



Audited Financial Statements

June 30, 2017

INDEPENDENT AUDITOR'S REPORT

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, 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 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 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 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 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.

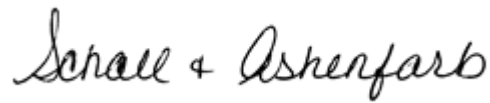
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 8, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Schall & Ashenfarb
Certified Public Accountants, LLC

January 10, 2018

QUEENS COMMUNITY HOUSE, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2017
(With comparative totals as of June 30, 2016)

	<u>6/30/17</u>	<u>6/30/16</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$429,781	\$370,890
Grants receivable, net of allowance	3,854,171	2,667,040
Fees receivable	6,873	6,632
Pledges receivable	290,000	122,500
Prepaid expenses	132,417	71,227
Total current assets	<u>4,713,242</u>	<u>3,238,289</u>
Long-term assets:		
Investments (Note 3)	63,998	47,915
Fixed assets (net of accumulated depreciation) (Note 4)	<u>541,315</u>	<u>621,271</u>
Total long-term assets	<u>605,313</u>	<u>669,186</u>
Total assets	<u><u>\$5,318,555</u></u>	<u><u>\$3,907,475</u></u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	\$1,329,412	\$1,193,592
Short-term portion of loans payable (Note 5)	534,991	225,701
Government grant advances	222,460	355,399
Short-term portion of workers' compensation payable (Note 11)	0	29,556
Total current liabilities	<u>2,086,863</u>	<u>1,804,248</u>
Long-term liabilities:		
Loans payable (Note 5)	<u>84,133</u>	<u>121,514</u>
Total long-term liabilities	<u>84,133</u>	<u>121,514</u>
Total liabilities	<u>2,170,996</u>	<u>1,925,762</u>
Net assets:		
Unrestricted	2,165,278	1,124,520
Temporarily restricted (Note 6)	906,531	781,443
Permanently restricted (Note 7)	<u>75,750</u>	<u>75,750</u>
Total net assets	<u>3,147,559</u>	<u>1,981,713</u>
Total liabilities and net assets	<u><u>\$5,318,555</u></u>	<u><u>\$3,907,475</u></u>

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

QUEENS COMMUNITY HOUSE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
(With comparative totals for the year ended June 30, 2016)

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total 6/30/17	Total 6/30/16
	Operations	Board Designated				
Support:						
Grants and contributions:						
Government contracts (Note 10)	\$15,898,196				\$15,898,196	\$14,341,000
Foundation grants and individual contributions	663,383		\$1,315,045		1,978,428	1,588,917
Donated rent	1,048,381				1,048,381	1,048,381
Total support	<u>17,609,960</u>	<u>0</u>	<u>1,315,045</u>	<u>0</u>	<u>18,925,005</u>	<u>16,978,298</u>
Revenue:						
Program fees and other income	182,551				182,551	173,858
Fundraising events	170,857				170,857	130,744
Investment income (Note 3)	5,646	5,178			10,824	(210)
Total revenue	<u>359,054</u>	<u>5,178</u>	<u>0</u>	<u>0</u>	<u>364,232</u>	<u>304,392</u>
Net assets released from restriction:						
Satisfaction of program restrictions (Note 6)	1,189,957		(1,189,957)		0	0
Total support and revenue	<u>19,158,971</u>	<u>5,178</u>	<u>19,164,149</u>	<u>125,088</u>	<u>19,289,237</u>	<u>17,282,690</u>
Expenses:						
Program services (Note 8)	16,273,775				16,273,775	14,928,100
Supporting services:						
Management and general	1,601,518				1,601,518	1,754,620
Fundraising	248,098				248,098	157,989
Total supporting services	<u>1,849,616</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,849,616</u>	<u>1,912,609</u>
Total expenses	<u>18,123,391</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>18,123,391</u>	<u>16,840,709</u>
Change in net assets from operations	<u>1,035,580</u>	<u>5,178</u>	<u>1,040,758</u>	<u>125,088</u>	<u>1,165,846</u>	<u>441,981</u>
Non-operating activity:						
Forgiveness of debt (Note 5)	0		0		0	66,062
Other revenue	0		0		0	122,632
Total non-operating activity	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>188,694</u>
Change in net assets	1,035,580	5,178	1,040,758	125,088	1,165,846	630,675
Net assets - beginning of year	<u>1,110,553</u>	<u>13,967</u>	<u>1,124,520</u>	<u>781,443</u>	<u>1,981,713</u>	<u>1,351,038</u>
Net assets - end of year	<u>\$2,146,133</u>	<u>\$19,145</u>	<u>\$2,165,278</u>	<u>\$906,531</u>	<u>\$3,147,559</u>	<u>\$1,981,713</u>

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

QUEENS COMMUNITY HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
(With comparative totals for the year ended June 30, 2016)

