



## Audited Financial Statements

June 30, 2019

## **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, 2019, 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***

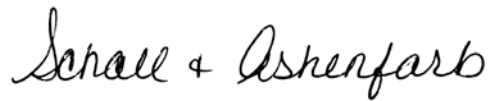
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Queens Community House, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 2 to the financial statements, QCH adopted Accounting Standards Update (“ASU”) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

***Report on Summarized Comparative Information***

We have previously audited QCH’s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 11, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Schall & Ashenfarb  
Certified Public Accountants, LLC

December 23, 2019

**QUEENS COMMUNITY HOUSE, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2019**  
(With comparative totals as of June 30, 2018)

	6/30/19	6/30/18*
<b>Assets:</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$446,828	\$440,084
Grants receivable, net of allowance	6,208,553	4,992,867
Fees receivable	0	3,813
Pledges receivable	42,500	12,500
Prepaid expenses and deposits	269,043	237,588
<b>Total current assets</b>	<b>6,966,924</b>	<b>5,686,852</b>
<b>Long-term assets:</b>		
Investments (Note 3)	106,524	103,167
Fixed assets (net of accumulated depreciation) (Note 4)	575,109	616,183
<b>Total long-term assets</b>	<b>681,633</b>	<b>719,350</b>
<b>Total assets</b>	<b>\$7,648,557</b>	<b>\$6,406,202</b>
 <b>Liabilities:</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$1,850,307	\$1,867,053
Short-term portion of loans payable (Note 5)	514,069	459,991
Government grant advances	339,827	142,073
<b>Total current liabilities</b>	<b>2,704,203</b>	<b>2,469,117</b>
<b>Long-term liabilities:</b>		
Loans payable (Note 5)	31,370	54,566
<b>Total long-term liabilities</b>	<b>31,370</b>	<b>54,566</b>
<b>Total liabilities</b>	<b>2,735,573</b>	<b>2,523,683</b>
 <b>Net assets:</b>		
Without donor restrictions	3,581,560	3,130,072
With donor restrictions (Note 6)	1,331,424	752,447
<b>Total net assets</b>	<b>4,912,984</b>	<b>3,882,519</b>
<b>Total liabilities and net assets</b>	<b>\$7,648,557</b>	<b>\$6,406,202</b>

\*Restated - see Note 2a

*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, 2019**

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

	Without Donor Restrictions			With Donor Restrictions			Total 6/30/19	Total 6/30/18
	Operations	Board Designated	Total	Programs (Note 6)	Endowment (Note 7)	Total		
<b>Support:</b>								
Grants and contributions:								
Government contracts (Note 10)	\$20,060,314		\$20,060,314			\$0	\$20,060,314	\$18,190,709
Foundation grants and individual contributions	809,697		809,697	\$1,693,750		1,693,750	2,503,447	1,556,363
Donated rent	1,528,439		1,528,439			0	1,528,439	1,048,381
Total support	<u>22,398,450</u>	<u>0</u>	<u>22,398,450</u>	<u>1,693,750</u>	<u>0</u>	<u>1,693,750</u>	<u>24,092,200</u>	<u>20,795,453</u>
<b>Revenue:</b>								
Program fees and other income	118,020		118,020			0	118,020	124,735
Fundraising events	388,402		388,402			0	388,402	156,020
Investment income	2,483	(928)	1,555		2,656	2,656	4,211	10,122
Total revenue	<u>508,905</u>	<u>(928)</u>	<u>507,977</u>	<u>0</u>	<u>2,656</u>	<u>2,656</u>	<u>510,633</u>	<u>290,877</u>
<b>Net assets released from restriction:</b>								
Satisfaction of program restrictions (Note 6)	1,117,429		1,117,429	(1,117,429)		(1,117,429)	0	0
Total support and revenue	<u>24,024,784</u>	<u>(928)</u>	<u>24,023,856</u>	<u>576,321</u>	<u>2,656</u>	<u>578,977</u>	<u>24,602,833</u>	<u>21,086,330</u>
<b>Expenses:</b>								
Program services (Note 8)	20,506,305		20,506,305			0	20,506,305	18,058,905
Supporting services:								
Management and general	2,758,689		2,758,689			0	2,758,689	2,046,579
Fundraising	307,374		307,374			0	307,374	245,886
Total supporting services	<u>3,066,063</u>	<u>0</u>	<u>3,066,063</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,066,063</u>	<u>2,292,465</u>
Total expenses	<u>23,572,368</u>	<u>0</u>	<u>23,572,368</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>23,572,368</u>	<u>20,351,370</u>
Change in net assets	452,416	(928)	451,488	576,321	2,656	578,977	1,030,465	734,960
Net assets - beginning of year - originally stated	3,094,935	22,297	3,117,232	689,537	75,750	765,287	3,882,519	3,147,559
Reclassification - ASU 2016-14 (Note 2a)	12,840		12,840		(12,840)	(12,840)	0	0
Net assets - beginning of year - restated	<u>3,107,775</u>	<u>22,297</u>	<u>3,130,072</u>	<u>689,537</u>	<u>62,910</u>	<u>752,447</u>	<u>3,882,519</u>	<u>3,147,559</u>
Net assets - end of year	<u>\$3,560,191</u>	<u>\$21,369</u>	<u>\$3,581,560</u>	<u>\$1,265,858</u>	<u>\$65,566</u>	<u>\$1,331,424</u>	<u>\$4,912,984</u>	<u>\$3,882,519</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, 2019**  
(With comparative totals for the year ended June 30, 2018)

