



Audited Financial Statements

June 30, 2018

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, 2018, 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.

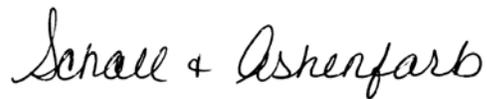
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 10, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Schall & Ashenfarb
Certified Public Accountants, LLC

December 11, 2018

QUEENS COMMUNITY HOUSE, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2018
(With comparative totals as of June 30, 2017)

	6/30/18	6/30/17
Assets:		
Current assets:		
Cash and cash equivalents	\$440,084	\$429,781
Grants receivable, net of allowance	4,992,867	3,854,171
Fees receivable	3,813	6,873
Pledges receivable	12,500	290,000
Prepaid expenses and deposits	237,588	132,417
Total current assets	5,686,852	4,713,242
Long-term assets:		
Investments (Note 3)	103,167	63,998
Fixed assets (net of accumulated depreciation) (Note 4)	616,183	541,315
Total long-term assets	719,350	605,313
Total assets	\$6,406,202	\$5,318,555
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	\$1,867,053	\$1,329,412
Short-term portion of loans payable (Note 5)	459,991	534,991
Government grant advances	142,073	222,460
Total current liabilities	2,469,117	2,086,863
Long-term liabilities:		
Loans payable (Note 5)	54,566	84,133
Total long-term liabilities	54,566	84,133
Total liabilities	2,523,683	2,170,996
Net assets:		
Unrestricted	3,117,232	2,165,278
Temporarily restricted (Note 6)	689,537	906,531
Permanently restricted (Note 7)	75,750	75,750
Total net assets	3,882,519	3,147,559
Total liabilities and net assets	\$6,406,202	\$5,318,555

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, 2018
(With comparative totals for the year ended June 30, 2017)

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total 6/30/18	Total 6/30/17
	Operations	Board Designated				
Support:						
Grants and contributions:						
Government contracts (Note 10)	\$18,190,709		\$18,190,709		\$18,190,709	\$15,898,196
Foundation grants and individual contributions	677,407		677,407	\$878,956	1,556,363	1,978,428
Donated rent	1,048,381		1,048,381		1,048,381	1,048,381
Total support	<u>19,916,497</u>	<u>0</u>	<u>19,916,497</u>	<u>878,956</u>	<u>20,795,453</u>	<u>18,925,005</u>
Revenue:						
Program fees and other income	124,735		124,735		124,735	182,551
Fundraising events	156,020		156,020		156,020	170,857
Investment income	6,970	3,152	10,122		10,122	10,824
Total revenue	<u>287,725</u>	<u>3,152</u>	<u>290,877</u>	<u>0</u>	<u>290,877</u>	<u>364,232</u>
Net assets released from restriction:						
Satisfaction of program restrictions (Note 6)	1,095,950		1,095,950	(1,095,950)	0	0
Total support and revenue	<u>21,300,172</u>	<u>3,152</u>	<u>21,303,324</u>	<u>(216,994)</u>	<u>21,086,330</u>	<u>19,289,237</u>
Expenses:						
Program services (Note 8)	18,058,905		18,058,905		18,058,905	16,273,775
Supporting services:						
Management and general	2,046,579		2,046,579		2,046,579	1,601,518
Fundraising	245,886		245,886		245,886	248,098
Total supporting services	<u>2,292,465</u>	<u>0</u>	<u>2,292,465</u>	<u>0</u>	<u>2,292,465</u>	<u>1,849,616</u>
Total expenses	<u>20,351,370</u>	<u>0</u>	<u>20,351,370</u>	<u>0</u>	<u>20,351,370</u>	<u>18,123,391</u>
Change in net assets from operations	<u>948,802</u>	<u>3,152</u>	<u>951,954</u>	<u>(216,994)</u>	<u>734,960</u>	<u>1,165,846</u>
Change in net assets	948,802	3,152	951,954	(216,994)	734,960	1,165,846
Net assets - beginning of year	2,146,133	19,145	2,165,278	906,531	3,147,559	1,981,713
Net assets - end of year	<u>\$3,094,935</u>	<u>\$22,297</u>	<u>\$3,117,232</u>	<u>\$689,537</u>	<u>\$3,882,519</u>	<u>\$3,147,559</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, 2018
(With comparative totals for the year ended June 30, 2017)

