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Audited Financial Statements

June 30, 2015



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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
Queens Community House, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Queens Community House, Inc. ("QCH"), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 organization'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 organization'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.

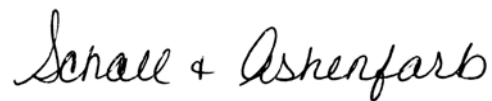
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Queens Community House, Inc. as of June 30, 2015, 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.

Report on Summarized Comparative Information

We have previously audited QCH's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 16, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Schall & Ashenfarb".

Schall & Ashenfarb
Certified Public Accountants, LLC

December 16, 2015

QUEENS COMMUNITY HOUSE, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2015
(With comparative totals as of June 30, 2014)

	<u>6/30/15</u>	<u>6/30/14*</u>
Current assets:		
Cash and cash equivalents	\$297,599	\$285,975
Grants receivable, net of allowance	2,133,898	2,016,403
Fees receivable	33,698	98,883
Pledges receivable	340,000	150,000
Prepaid expenses	41,387	17,913
Total current assets	<u>2,846,582</u>	<u>2,569,174</u>
Long-term assets:		
Investments (Note 3)	48,602	46,564
Fixed assets (net of accumulated depreciation - Note 4)	560,532	552,943
Total long-term assets	<u>609,134</u>	<u>599,507</u>
Total assets	<u><u>\$3,455,716</u></u>	<u><u>\$3,168,681</u></u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	\$1,036,064	\$1,030,386
Short-term portion of loans payable (Note 5)	398,000	503,000
Government grant advances	473,312	397,754
Short-term portion of workers' compensation payable (Note 11)	39,409	39,409
Deferred revenue	2,275	68,165
Total current liabilities	<u>1,949,060</u>	<u>2,038,714</u>
Long-term liabilities:		
Loans payable (Note 5)	126,062	178,062
Workers' compensation payable (Note 11)	29,556	68,965
Total long-term liabilities	<u>155,618</u>	<u>247,027</u>
Total liabilities	<u>2,104,678</u>	<u>2,285,741</u>
Net assets:		
Unrestricted	291,608	38,893
Temporarily restricted (Note 6)	983,680	768,297
Permanently restricted (Note 7)	75,750	75,750
Total net assets	<u>1,351,038</u>	<u>882,940</u>
Total liabilities and net assets	<u><u>\$3,455,716</u></u>	<u><u>\$3,168,681</u></u>

* Reclassified for comparative purposes

The attached notes and auditors' report are an integral part of these financial statements.

QUEENS COMMUNITY HOUSE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015
(With comparative totals for the year ended June 30, 2014)

	Unrestricted		Temporarily Restricted (Note 6)	Permanently Restricted (Note 7)	Total 6/30/15	Total 6/30/14
	Operations	Board Designated				
Support:						
Grants and contributions:						
Government contracts (Note 10)	\$13,125,472				\$13,125,472	\$12,136,440
Foundation grants and individual contributions	352,453		\$1,120,577		1,473,030	1,641,506
Donated rent	969,631				969,631	897,032
Total support	<u>14,447,556</u>	<u>0</u>	<u>1,120,577</u>	<u>0</u>	<u>15,568,133</u>	<u>14,674,978</u>
Revenue:						
Program fees and other income	219,609				219,609	280,720
Fundraising events	49,449				49,449	81,628
Investment income (Note 3)	1,324	1,007			2,331	6,553
Total revenue	<u>270,382</u>	<u>1,007</u>	<u>0</u>	<u>0</u>	<u>271,389</u>	<u>368,901</u>
Net assets released from restriction:						
Satisfaction of program restrictions (Note 6)	905,194		(905,194)		0	0
Total support and revenue	<u>15,623,132</u>	<u>1,007</u>	<u>215,383</u>	<u>0</u>	<u>15,839,522</u>	<u>15,043,879</u>
Expenses:						
Program services (Note 8)	<u>13,742,230</u>				<u>13,742,230</u>	<u>12,864,026</u>
Supporting services:						
Management and general	1,496,175				1,496,175	1,518,356
Fundraising	133,019				133,019	141,014
Total supporting services	<u>1,629,194</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,629,194</u>	<u>1,659,370</u>
Total expenses	<u>15,371,424</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>15,371,424</u>	<u>14,523,396</u>
Change in net assets from operations	<u>251,708</u>	<u>1,007</u>	<u>215,383</u>	<u>0</u>	<u>468,098</u>	<u>520,483</u>
Non-operating activity:						
Insurance recovery	0		0		0	80,513
Total non-operating activity	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>80,513</u>
Change in net assets	251,708	1,007	215,383	0	468,098	600,996
Net assets - beginning of year	25,273	13,620	38,893	75,750	882,940	281,944
Net assets - end of year	<u>\$276,981</u>	<u>\$14,627</u>	<u>\$983,680</u>	<u>\$75,750</u>	<u>\$1,351,038</u>	<u>\$882,940</u>

