

THE BROTHERHOOD/SISTER SOL, INC.

**INDEPENDENT AUDITOR'S REPORT
ON
FINANCIAL STATEMENTS**

AS OF AUGUST 31, 2020

AND

FOR THE YEAR THEN ENDED

THE BROTHERHOOD/SISTER SOL, INC.

- CONTENTS -

	<u>Page</u>
Independent Auditor's Report	1-2
Statement of Financial Position as of August 31, 2020	3
Statement of Activities for the year ended August 31, 2020	4
Statement of Functional Expenses for the year ended August 31, 2020	5
Statement of Cash Flows for the year ended August 31, 2020	6
Notes to Financial Statements	7-16

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

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, 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.

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, 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.

Winnie Tam & Co., P.C.

New York, New York
January 19, 2021

**THE BROTHERHOOD/SISTER SOL, INC.
STATEMENT OF FINANCIAL POSITION
AS OF AUGUST 31, 2020**

ASSETS

Current Assets

Cash	\$ 3,397,095
Accounts receivable	2,924
Pledges, grants and contributions receivable - Notes 2 and 4	830,000
Prepaid expenses	152,054
Inventories, at lower of cost or market	<u>26,372</u>
Total Current Assets	4,408,445

Non-Current Assets

Pledges and grants receivable - Notes 2 and 4	223,530
Construction in progress - Note 11	6,914,696
Fixed assets, at cost, net of accumulated depreciation and amortization of \$236,773 - Notes 2 and 5	1,389,417
Security deposits	<u>39,350</u>

Total Assets \$ 12,975,438

LIABILITIES AND NET ASSETS

LIABILITIES

Current Liabilities

Accounts and accrued expenses payable	\$ 213,368
Construction costs payable	1,415,873
Loans payable - Note 6	<u>2,214,766</u>
Total Current Liabilities	3,844,007

Non-Current Liability

Deferred rent payable - Note 8	13,470
Loan payable - Note 6	<u>604,100</u>

Total Liabilities 4,461,577

NET ASSETS

Without donor restrictions	7,510,310
With donor restrictions - Note 10	<u>1,003,551</u>

Total Net Assets 8,513,861

Total Liabilities and Net Assets \$ 12,975,438

See accompanying notes to financial statements.

THE BROTHERHOOD/SISTER SOL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Operating Activities			
Support and Revenue			
Grants, contributions and fees from:			
Foundations and trusts	\$ 2,244,828	\$ 3,099,981	\$ 5,344,809
Individuals	500,940	350,093	851,033
Corporations	34,559	104,286	138,845
Federations	20,000	51,500	71,500
Governmental agencies	188,806	1,966,685	2,155,491
Special events	790,813		790,813
Program fees	21,294		21,294
In-kind contributions - Notes 2 and 7	285,772		285,772
Merchandise sales	6,408		6,408
Other income	<u>7,587</u>		<u>7,587</u>
Total Operating Support and Revenue	<u>4,101,007</u>	<u>5,572,545</u>	<u>9,673,552</u>
Net assets released from restrictions - Note 9:			
Satisfaction of purpose restrictions	7,818,319	(7,818,319)	-
Satisfaction of time restrictions	<u>281,192</u>	<u>(281,192)</u>	<u>-</u>
	<u>8,099,511</u>	<u>(8,099,511)</u>	<u>-</u>
Total Operating Support and Revenue	<u>12,200,518</u>	<u>(2,526,966)</u>	<u>9,673,552</u>
Expenses			
Program Services	4,629,967		4,629,967
Administrative and general	525,205		525,205
Fund raising	<u>686,010</u>		<u>686,010</u>
Total Expenses	<u>5,841,182</u>		<u>5,841,182</u>
Change in Net Assets from Operating Activities	<u>6,359,336</u>	<u>(2,526,966)</u>	<u>3,832,370</u>
Non-Operating Activities			
Interest income	3,718		3,718
Loan interest expenses	<u>(105,495)</u>		<u>(105,495)</u>
Change in Net Assets from Non-Operating Activities	<u>(101,777)</u>		<u>(101,777)</u>
Change in Net Assets	6,257,559	(2,526,966)	3,730,593
Net Assets as of August 31, 2019	<u>1,252,751</u>	<u>3,530,517</u>	<u>4,783,268</u>
Net Assets as of August 31, 2020	<u>\$ 7,510,310</u>	<u>\$ 1,003,551</u>	<u>\$ 8,513,861</u>

See accompanying notes to financial statements.