	Program Services	Supporting Services		Total Supporting Services	Total Expenses 6/30/18	Total Expenses 6/30/17
		Management and General	Fundraising			
Salaries	\$10,286,569	\$633,856	\$92,853	\$726,709	\$11,013,278	\$9,731,896
Payroll taxes and fringes	2,397,318	50,412	12,705	63,117	2,460,435	2,311,371
Occupancy (including in-kind of \$1,048,381)	1,183,283	110,805		110,805	1,294,088	1,160,223
Consultation expenses	710,743	144,640	75,000	219,640	930,383	782,059
Insurance	161,303	4,352		4,352	165,655	146,285
Food	1,144,856	19,097	20	19,117	1,163,973	1,228,140
Program activities and admissions	728,256	5,350	54,629	59,979	788,235	678,467
Communications	191,409	21,217	930	22,147	213,556	221,476
Materials and supplies	397,777	61,079	305	61,384	459,161	351,812
Maintenance and repairs	136,837	13,958		13,958	150,795	158,326
Printing and postage	61,102	6,289	6,713	13,002	74,104	39,263
Office expenses	111,220	168,496	1,427	169,923	281,143	136,055
Professional fees	88,209	545,052		545,052	633,261	610,470
Equipment and rentals	250,456		461	461	250,917	151,442
Interest and bank charges		27,764	299	28,063	28,063	33,578
Transportation for elderly	110,683	7		7	110,690	90,288
Travel/conferences	73,683	9,778	544	10,322	84,005	58,506
Miscellaneous expenses	25,201	2,815		2,815	28,016	10,245
Total expenses before depreciation	18,058,905	1,824,967	245,886	2,070,853	20,129,758	17,899,902
Depreciation		221,612		221,612	221,612	223,489
Total expenses	\$18,058,905	\$2,046,579	\$245,886	\$2,292,465	\$20,351,370	\$18,123,391

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, 2018

(With comparative totals for the year ended June 30, 2017)

	6/30/18	6/30/17
Cash flows from operating activities:		
Change in net assets	\$734,960	\$1,165,846
Adjustments to reconcile change in net assets to net cash provided by/(used for) operating activities:		
Depreciation	221,612	223,489
Donated securities	0	(5,773)
Net realized/unrealized gain on investments	(9,714)	(9,480)
Loss on disposal of fixed assets	0	6,250
Changes in assets and liabilities:		
Grants receivable	(1,138,696)	(1,187,131)
Fees receivable	3,060	(241)
Pledges receivable	277,500	(167,500)
Prepaid expenses	(105,171)	(61,190)
Accounts payable and accrued expenses	537,641	135,820
Government grant advances	(80,387)	(132,939)
Workers' compensation payable	0	(29,556)
Total adjustments	(294,155)	(1,228,251)
Net cash provided/(used for) by operating activities	440,805	(62,405)
Cash flows from investing activities:		
Purchases of investments	(29,455)	(830)
Purchases of equipment and fixed assets	(296,480)	(149,783)
Net cash used for investing activities	(325,935)	(150,613)
Cash flows from financing activities:		
Repayments of loans	(954,567)	(1,506,497)
Proceeds from loans	850,000	1,778,406
Net cash (used for)/provided by financing activities	(104,567)	271,909
Net increase in cash and cash equivalents	10,303	58,891
Cash and cash equivalents - beginning of year	429,781	370,890
Cash and cash equivalents - end of year	\$440,084	\$429,781
Supplemental data:		
Interest paid	\$28,063	\$25,578
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, 2018

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 a not-for-profit organization exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and has not been determined to be 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 of net assets 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

Contributions are recorded as revenue upon the earlier of the receipt of cash or at the time a pledge is considered unconditional. Contributions received with specific donor restrictions have been recorded in the temporarily restricted class of net assets. Other contributions have been recorded in the unrestricted class of net assets.

All government grants have been recognized as income when earned, either based on performance of certain milestones or by incurring expenses that can be reimbursed under the terms of the grant agreement. The difference between cash received and revenue earned related to each individual grant is classified as grants receivable or grant advances. Management established an allowance for potential uncollectable receivables of \$150,000 and \$45,000 as of June 30, 2018 and 2017, 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, 2018.

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, 2017, 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, 2015 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 11, 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 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.

On June 21, 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU which becomes effective for the June 30, 2020 year, with early implementation permitted, provides guidance on whether a receipt from a third-party resource provider should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions.

In addition, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The ASU, which becomes effective for the June 30, 2021 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.

In addition, FASB issued ASU No. 2016-02, *Leases*. The ASU which becomes effective for the June 30, 2021 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding "right to use asset" on the statement of financial position.

QCH is in the process of evaluating 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.