The attached notes and auditors' report are an integral part of these financial statements.

QUEENS COMMUNITY HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

(With comparative totals for the year ended June 30, 2014)

	Program Services	Supporting Services		Total Supporting Services	Total Expenses 6/30/15	Total Expenses 6/30/14
		Management and General	Fundraising			
Salaries	\$7,964,328	\$462,064	\$37,065	\$499,129	\$8,463,457	\$7,739,094
Payroll taxes and fringes	1,952,993	96,543	7,783	104,326	2,057,319	1,830,300
Occupancy (including in-kind of \$969,631)	1,069,505	24,531		24,531	1,094,036	1,079,575
Consultation expenses	509,520	3,558	75,000	78,558	588,078	569,834
Insurance	126,213	14,395		14,395	140,608	99,162
Food	1,172,121	540	120	660	1,172,781	1,122,229
Program activities and admissions	128,780	2,135	11,051	13,186	141,966	228,932
Communications	150,446	11,590	480	12,070	162,516	178,285
Materials and supplies	203,169	18,966	42	19,008	222,177	217,694
Maintenance and repairs	93,490	2,181		2,181	95,671	117,711
Printing and postage	32,256	537	35	572	32,828	30,876
Office expenses	63,327	11,567	1,433	13,000	76,327	58,728
Professional fees	5,334	620,256		620,256	625,590	773,766
Equipment and rentals	116,211	13,475		13,475	129,686	124,335
Interest and bank charges	20	31,078		31,078	31,098	43,721
Transportation for elderly	89,381			0	89,381	92,950
Travel/conferences	60,249	6,393	10	6,403	66,652	57,142
Miscellaneous expenses	4,887	13,397		13,397	18,284	11,281
Total expenses before depreciation	13,742,230	1,333,206	133,019	1,466,225	15,208,455	14,375,615
Depreciation		162,969		162,969	162,969	147,781
Total expenses	<u>\$13,742,230</u>	<u>\$1,496,175</u>	<u>\$133,019</u>	<u>\$1,629,194</u>	<u>\$15,371,424</u>	<u>\$14,523,396</u>

The attached notes and auditors' report are an integral part of these financial statements.

QUEENS COMMUNITY HOUSE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015
(With comparative totals for the year ended June 30, 2014)

	<u>6/30/15</u>	<u>6/30/14</u>
Cash flows from operating activities:		
Change in net assets	\$468,098	\$600,996
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	162,969	147,781
Net realized/unrealized gain on investments	(1,293)	(6,330)
Changes in assets and liabilities:		
Grants receivable	(117,495)	(62,841)
Fees receivable	65,185	(91,796)
Pledges receivable	(190,000)	(50,000)
Prepaid expenses	(23,474)	20,011
Accounts payable and accrued expenses	5,678	(375,648)
Government grant advances	75,558	19,161
Workers' compensation payable	(39,409)	(39,409)
Deferred revenue	(65,890)	20,171
Total adjustments	<u>(128,171)</u>	<u>(418,900)</u>
Net cash provided by operating activities	<u>339,927</u>	<u>182,096</u>
Cash flows from investing activities:		
Purchases of investments	(745)	0
Purchases of equipment and fixed assets	<u>(170,558)</u>	<u>(222,374)</u>
Net cash used for investing activities	<u>(171,303)</u>	<u>(222,374)</u>
Cash flows from financing activities:		
Repayments of loans	(1,057,000)	(542,000)
Proceeds from loans	<u>900,000</u>	<u>685,414</u>
Net cash (used for)/provided by financing activities	<u>(157,000)</u>	<u>143,414</u>
Net increase in cash and cash equivalents	11,624	103,136
Cash and cash equivalents - beginning of year	<u>285,975</u>	<u>182,839</u>
Cash and cash equivalents - end of year	<u><u>\$297,599</u></u>	<u><u>\$285,975</u></u>
Supplemental data:		
Interest paid: \$31,098		
Income taxes paid: \$0		

The attached notes and auditors' report are an integral part of these financial statements.