**THE BROTHERHOOD/SISTER SOL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2020**

	Program Services	Supporting Services		Total Program and Supporting Services
		Administrative and General	Fund Raising	
Salaries	\$ 2,230,353	\$ 268,163	\$ 408,614	\$ 2,907,130
Payroll taxes and employee benefits	743,941	89,447	136,294	969,682
Total Payroll and related expenses	2,974,294	357,610	544,908	3,876,812
Occupancy and space rental	209,532	22,660	770	232,962
Printing and publications	1,769	5,376	2,332	9,477
Equipment rental, repairs and maintenance	15,533	1,868	2,845	20,246
Telephone and communications	13,064	4,797	1,836	19,697
Meetings and conferences	42,706	1,058	79	43,843
Professional and consultant fees (including donated services of \$210,130 - Note 7)	542,866	85,240	97,980	726,086
Supplies and office expenses	79,862	17,248	254	97,364
Travel and transportation	37,921	1,004	19	38,944
Postage and mailing	4,321	788	3,669	8,778
Fees, dues and subscriptions	5,743	1,216		6,959
Insurance	63,291	1,426	751	65,468
Marketing and promotion			3,119	3,119
Other program expenses (including donated food pantry of \$75,642 - Note 7)	384,778	10,807	11,111	406,696
Honorarium and youth stipends	149,966			149,966
Event expenses			276	276
Staff development		701		701
Credit card processing fees, bank fees and other charges	16,605	2,662		19,267
Miscellaneous	49	204		253
Total Expenses before depreciation and amortization	4,542,300	514,665	669,949	5,726,914
Depreciation and amortization	87,667	10,540	16,061	114,268
Total Expenses	\$ 4,629,967	\$ 525,205	\$ 686,010	\$ 5,841,182

See accompanying notes to financial statements.

**THE BROTHERHOOD/SISTER SOL, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2020**

Cash Flows from Operating Activities

Change in Net Assets	\$ 3,730,593
Adjustments to reconcile change in Net Assets to net cash provided by operating activities	
Depreciation and amortization	114,268
Grants and contributions for capital campaign	(3,175,747)
Changes in assets and liabilities:	
Decrease in accounts receivable	15,070
Decrease in pledges, grants and contributions receivable	290,711
Decrease in due from governmental agencies	151,861
Increase in prepaid expenses	(17,860)
Decrease in inventories	1,654
Decrease in accounts and accrued expenses payable	(32,931)
Increase in construction costs payable	1,415,873
Decrease in agency funds payable	(251)
Decrease in advance from governmental agency	(3,162)
Decrease in deferred event revenue	(3,303)
Decrease in deferred rent payable	(746)
Net Cash Provided by Operating Activities	<u>2,486,030</u>

Cash Flows from Investing Activities

Increase in construction in progress	(5,027,307)
Net Cash Used in Investing Activities	<u>(5,027,307)</u>

Cash Flows from Financing Activities

Grants and contributions for capital campaign	3,175,747
Proceeds from loan	604,100
Repayment of loan	(39,399)
Net Cash Provided by Financing Activities	<u>3,740,448</u>

Net Increase in Cash	1,199,171
Cash balance as of August 31, 2019	<u>2,197,924</u>
Cash balance as of August 31, 2020	<u>\$ 3,397,095</u>

Supplemental Disclosure of Cash Flow Information:

Cash paid during the year for interest	\$ <u>79,012</u>
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See accompanying notes to financial statements.

THE BROTHERHOOD/SISTER SOL, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020

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, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

- c) Cash consists of cash held in checking and money market 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, 2020

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) 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 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 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. 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.
- j) 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.

THE BROTHERHOOD/SISTER SOL, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020

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, 2020 are:

Financial Assets:	
Cash	\$ 3,397,095
Accounts receivable	2,924
Pledges, grants and contributions receivable	<u>1,053,530</u>
Total Financial Assets	4,453,549
Less financial assets held to meet donor-imposed restrictions:	
Purpose-restricted net assets	(515,979)
Less financial assets not available within one year:	
Pledges and grants receivable (Note 4)	(<u>223,530</u>)
Amount available for general Expenditures within one year	
	<u>\$ 3,714,040</u>

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

NOTE 4 PROMISES TO GIVE

Unconditional promises to give as of August 31, 2020 are as follows:

Receivable in less than one year	\$ 830,000
Receivable in one to five years	<u>235,000</u>
Total unconditional promises to give	1,065,000
Less: net present value discount	(<u>11,470</u>)
Net unconditional promises to give	<u>\$ 1,053,530</u>
Current	\$ 830,000
Non-current	<u>223,530</u>
Net unconditional promises to give	<u>\$ 1,053,530</u>

Long-term promises to give are recognized at fair value, using present value techniques and a discount rate of 3.25%.