The fair value hierarchy is categorized into the three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Investments consist of the following:

	<u>June 30, 2018</u>			
	<u>Market</u>			
	<u>Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and money funds	\$32,227	\$32,227	\$0	\$0
Equities	61,455	61,455	0	0
FJC Pooled CD Portfolio	<u>9,485</u>	<u>0</u>	<u>0</u>	<u>9,485</u>
Total	<u>\$103,167</u>	<u>\$93,682</u>	<u>\$0</u>	<u>\$9,485</u>

Investments consist of the following:

	<u>June 30, 2017</u>			
	<u>Market</u>			
	<u>Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and money funds	\$11,210	\$11,210	\$0	\$0
Equities	<u>52,788</u>	<u>52,788</u>	<u>0</u>	<u>0</u>
Total	<u>\$63,998</u>	<u>\$63,998</u>	<u>\$0</u>	<u>\$0</u>

Changes to Level 3 investments are as follows:

	<u>6/30/18</u>	<u>6/30/17</u>
Beginning balance	\$0	\$0
Contribution	10,000	0
Investment loss	<u>(515)</u>	<u>0</u>
Ending balance	<u>\$9,485</u>	<u>\$0</u>

Investments consisted of:

	<u>6/30/18</u>	<u>6/30/17</u>
Investments held for endowment	\$62,910	\$39,080
Unrestricted	17,960	5,773
Board designated investments	<u>22,297</u>	<u>19,145</u>
Total	<u>\$103,167</u>	<u>\$63,998</u>

Level 1 securities are valued at the closing price reported on the active market that they are traded on.

The valuation of FJC pooled investments, as of June 30, 2018, are reported at fair value utilizing the net asset values provided by fund managers as a practical expedient. While the net asset values utilize significant unobservable inputs (Level 3), management reviews and evaluates the values provided by the fund managers and agrees with the valuation methods and assumptions used in determining the fair value. These methods produce a fair value calculation that may not be indicative of future values. The use of different methodologies or assumptions to determine the fair value or certain financial instruments could result in different fair value measurements.

Note 4 - Fixed Assets

Fixed assets consist of the following:

	<u>June 30, 2018</u>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment – <i>3 and 5 yr. life</i>	\$1,201,143	\$870,661	\$330,482
Building improvements – <i>30 yr. life</i>	<u>537,563</u>	<u>251,862</u>	<u>285,701</u>
Total	<u>\$1,738,706</u>	<u>\$1,122,523</u>	<u>\$616,183</u>
	<u>June 30, 2017</u>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment – <i>3 and 5 yr. life</i>	943,859	\$666,315	\$277,544
Building improvements – <i>30 yr. life</i>	<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>

Note 5 - Loans Payable

A summary of loans payable is as follows:

	<u>6/30/18</u>	<u>6/30/17</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, 2018, QCH had an outstanding balance of \$425,000.	\$425,000	\$500,000
M&T Bank – A cash flow loan with a 5.06% interest rate, due on March 14, 2021.	<u>89,557</u>	<u>119,124</u>
Total loans outstanding	514,557	619,124
Less short-term portion	<u>(459,991)</u>	<u>(534,991)</u>
Net long-term portion	<u>\$54,566</u>	<u>\$84,133</u>

Note 6 - Temporarily Restricted Net Assets

The following schedule summarizes temporarily restricted net assets:

	<u>June 30, 2018</u>			
	<u>Beginning</u>	<u>Contributions</u>	Released From <u>Restriction</u>	<u>Ending</u>
Programs:				
Youth program	\$584,072	\$597,500	(\$774,835)	\$406,737
Community program	141,447	102,000	(130,082)	113,365
Senior program	113,493	110,000	(133,212)	90,281
Hurricane Sandy	6,342	0	0	6,342
Administration	<u>61,177</u>	<u>69,456</u>	<u>(57,821)</u>	<u>72,812</u>
Total	<u>\$906,531</u>	<u>\$878,956</u>	<u>(\$1,095,950)</u>	<u>\$689,537</u>
	<u>June 30, 2017</u>			
	<u>Beginning</u>	<u>Contributions</u>	Released From <u>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>

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:

	June 30, 2018		
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	(\$36,670)	\$75,750	\$39,080
Purchases	20,000	0	20,000
Net realized/unrealized gain	<u>3,830</u>	<u>0</u>	<u>3,830</u>
Endowment net assets, end of year	<u>(\$12,840)</u>	<u>\$75,750</u>	<u>\$62,910</u>
	June 30, 2017		
	<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 gain	<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>

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 \$12,840 and \$36,670 as of June 30, 2018 and June 30, 2017, respectively.

Note 8 - Program Services

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

	<u>6/30/18</u>	<u>6/30/17</u>
Youth	\$9,457,620	\$8,352,873
Senior services	5,773,196	5,788,951
Community	<u>2,828,089</u>	<u>2,131,951</u>
Total	<u>\$18,058,905</u>	<u>\$16,273,775</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 \$55,000 and \$33,000 for the years ended June 30, 2018 and June 30, 2017, 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, 2018, and 2017, management established a reserve of \$31,000 to account for this possibility.

Commitments

On April 27th, 2018, Queens Community House entered into a lease agreement with Ezra Academy of Queens for the building located at 119-45 Union Turnpike, Fifth Floor, Forest Hills, NY 11375. The lease covers the period of June 2018 through May 2021.

Minimum future obligations are as follows:

Year Ending:	June 30, 2019	\$96,637
	June 30, 2020	99,536
	June 30, 2021	<u>93,744</u>
Total		<u>\$289,917</u>