	Supporting Services			Total Supporting Services	Total Expenses 6/30/17	Total Expenses 6/30/16
	Program Services	Management and General	Fundraising			
Salaries	\$9,165,178	\$464,218	\$102,500	\$566,718	\$9,731,896	\$9,322,877
Payroll taxes and fringes	2,258,695	46,577	6,099	52,676	2,311,371	2,192,656
Occupancy (including in-kind of \$1,048,381)	1,130,418	29,805		29,805	1,160,223	1,155,221
Consultation expenses	606,127	111,041	64,891	175,932	782,059	696,725
Insurance	142,081	4,051	153	4,204	146,285	129,186
Food	1,217,908	9,124	1,108	10,232	1,228,140	1,286,347
Program activities and admissions	631,135	6,100	41,232	47,332	678,467	166,706
Communications	201,936	3,820	15,720	19,540	221,476	168,699
Materials and supplies	322,203	28,823	786	29,609	351,812	262,488
Maintenance and repairs	153,321	5,005		5,005	158,326	105,387
Printing and postage	33,581	4,524	1,158	5,682	39,263	44,235
Office expenses	98,742	27,471	9,842	37,313	136,055	102,475
Professional fees	37,288	571,048	2,134	573,182	610,470	607,131
Equipment and rentals	123,758	26,515	1,169	27,684	151,442	121,749
Interest and bank charges		33,578		33,578	33,578	25,151
Transportation for elderly	88,123	2,165		2,165	90,288	108,045
Travel/conferences	53,940	4,341	225	4,566	58,506	81,490
Miscellaneous expenses	9,341	599	305	904	10,245	47,989
Total expenses before depreciation	16,273,775	1,378,805	247,322	1,626,127	17,899,902	16,624,557
Depreciation		222,713	776	223,489	223,489	216,152
Total expenses	\$16,273,775	\$1,601,518	\$248,098	\$1,849,616	\$18,123,391	\$16,840,709

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

QUEENS COMMUNITY HOUSE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

(With comparative totals for the year ended June 30, 2016)

	6/30/17	6/30/16
Cash flows from operating activities:		
Change in net assets	\$1,165,846	\$630,675
Adjustments to reconcile change in net assets to net cash (used for)/provided by operating activities:		
Depreciation	223,489	216,152
Forgiveness of loan	0	(66,062)
Donated securities	(5,773)	0
Net realized/unrealized (gain)/loss on investments	(9,480)	1,585
Loss on disposal of fixed assets	6,250	0
Changes in assets and liabilities:		
Grants receivable	(1,187,131)	(533,142)
Fees receivable	(241)	27,066
Pledges receivable	(167,500)	217,500
Prepaid expenses	(61,190)	(29,840)
Accounts payable and accrued expenses	135,820	157,528
Government grant advances	(132,939)	(117,913)
Workers' compensation payable	(29,556)	(39,409)
Deferred revenue	0	(2,275)
Total adjustments	(1,228,251)	(168,810)
Net cash (used for)/provided by operating activities	(62,405)	461,865
Cash flows from investing activities:		
Purchases of investments	(830)	(898)
Purchases of equipment and fixed assets	(149,783)	(276,891)
Net cash used for investing activities	(150,613)	(277,789)
Cash flows from financing activities:		
Repayments of loans	(1,506,497)	(764,785)
Proceeds from loans	1,778,406	654,000
Net cash provided by/(used for) financing activities	271,909	(110,785)
Net increase in cash and cash equivalents	58,891	73,291
Cash and cash equivalents - beginning of year	370,890	297,599
Cash and cash equivalents - end of year	\$429,781	\$370,890
Supplemental data:		
Interest paid	\$25,578	\$22,690
Income taxes paid	\$0	\$0

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

QUEENS COMMUNITY HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 - Organization

Queens Community House, Inc. ("QCH") is a New York Nonprofit Organization, which maintains and operates several community centers and numerous additional community based program locations 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 has been notified by the Internal Revenue Service that it 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 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.

All government grants are recognized as income when earned which is typically when an expense has been incurred that is subject to reimbursement from the grantor. The difference between cash received as of the end of the year and revenue earned is classified as grants receivable or government grant advances. Management established an allowance for potential uncollectable receivables of \$45,000 and \$100,000 as of June 30, 2017 and 2016, respectively.

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 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 QCH's historical experience, management feels that no allowance for doubtful accounts is necessary for pledges receivable as of June 30, 2017.

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, 2016, 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, 2014 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 January 10, 2018, 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.

o. New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU, which becomes effective for the June 30, 2019 year, with early implementation permitted, focuses on improving the current net asset classification requirements and information presented in the financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows.

In addition, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The ASU, which becomes effective for June 30, 2020 year, focuses on a principle based model. It highlights the identification of performance obligations of the contract, determining the price and allocating that price to the performance obligation so that revenue is recognized as each performance obligation is satisfied.

QCH has not yet evaluated the impact these standards will have on future financial statements.