THE BROTHERHOOD/SISTER SOL, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 5 FIXED ASSETS

As of August 31, 2020, 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>236,773</u>
Net	<u>\$ 1,389,417</u>

NOTE 6 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 has been extended to September 1, 2021. The loan is collateralized by the fixed assets of the organization. As of August 31, 2020, the outstanding balance was \$1,214,766.

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 has been extended to June 30, 2021. As of August 31, 2020, the outstanding balance was \$1,000,000.

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.

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.

(Continue)

THE BROTHERHOOD/SISTER SOL, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 6 LOANS PAYABLE / RELATED PARTY TRANSACTION - (Continued)

On April 17, 2020, Bro/Sis received an advance of \$10,000 under the Economic Injury Disaster Loan (“EIDL”) program from SBA. The advance does not need to be repaid. However, organizations who received an EIDL Advance in addition to the PPP loan will have the amount of the EIDL Advance subtracted from the forgiveness amount of their PPP loan.

On May 18, 2020, Bro/Sis obtained a two year \$604,100 loan which bears an interest at a fixed rate of 1% per annum. Bro/Sis must pay monthly principal and interest payments on the outstanding principal balance of the loan amortized over the term of the loan, unless otherwise forgiven in whole or in part in accordance with the “CARES Act”, beginning seven months from May 18, 2020 until the maturity date of May 18, 2022 when the entire principal balance remaining unpaid, along with all accrued and unpaid interest, shall be due and payable in full.

Loans payable as of August 31, 2020 is as follows:

<u>Year ending August 31</u>		
	2021	\$ 2,214,766
	2022	<u>604,100</u>
	Total	2,818,866
	Current portion	<u>2,214,766</u>
	Non-current portion	<u>\$ 604,100</u>

NOTE 7 NON-CASH CONTRIBUTIONS

In-kind contributions received during the year consist of donated legal services of \$210,130. Bro/Sis also received donated food pantry of \$75,642 for Bro/Sis’ COVID-19 relief efforts and was recorded as program expenses.

NOTE 8 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.

(Continue)

THE BROTHERHOOD/SISTER SOL, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 8 COMMITMENT - (Continued)

The future minimum lease payments, exclusive of certain escalation costs, are as follows:

<u>Year Ending August 31</u>	
2021	\$ 224,352
2022	<u>75,755</u>
Total	<u>\$ 300,107</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, 2020, the amount of deferred rent payable was \$13,470.

NOTE 9 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions during the year ended August 31, 2020 were as follows:

Satisfaction of purpose restrictions:	
Capital Campaign	\$ 5,277,359
COVID-19 Relief Program	1,079,572
Environmental Education Program	30,000
Liberation Program	100,600
Peace Poets Earth Day	5,000
Programmatic Support	795,000
Rites of Passage	<u>530,788</u>
	7,818,320
Satisfaction of time restrictions:	
General Support designated for 2020	<u>281,192</u>
Total	<u>\$ 8,099,511</u>

THE BROTHERHOOD/SISTER SOL, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

As of August 31, 2020, net assets with donor restrictions are available for the following:

Purpose restrictions, available for spending:	
Capital Campaign	\$ 408,404
Liberation Program	195,938
Programmatic Support	53,358
Rites of Passage	<u>81,809</u>
Total purpose-restricted net assets	739,509
Time restrictions:	
Time restricted support, which are unavailable for spending until the time stipulated by donors	<u>264,042</u>
Total Net Assets with Donor Restrictions	<u>\$ 1,003,551</u>

NOTE 11 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 \$17.24 million dollars.

Sine 2016, Bro/Sis has received the following conditional promises to give totaling \$10,602,000 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 \$883,397 for the Capital Project as of August 31, 2020. Remaining funds will be drawn down on an reimbursement basis.

DDC will oversee the Technology funding of \$850,000 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, 2020

NOTE 11 CAPITAL PROJECT - (Continued)

As of August 31, 2020, Bro/Sis has received \$8,455,612 in capital campaign contributions and incurred \$8,047,208 in capital project related expenses. Of which, \$6,914,696 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 12 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, 2020 of \$68,288.

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, 2020 was \$221,665.

NOTE 13 CONTINGENCIES

Bro/Sis receives State and 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 14 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. Fund raising costs are expensed as incurred, even though they may result in contributions received in future years.

THE BROTHERHOOD/SISTER SOL, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 15 SUBSEQUENT EVENTS

Bro/Sis has evaluated subsequent events through January 19, 2021, 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.

In response to an order by the Governor of New York related to the coronavirus (COVID-19) in March 2020, Bro/Sis closed their physical office on a short-term basis but maintained member and client support with staff working remotely. Bro/Sis does not know the overall effect on its operations from this closure.