QUEENS COMMUNITY HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 - Organization

Queens Community House, Inc. ("QCH") is a New York Nonprofit Organization, which maintains and operates a community center for persons residing in the City of New York. QCH provides a wide variety of programs and services for families, older adults, children and youth. Programs and services include individual counseling, assistance with entitlement, and group activities that are social, recreational and educational for all age groups, all without profit to QCH.

QCH is exempt from Federal Income Taxes under Internal Revenue Code Section 501(c)(3) and has not been designated as a private foundation.

The facilities of QCH are made available for the use of individuals and clubs, organizations and other associations whose aims and purposes are similar to those of QCH and whose activities are without profit or pecuniary gain to them. QCH's revenue comes primarily from government grants and contributions, while several programs do charge fees.

Note 2 - Significant Accounting Policies

a. Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting which is the process of recognizing revenue and expenses when earned or incurred rather than when received or paid.

As a not-for-profit organization, QCH reports information regarding its financial position and activities according to specific classes of net assets, as follows:

- *Unrestricted* – accounts for all activity that has not been restricted by a donor. The board of directors has elected to restrict a specific stock donation received in a prior year. Because the donor did not restrict this contribution, a separate category of unrestricted net assets has been created to reflect the board's decision. Therefore, the unrestricted class has the following sub-categories:
 - *Board designated* – represents net assets that the board has designated that function as an endowment.
 - *Operations* – all other unrestricted activity.
- *Temporarily restricted* – those assets which have been restricted by the donor, but whose restriction will be satisfied by performing an activity or through the passage of time.
- *Permanently restricted* – those assets which have been restricted by the donor and must remain intact, in perpetuity.

b. Revenue Recognition

All donor-restricted support and contributions received with donor stipulations for the funds to be used for specific purposes or at a specific future time and whose restrictions have not been satisfied as of the end of the year are recorded as temporarily restricted. Contributions received without donor specified stipulations are reported as unrestricted.

Contributions are recorded at the earlier of receipt of cash or at the time a pledge is considered unconditional.

Government grants are reviewed to determine if they have traits more similar to contributions or exchange transactions. All government grants have been determined to have traits more commonly associated with exchange transactions and are recognized as income when earned. The difference between cash received as of the end of the year and revenue earned is classified as grants receivable or government grant advances. An allowance for potential uncollectable receivables of \$74,00 has been established.

Program fees are recorded on the accrual basis. Amounts collected that apply to programs that take place in future periods have been recorded as deferred revenue. Revenue earned that has not yet been collected is reflected as fees receivable.

c. Cash and Cash Equivalents

All unrestricted cash with a maturity of three months or less is considered to be cash and cash equivalents. As a stipulation to several government contracts, certain bank accounts are limited to use for those particular contracts.

d. Pledges Receivable

Pledges due in less than one year are recorded at their net realizable value. Long-term pledges are considered implicitly time restricted and are recorded at fair value, using a risk adjusted discounted rate. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

All pledges are due within one year. Based on the short-term nature of these receivables and the historical experience that QCH has, management feels that no allowance for doubtful accounts is necessary as of June 30, 2015.

e. Investments

Investments are stated at fair value which refers to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Unrealized gains and losses are included in income on the statement of activities.

f. Fixed Assets

QCH capitalizes equipment, furniture, vehicles, and leasehold improvements purchased with a useful life greater than one year. Purchases of capital items made with funds obtained as part of government grant agreements are also capitalized when it is probable that the asset will not revert back to the grantor.