	Program Services	Supporting Services		Total Supporting Services	Total Expenses 6/30/19	Total Expenses 6/30/18
		Management and General	Fundraising			
Salaries	\$11,463,467	\$952,628	\$101,691	\$1,054,319	\$12,517,786	\$11,013,278
Payroll taxes and fringes	2,579,211	140,873	13,513	154,386	2,733,597	2,460,435
Occupancy (including in-kind of \$1,528,439)	1,734,046	165,861		165,861	1,899,907	1,294,088
Consultation expenses	681,929	157,265	104,955	262,220	944,149	930,383
Insurance	162,510	3,135	13	3,148	165,658	165,655
Food	1,262,570	14,416	2,597	17,013	1,279,583	1,163,973
Program activities and admissions	1,155,667	15,919	68,654	84,573	1,240,240	788,235
Communications	153,370	48,088	4,677	52,765	206,135	213,556
Materials and supplies	447,278	47,723	1,761	49,484	496,762	459,161
Maintenance and repairs	140,481	49,413		49,413	189,894	150,795
Printing and postage	37,103	5,980	5,706	11,686	48,789	74,104
Office expenses	183,662	235,570	1,372	236,942	420,604	281,143
Professional fees	60,888	612,931	6	612,937	673,825	633,261
Equipment and rentals	179,237	45,825	281	46,106	225,343	250,917
Interest and bank charges	136	15,076		15,076	15,212	28,063
Transportation for elderly	144,328			0	144,328	110,690
Travel/conferences	111,635	19,519	2,108	21,627	133,262	84,005
Miscellaneous expenses	8,787	16,895	40	16,935	25,722	28,016
<b>Total expenses before depreciation</b>	<b>20,506,305</b>	<b>2,547,117</b>	<b>307,374</b>	<b>2,854,491</b>	<b>23,360,796</b>	<b>20,129,758</b>
Depreciation		211,572		211,572	211,572	221,612
<b>Total expenses</b>	<b>\$20,506,305</b>	<b>\$2,758,689</b>	<b>\$307,374</b>	<b>\$3,066,063</b>	<b>\$23,572,368</b>	<b>\$20,351,370</b>

*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, 2019**  
(With comparative totals for the year ended June 30, 2018)

	<u>6/30/19</u>	<u>6/30/18</u>
Cash flows from operating activities:		
Change in net assets	\$1,030,465	\$734,960
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	211,572	221,612
Donated securities	0	0
Net realized/unrealized gain on investments	(3,357)	(9,714)
Loss on disposal of fixed assets	0	0
Changes in assets and liabilities:		
Grants receivable	(1,215,686)	(1,138,696)
Fees receivable	3,813	3,060
Pledges receivable	(30,000)	277,500
Prepaid expenses	(31,455)	(105,171)
Accounts payable and accrued expenses	(16,746)	537,641
Government grant advances	197,754	(80,387)
Total adjustments	<u>(884,105)</u>	<u>(294,155)</u>
Net cash provided by operating activities	<u>146,360</u>	<u>440,805</u>
Cash flows from investing activities:		
Purchases of investments	0	(29,455)
Purchases of equipment and fixed assets	(170,498)	(296,480)
Net cash used for investing activities	<u>(170,498)</u>	<u>(325,935)</u>
Cash flows from financing activities:		
Repayments of loans	(898,491)	(954,567)
Proceeds from loans	929,373	850,000
Net cash provided by/(used for) financing activities	<u>30,882</u>	<u>(104,567)</u>
Net increase in cash and cash equivalents	6,744	10,303
Cash and cash equivalents - beginning of year	440,084	429,781
Cash and cash equivalents - end of year	<u>\$446,828</u>	<u>\$440,084</u>
Supplemental data:		
Interest paid	<u>\$15,212</u>	<u>\$28,063</u>
Income taxes paid	<u>\$0</u>	<u>\$0</u>