Note 3 - Investments

Investments are recorded at fair value. 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, 2017 and 2016, 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>6/30/17</u>	<u>6/30/16</u>
Net realized/unrealized gain/(loss)	\$9,480	(\$1,585)
Interest income	<u>1,344</u>	<u>1,375</u>
Total	<u>\$10,824</u>	<u>(\$210)</u>

Investments consisted of:

	<u>6/30/17</u>	<u>6/30/16</u>
Investments held for endowment	\$39,080	\$33,948
Unrestricted	5,773	0
Board designated investments	<u>19,145</u>	<u>13,967</u>
Total	<u>\$63,998</u>	<u>\$47,915</u>

Note 4 - Fixed Assets

Fixed assets consist of the following:

	<u>June 30, 2017</u>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment – 3 and 5 yr. lives	\$943,859	\$666,315	\$277,544
Building improvements – 30 yr. life	<u>498,367</u>	<u>234,596</u>	<u>263,771</u>
Total	<u>\$1,442,226</u>	<u>\$900,911</u>	<u>\$541,315</u>
	<u>June 30, 2016</u>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment – 3 and 5 yr. lives	\$815,733	\$460,450	\$355,283
Building improvements – 30 yr. life	<u>484,207</u>	<u>218,219</u>	<u>265,988</u>
Total	<u>\$1,299,940</u>	<u>\$678,669</u>	<u>\$621,271</u>

Note 5 - Loans Payable

A summary of loans payable is as follows:

	<u>6/30/17</u>	<u>6/30/16</u>
QCH has an agreement dated April 21, 2017 with the M&T Bank providing for a \$800,000 line of credit during the year, with interest payable equal to the prime rate plus 1.80%, but no less than 4.00% per annum. The line is secured by QCH's accounts receivable. At June 30, 2017, QCH had an outstanding balance of \$500,000.	\$500,000	\$200,000
Chase line of credit – A restructured line of credit that required monthly payments and interest payable at 8.25%. This loan was settled and closed in March 2016, which included forgiveness of debt of \$66,062.	0	0
Fund for the City of New York – A cash flow loan with a 1.5% service charge.	0	0
M&T Bank – A cash flow loan with a 5.06% interest rate, due on March 14, 2021.	<u>119,124</u>	<u>147,215</u>
Total loans outstanding	619,124	347,215
Less short-term portion	<u>(534,991)</u>	<u>(225,701)</u>
Net long-term portion	<u>\$84,133</u>	<u>\$121,514</u>

Note 6 - Temporarily Restricted Net Assets

The following schedule summarizes temporarily restricted net assets:

	<u>June 30, 2017</u>			
	<u>Beginning</u>	<u>Contributions</u>	<u>Released From Restriction</u>	<u>Ending</u>
Programs:				
Youth program	\$523,194	\$800,000	(\$739,122)	\$584,072
Community program	140,404	252,545	(251,502)	141,447
Senior program	63,471	192,500	(142,478)	113,493
Hurricane Sandy	6,342	0	0	6,342
Administration	<u>48,032</u>	<u>70,000</u>	<u>(56,855)</u>	<u>61,177</u>
Total	<u>\$781,443</u>	<u>\$1,315,045</u>	<u>(\$1,189,957)</u>	<u>\$906,531</u>

	<u>June 30, 2016</u>			
	<u>Beginning</u>	<u>Contributions</u>	<u>Released From Restriction</u>	<u>Ending</u>
Programs:				
Youth program	\$714,888	\$613,500	(\$805,194)	\$523,194
Community program	160,700	186,050	(206,346)	140,404
Senior program	69,059	85,000	(90,588)	63,471
Hurricane Sandy	6,342	0	0	6,342
Administration	<u>32,691</u>	<u>50,000</u>	<u>(34,659)</u>	<u>48,032</u>
Total	<u>\$983,680</u>	<u>\$934,550</u>	<u>(\$1,136,787)</u>	<u>\$781,443</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, 2017</u>		
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	(\$41,802)	\$75,750	\$33,948
Net realized/unrealized loss	<u>5,132</u>	<u>0</u>	<u>5,132</u>
Endowment net assets, end of year	<u>(\$36,670)</u>	<u>\$75,750</u>	<u>\$39,080</u>
	<u>June 30, 2016</u>		
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	(\$41,775)	\$75,750	\$33,975
Net realized/unrealized loss	<u>(27)</u>	<u>0</u>	<u>(27)</u>
Endowment net assets, end of year	<u>(\$41,802)</u>	<u>\$75,750</u>	<u>\$33,948</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 \$36,670 and \$41,802 as of June 30, 2017 and June 30, 2016, respectively.

Note 8 - Program Services

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

	<u>6/30/17</u>	<u>6/30/16</u>
Youth	\$8,352,873	\$7,756,326
Senior services	5,788,951	5,215,522
Community	<u>2,131,951</u>	<u>1,956,252</u>
Total	<u>\$16,273,775</u>	<u>\$14,928,100</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. The employer match was approximately \$33,000 and \$27,000 for the years ended June 30, 2017 and June 30, 2016, 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, 2017 and 2016, 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 \$29,556 as of June 30, 2016, and was paid in full at June 30, 2017.