Fixed assets are carried at cost except for donated items, which are carried at the estimated fair value at the date of donation. Such amounts do not purport to represent replacement values. Depreciation and amortization are provided by the straight-line

method over the estimated useful lives of the assets or terms of the lease.

g. Donated Rent

During the year, QCH received donated facilities at several program and administrative sites, which have been reflected on the financial statements at fair value.

h. In-kind Services

Donated services that create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided in-kind, are recognized at fair value.

Board members volunteer their time and perform a variety of tasks that assist QCH with fundraising and various committee assignments. These services do not meet the criteria for recognition and have not been recognized in the financial statements.

i. Concentration of Credit Risk

Financial instruments which potentially subject QCH to concentration of credit risk consist of cash and money market accounts which have been placed with financial institutions that management feels are creditworthy. At times, balances may exceed federally insured limits; however, QCH has not experienced any losses from these accounts.

j. Management Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

k. Expense Allocations

The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of QCH.

l. Summarized Comparative Information

The statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with QCH's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

m. Accounting for Uncertainty of Income Taxes

QCH does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending June 30, 2012 and later are subject to examination by applicable taxing authorities.

n. Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to

the date of the statement of financial position through December 16, 2015, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through our evaluation date that would require adjustment to or disclosure in the financial statements.

Note 3 - Investments

Accounting standards have established a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data.

At June 30, 2015 and 2014, investments are primarily concentrated in equity securities, which are considered Level 1 inputs, and measured using quoted prices in active markets for identical assets.

Total investment income from all accounts is as follows:

	<u>6/30/15</u>	<u>6/30/14</u>
Net realized/unrealized gains	\$1,293	\$6,330
Interest income	<u>1,038</u>	<u>223</u>
Total	<u>\$2,331</u>	<u>\$6,553</u>

Note 4 - Fixed Assets

Fixed assets consist of the following:

	<u>At June 30, 2015</u>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment – 3 and 5 yr. lives	\$538,842	\$260,438	\$278,404
Building improvements – 30 yr. life	<u>484,207</u>	<u>202,079</u>	<u>282,128</u>
Total	<u>\$1,023,049</u>	<u>\$462,517</u>	<u>\$560,532</u>

	<u>At June 30, 2014</u>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment – 3 and 5 yr. lives	\$368,283	\$113,609	\$254,674
Building improvements – 30 yr. life	<u>484,208</u>	<u>185,939</u>	<u>298,269</u>
Total	<u>\$852,491</u>	<u>\$299,548</u>	<u>\$552,943</u>

Note 5 - Loans Payable

At June 30, 2015 and June 30, 2014, the following loans were outstanding:

	<u>2015</u>	<u>2014</u>
Chase line of credit – A restructured line of credit that requires monthly payments and interest payable at 8.25%. Subsequent to year-end, the lender agreed to accept monthly payments of \$4,000 per month starting December 2013 for 36 months after which additional terms will be negotiated.	\$174,062	\$226,062
Fund for the City of New York – A cash flow loan with a 1.5% service charge. Due on July 11, 2014. Paid in full subsequent as of June 30, 2015.	0	275,000
Fund for the City of New York – A cash flow loan with a 1.5% service charge. Due on August 31, 2014. Paid in full subsequent as of June 30, 2015.	0	180,000
Fund for the City of New York – A cash flow loan with a 1.5% service charge. Due on July 1, 2015. Paid in full subsequent to year-end.	<u>350,000</u>	<u>0</u>
Total loans outstanding	\$524,062	\$681,062
Less short-term portion	<u>(398,000)</u>	<u>(503,000)</u>
Net long-term portion	<u>\$126,062</u>	<u>\$178,062</u>

Note 6 - Temporarily Restricted Net Assets

The following schedule summarizes temporarily restricted net assets:

	<u>June 30, 2015</u>			
	<u>Beginning</u>	<u>Contributions</u>	<u>Released From Restriction</u>	<u>Ending</u>
Community program	\$123,952	\$120,000	(\$91,328)	\$152,624
Youth program	514,848	820,500	(716,879)	618,469
Senior program	85,158	180,000	(96,099)	169,059
Hurricane Sandy	7,230	0	(888)	6,342
Administration	<u>37,109</u>	<u>77</u>	<u>0</u>	<u>37,186</u>
	<u>\$768,297</u>	<u>\$1,120,577</u>	<u>(\$905,194)</u>	<u>\$983,680</u>

June 30, 2014

	<u>Beginning</u>	<u>Contributions</u>	Released From <u>Restriction</u>	<u>Ending</u>
Community program	\$151,124	\$100,000	(\$127,172)	\$123,952
Youth program	344,711	774,000	(603,863)	514,848
Senior program	35,000	115,000	(64,842)	85,158
Hurricane Sandy	10,000	0	(2,770)	7,230
Administration	0	37,109	0	37,109
	<u>\$540,835</u>	<u>\$1,026,109</u>	<u>(\$798,647)</u>	<u>\$768,297</u>

Net assets were released from restriction due to satisfaction of program obligations.