*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, 2019**

**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.

Effective, July 1, 2018, QCH adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14 – Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). This standard addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note 11).



Implementation of ASU 2016-14 required the following reclassification of net assets as of June 30, 2018:

	<u>ASU 2016-14 Reclassification</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets</u>
2018 ending net assets as previously presented:			
Unrestricted	\$3,117,232	\$0	\$3,117,232
Temporarily restricted	0	689,537	689,537
Permanently restricted	0	75,750	75,750
Reclassification to implement ASU 2016-14:			
Underwater endowments	<u>12,840</u>	<u>(12,840)</u>	<u>0</u>
2018 ending net assets, restated	<u>\$3,130,072</u>	<u>\$752,447</u>	<u>\$3,882,519</u>

b. Basis of Presentation

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

- *Net Assets Without Donor Restrictions* – accounts for activity without donor-imposed restrictions. 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 net assets without donor restrictions has been created to reflect the board’s decision. Therefore, the net assets without donor restrictions has the following sub-categories:
  - *Board designated* – represents net assets that the board has designated as an endowment.
  - *Operations* – all other activity without donor restrictions.
- *Net Assets With Donor Restrictions* – relates to contributions of cash and other assets with donor stipulations. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

c. Revenue Recognition

Contributions are recorded in one of the net asset classes referred to above based on the existence or absence of any donor stipulations. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Contributions receivable are recognized as revenue in the period that a promise to give is considered unconditional in nature. Contributions expected to be received within one year are recorded at net realizable value. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

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 \$171,000 and \$150,000 as of June 30, 2019 and 2018, 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.

d. 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.

e. 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, 2019.

f. 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.

g. 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.

h. 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.

i. 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.

j. 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.

k. 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.

l. 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. Such allocations are determined by management on an equitable basis.

The following expenses were allocated using time and effort as the basis:

- Salaries, payroll tax and benefits
- Consultant expenses
- Insurance
- Communications
- Materials and supplies
- Printing and postage
- Office expenses
- Equipment and rentals
- Travel and conferences

All other expenses have been charged directly to the applicable program or supporting services.

m. 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, 2018, from which the summarized information was derived.

n. 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, 2016 and later are subject to examination by applicable taxing authorities.

o. Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through December 23, 2019, 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.

p. New Accounting Pronouncement

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.

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

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, 2019</u>		
	<u>Market Value</u>	<u>Level 1</u>	<u>Other (a)</u>
Cash and money funds	\$33,381	\$33,381	\$0
Equities	63,464	63,464	0
FJC Pooled CD Portfolio	<u>9,679</u>	<u>0</u>	<u>9,679</u>
Total	<u>\$106,524</u>	<u>\$96,845</u>	<u>\$9,679</u>

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

Investments consist of:

	<u>6/30/19</u>	<u>6/30/18</u>
Investments held for endowment	\$65,556	\$62,910
Unrestricted	19,599	17,960
Board designated investments	<u>21,369</u>	<u>22,297</u>
Total	<u>\$106,524</u>	<u>\$103,167</u>

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

(a) At June 30, 2019 and 2018, all funds were invested in investment pools which are reported at fair value utilizing the net asset values provided by fund managers. Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

**Note 4 - Fixed Assets**

Fixed assets consist of the following:

	<u>June 30, 2019</u>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment – <i>3 and 5 yr. life</i>	\$1,320,807	\$1,063,717	\$257,090
Building improvements – <i>30 yr. life</i>	<u>588,397</u>	<u>270,378</u>	<u>318,019</u>
Total	<u>\$1,909,204</u>	<u>\$1,334,095</u>	<u>\$575,109</u>

	<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>

**Note 5 - Loans Payable**

A summary of loans payable is as follows:

