026 | 70,873 |
| Subsequent to 2026 | <u>1,773,942</u> |
| Total | 2,694,695 |
| Current portion | <u>656,654</u> |
| Non-current portion | <u>\$ 2,038,041</u> |

NOTE 6 NON-CASH CONTRIBUTIONS

In-kind contributions received during the year consist of donated services of \$119,492. Bro/Sis also received donated food pantry of \$210,918 for Bro/Sis’ COVID-19 relief efforts.

THE BROTHERHOOD/SISTER SOL, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

NOTE 7 COMMITMENT

In December 2017, Bro/Sis entered into a lease agreement for its transitional housing space under an operating lease expiring on December 31, 2021 with the rent commencement date of January 1, 2018. In December 2021, the operating lease was renewed and extended for four (4) years, which will expire on December 31, 2025. The future minimum lease payments, exclusive of certain escalation costs, are as follows:

| <u>Year ending August 31</u> | |
|------------------------------|-------------------|
| 2022 | \$ 136,802 |
| 2023 | 207,938 |
| 2024 | 212,097 |
| 2025 | 216,339 |
| 2026 | <u>72,587</u> |
| Total | <u>\$ 845,763</u> |

For financial statement purposes, total rent expenses are accounted for on a straight-line basis. Accordingly, the accompanying statement of financial position reflects the liability for deferred rent for the excess of the rent expense charged under generally accepted accounting principles over the rent paid pursuant to the lease term. As of August 31, 2021, the amount of deferred rent payable was \$4,096.

NOTE 8 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions during the year ended August 31, 2021 were as follows:

| | |
|---------------------------------------|---------------------|
| Satisfaction of purpose restrictions: | |
| Capital Campaign | \$ 5,836,192 |
| COVID-19 Relief Program | 967,110 |
| Environmental Education Program | 565,000 |
| Liberation Program | 105,250 |
| Programmatic Support | 893,358 |
| Rites of Passage | <u>517,500</u> |
| | 8,884,410 |
| Satisfaction of time restrictions: | |
| General Support designated for 2021 | <u>170,000</u> |
| Total | <u>\$ 9,054,410</u> |

THE BROTHERHOOD/SISTER SOL, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

As of August 31, 2021, net assets with donor restrictions are available for the following:

| | |
|--|--------------------------|
| Purpose restrictions, available for spending: | |
| Capital Campaign | \$ 20,000 |
| Liberation Program | 100,000 |
| Programmatic Support | 98,000 |
| Rites of Passage | <u>15,000</u> |
| Total purpose-restricted net assets | 233,000 |
| Time restrictions: | |
| Time restricted support, which are unavailable for spending until the time stipulated by donors | <u>150,000</u> |
| Total Net Assets with Donor Restrictions | <u><u>\$ 383,000</u></u> |

NOTE 10 CAPITAL PROJECT

In 2016, Bro/Sis 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 \$21.4 million dollars.

Since 2016, Bro/Sis has received the following conditional promises to give totaling \$10,952,000 from the City and State of New York for the Capital Project acting by and through New York City Economic Development Corporation (“EDC”), the Dormitory Authority of the State of New York (“DASNY”), and the Department of Design and Construction (“DDC”) that are contingent upon the successful execution of the contracts.

As of August 31, 2020, Bro/Sis had executed the contract with various New York State Assemblyman through DASNY for \$1,150,000 and has drawn down the full amount for the Capital Project.

Bro/Sis also has executed contracts with EDC of \$8,502,000 and has drawn down \$5,663,783 for the Capital Project as of August 31, 2021. Remaining funds will be drawn down on an reimbursement basis.

DDC will oversee the Technology funding of \$1,300,000 committed by the City and will also pay for these expenses on an reimbursement basis.

(Continue)

THE BROTHERHOOD/SISTER SOL, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

NOTE 10 CAPITAL PROJECT - (Continued)

As of August 31, 2021, Bro/Sis has received \$16,741,617 in capital campaign contributions and incurred \$18,115,510 in capital project related expenses. Of which, \$16,695,477 was architecture, engineering, surveying 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 11 PENSION PLAN

Effective November 1, 2018, Bro/Sis adopted a defined contribution pension plan that covers all employees who have completed six months of service. Contribution to the plan is based on three (3) percent of employees' salaries. Pension expenses for the year included contributions for the year ended August 31, 2021 of \$80,810.

Effective December 1, 2019, Bro/Sis also adopted a deferred compensation plan that covers employer designated eligible employees. Amounts deferred each year are at the discretion of the employer. Deferred compensation expense for the year ended August 31, 2021 was \$112,669.

NOTE 12 FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing Bro/Sis' services have been summarized on a functional basis in the statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefitted using a reasonable allocation method that is consistently applied.

Administrative and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization. Fundraising costs are expensed as incurred, even though they may result in contributions received in future years.

NOTE 13 SUBSEQUENT EVENTS

Bro/Sis has evaluated subsequent events through March 3, 2022, 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.