Note 7 - Permanently Restricted Net Assets/Endowment Funds

Over the years, QCH received donations totaling \$75,750 that were restricted by the donors to be held in perpetuity. QCH set up an endowment account for these donations. The terms of the endowment provide for the corpus to remain in-tact and income to be used for operating purposes.

Interpretation of Relevant Law

QCH follows the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). The board of directors of QCH has interpreted NYPMIFA as requiring certain amounts to be retained permanently. Absent explicit donor stipulations to the contrary, QCH will preserve the fair value of the original gift as of the gift date for all donor-restricted endowment funds. However, under certain circumstances, QCH has the right to appropriate for expenditure the fair value of the original gift in a manner consistent with the standard of prudence specifically prescribed by NYPMIFA.

As a result of this interpretation, QCH classifies permanently restricted net assets as (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Absent any specific donor-stipulations, the remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as board designated (unrestricted) net assets.

Spending Policies

QCH considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of QCH and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;

- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of QCH;
- (7) The investment policies of QCH;
- (8) Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on QCH.

Changes in endowment net assets were as follows:

	<u>June 30, 2015</u>		
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	(\$42,806)	\$75,750	\$32,944
Net realized/unrealized gains	<u>1,031</u>	<u>0</u>	<u>1,031</u>
Endowment net assets, end of year	<u>(\$41,775)</u>	<u>\$75,750</u>	<u>\$33,975</u>

	<u>June 30, 2014</u>		
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	(\$49,136)	\$75,750	\$26,614
Unrealized gain on investments	<u>6,330</u>	<u>0</u>	<u>6,330</u>
Endowment net assets, end of year	<u>(\$42,806)</u>	<u>\$75,750</u>	<u>\$32,944</u>

Endowment Investment Policies

QCH has adopted an investment policy for endowment assets that relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). QCH targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Funds with Deficiencies

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires QCH to retain as a fund of perpetual duration. The amount of donor restricted investments was below the original corpus by \$41,775 and \$42,806 as of June 30, 2015 and June 30, 2014, respectively.

Note 8 - Program Services

The following outlines the major programs that were performed for the year:

	<u>6/30/15</u>	<u>6/30/14</u>
Youth	\$6,848,474	\$6,115,942
Senior services	4,951,011	4,475,174
Community	<u>1,942,745</u>	<u>2,272,910</u>
Total	<u>\$13,742,230</u>	<u>\$12,864,026</u>

Note 9 - Retirement Plan

QCH has a deferred contribution pension plan. Employees who work at least 1,000 hours and have been employed for at least one year are eligible. The employer has the discretion to designate the percentage of employees' salary to contribute to the plan. For the years ended June 30, 2015 and June 30, 2014 the employer match was approximately \$28,000 and \$0, respectively.

Note 10 - Commitments and Contingencies

Program Audits – Government Contracts

QCH conducts numerous programs, which are publicly supported by governmental agencies. Some programs are subject to governmental agency audits and retroactive adjustments for disallowed expenses. As of June 30, 2015 and 2014, management established a reserve of \$31,000 to account for this possibility.

Note 11 - Workers' Compensation Payable

During the period from 1997 through 2002, QCH was a member of a self-insurance trust for workers' compensation. Although QCH had made all premium payments that they were billed for, the trust was liquidated and all the members received additional assessments. The portion charged to QCH was approximately \$197,000, which was accrued during 2011, the period the settlement amount became known. Terms of payment require QCH to make sixty (60) equal monthly payments of \$3,489. The outstanding balance was \$68,965 and \$108,374 as of June 30, 2015 and June 30, 2014, respectively.