	<u>6/30/19</u>	<u>6/30/18</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, 2019, QCH had an outstanding balance of \$0.	\$0	\$425,000
Fund for the City of New York – various interest free cash flow loans due in 2020	487,002	0
M&T Bank – A cash flow loan with a 5.06% interest rate, due on March 14, 2021.	<u>58,437</u>	<u>89,557</u>
Total loans outstanding	545,439	514,557
Less short-term portion	<u>(514,069)</u>	<u>(459,991)</u>
Net long-term portion	<u>\$31,370</u>	<u>\$54,566</u>

**Note 6 - Net Assets with Donor Restrictions**

The following summarizes net assets released from restrictions:

	<u>6/30/19</u>	<u>6/30/18</u>
Programs:		
Youth	\$699,318	\$774,835
Community program	212,401	130,082
Senior program	125,893	133,212
Administration	<u>79,817</u>	<u>57,821</u>
Total net assets released from restrictions	<u>\$1,117,429</u>	<u>\$1,095,950</u>

The following summarizes the nature of net assets with donor restrictions:

	<u>6/30/19</u>	<u>6/30/18</u>
Programs:		
Youth	\$646,135	\$406,737
Community program	287,235	113,365
Senior program	85,820	90,281
Hurricane Sandy	6,342	6,342
Capital grants	208,750	0
Administration	<u>31,576</u>	<u>72,812</u>
Total restricted for programs	<u>1,265,858</u>	<u>689,537</u>
Restricted for endowment	<u>65,566</u>	<u>62,910</u>
Total net assets with donor restrictions	<u>\$1,331,424</u>	<u>\$752,447</u>

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

**Note 7 - Net Assets With Donor Restrictions - 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 intact 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, the Organization classified as endowment: (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

When endowment earnings have earnings in excess of amounts that need to be retained as part of the corpus, their earnings are restricted until the board appropriates for expenditure. Therefore, they have been classified in the class of net assets with donor restrictions.

*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 are as follows:

	<u>June 30, 2019</u>		
	<u>Endowment Earnings/ Borrowings</u>	<u>Endowment Corpus</u>	<u>Total</u>
Endowment net assets, beginning of year	(\$12,840)	\$75,750	\$62,910
Net investment return	<u>2,656</u>	<u>0</u>	<u>2,656</u>
Endowment net assets, end of year	<u>(\$10,184)</u>	<u>\$75,750</u>	<u>\$65,566</u>
	<u>June 30, 2018</u>		
	<u>Endowment Earnings/ Borrowings</u>	<u>Endowment Corpus</u>	<u>Total</u>
Endowment net assets, beginning of year	(\$36,670)	\$75,750	\$39,080
Purchases	20,000	0	20,000
Net investment return	<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>

*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*

At June 30, 2019 funds with original gift values of \$75,750, fair values of \$65,566, and deficiencies of \$10,184 were reported in net assets with donor restrictions. Management expects these amounts to be fully recovered during 2020 due to favorable market fluctuations.

**Note 8 - Program Services**

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

	<u>6/30/19</u>	<u>6/30/18</u>
Youth	\$11,136,657	\$9,457,620
Senior services	6,410,222	5,773,196
Community	<u>2,959,426</u>	<u>2,828,089</u>
Total	<u>\$20,506,305</u>	<u>\$18,058,905</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 \$27,000 and \$55,000 for the years ended June 30, 2019 and June 30, 2018, 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, 2019, 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, 2020	\$99,536
	June 30, 2021	<u>93,744</u>
Total		<u>\$193,280</u>

## Note 11 - Liquidity and Availability of Financial Resources

The following reflects QCH's financial assets at June 30, 2019 that are available to meet cash needs for general expenditures within one year:

Cash and cash equivalents	\$446,828	
Government grants receivables	6,208,553	
Pledges receivable	42,500	
Investments	<u>106,524</u>	
Total financial assets		\$6,804,405
Less amounts not available to be used within one year:		
Contributions with purpose restrictions	(1,265,858)	
Donor restricted endowment	(65,566)	
Board designated reserve	<u>(21,369)</u>	
Total amounts not available for general expenditures		<u>(1,352,793)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$5,451,612</u>

QCH regularly monitors liquidity and strives to maintain cash on hand to be available for its general expenditures, liabilities, and other obligations for ongoing operations. QCH attempts to operate with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. QCH also maintains a line of credit to meet short-term needs further described in Note 5. As part of its liquidity management, QCH relies on grants and contributions to fund its operations.