



Audited Financial Statements

June 30, 2020

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, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

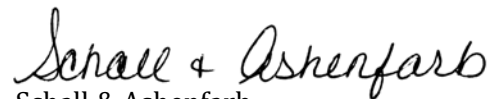
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Queens Community House, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited QCH's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 23, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.


Schall & Ashenfarb
Certified Public Accountants, LLC

December 10, 2020

QUEENS COMMUNITY HOUSE, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2020
(With comparative totals as of June 30, 2019)

	<u>6/30/20</u>	<u>6/30/19</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$2,656,838	\$446,828
Grants receivable, net	7,994,289	6,208,553
Fees receivable	12,233	0
Pledges receivable	382,000	42,500
Prepaid expenses and deposits	125,688	269,043
Total current assets	<u>11,171,048</u>	<u>6,966,924</u>
Long-term assets:		
Investments (Note 3)	111,112	106,524
Fixed assets, net (Note 4)	644,256	575,109
Total long-term assets	<u>755,368</u>	<u>681,633</u>
Total assets	<u>\$11,926,416</u>	<u>\$7,648,557</u>
 Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	\$2,665,173	\$1,850,307
Short-term portion of loans payable (Note 5)	25,688	514,069
Government grant advances	728,843	339,827
Paycheck Protection Program loan payable (Note 6)	3,010,635	0
Total current liabilities	<u>6,430,339</u>	<u>2,704,203</u>
Long-term liabilities:		
Loans payable (Note 5)	0	31,370
Total long-term liabilities	<u>0</u>	<u>31,370</u>
Total liabilities	<u>6,430,339</u>	<u>2,735,573</u>
 Net assets:		
Without donor restrictions	3,765,767	3,581,560
With donor restrictions (Note 7)	1,730,310	1,331,424
Total net assets	<u>5,496,077</u>	<u>4,912,984</u>
Total liabilities and net assets	<u>\$11,926,416</u>	<u>\$7,648,557</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, 2020
(With comparative totals for the year ended June 30, 2019)

	Without Donor Restrictions			With Donor Restrictions			Total 6/30/20	Total 6/30/19
	Operations	Board Designated	Total	Programs (Note 7)	Endowment (Note 8)	Total		
Support:								
Grants and contributions:								
Government contracts (Note 11)	\$21,190,719		\$21,190,719			\$0	\$21,190,719	\$20,060,314
Foundation grants and individual contributions	963,630		963,630	\$1,743,250		1,743,250	2,706,880	2,503,447
Donated rent	1,530,076		1,530,076			0	1,530,076	1,528,439
Total support	<u>23,684,425</u>	<u>0</u>	<u>23,684,425</u>	<u>1,743,250</u>	<u>0</u>	<u>1,743,250</u>	<u>25,427,675</u>	<u>24,092,200</u>
Revenue:								
Fundraising events	445,183		445,183			0	445,183	388,402
Other income	102,667		102,667			0	102,667	118,020
Investment income	(314)	(8,602)	(8,916)		(516)	(516)	(9,432)	4,211
Total revenue	<u>547,536</u>	<u>(8,602)</u>	<u>538,934</u>	<u>0</u>	<u>(516)</u>	<u>(516)</u>	<u>538,418</u>	<u>510,633</u>
Net assets released from restriction:								
Satisfaction of program restrictions (Note 7)	1,358,848		1,358,848	(1,358,848)		(1,358,848)	0	0
Total support and revenue	<u>25,590,809</u>	<u>(8,602)</u>	<u>25,582,207</u>	<u>384,402</u>	<u>(516)</u>	<u>383,886</u>	<u>25,966,093</u>	<u>24,602,833</u>
Expenses:								
Program services (Note 9)	21,359,221		21,359,221			0	21,359,221	20,506,305
Supporting services:								
Management and general	3,581,835		3,581,835			0	3,581,835	2,758,689
Fundraising	441,944		441,944			0	441,944	307,374
Total supporting services	<u>4,023,779</u>	<u>0</u>	<u>4,023,779</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,023,779</u>	<u>3,066,063</u>
Total expenses	<u>25,383,000</u>	<u>0</u>	<u>25,383,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>25,383,000</u>	<u>23,572,368</u>
Change in net assets before transfers	207,809	(8,602)	199,207	384,402	(516)	383,886	583,093	1,030,465
Transfer to endowment (Note 8)	<u>(15,000)</u>		<u>(15,000)</u>		15,000	15,000	0	0
Change in net assets	192,809	(8,602)	184,207	384,402	14,484	398,886	583,093	1,030,465
Net assets - beginning 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>
Net assets - end of year	<u>\$3,753,000</u>	<u>\$12,767</u>	<u>\$3,765,767</u>	<u>\$1,650,260</u>	<u>\$80,050</u>	<u>\$1,730,310</u>	<u>\$5,496,077</u>	<u>\$4,912,984</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, 2020
(With comparative totals for the year ended June 30, 2019)

	Program Services	Supporting Services		Total Supporting Services	Total Expenses 6/30/20	Total Expenses 6/30/19
		Management and General	Fundraising			
Salaries	\$11,802,736	\$1,431,137	\$88,468	\$1,519,605	\$13,322,341	\$12,517,786
Payroll taxes and benefits	3,128,710	410,964	24,980	435,944	3,564,654	2,733,597
Occupancy	331,009	29,182	\$1,018	30,200	361,209	371,468
In-kind occupancy	1,432,576	97,500		97,500	1,530,076	1,528,439
Consultation expenses	565,300	111,470	220,975	332,445	897,745	944,149
Insurance	141,405	53,213	1,187	54,400	195,805	165,658
Food	1,312,446	14,692	278	14,970	1,327,416	1,279,583
Program activities and admissions	940,774	17,837	50,064	67,901	1,008,675	1,240,240
Communications	187,111	28,107	537	28,644	215,755	206,135
Materials and supplies	410,634	35,197	1,951	37,148	447,782	496,762
Maintenance and repairs	151,720	35,951		35,951	187,671	189,894
Printing and postage	32,887	5,888	12,646	18,534	51,421	48,789
Office expenses	104,009	390,332	12,358	402,690	506,699	420,604
Professional fees	282,524	418,733	11,888	430,621	713,145	673,825
Equipment and rentals	189,035		7,287	7,287	196,322	225,343
Interest and bank charges		13,201	99	13,300	13,300	15,212
Transportation for elderly	106,269	4,019		4,019	110,288	144,328
Travel and conferences	109,030	14,274	4,821	19,095	128,125	133,262
COVID related expenses	70,318	64,148	2,787	66,935	137,253	0
Miscellaneous expenses	60,728	216,309	600	216,909	277,637	25,722
Total expenses before depreciation	21,359,221	3,392,154	441,944	3,834,098	25,193,319	23,360,796
Depreciation		189,681		189,681	189,681	211,572
Total expenses	\$21,359,221	\$3,581,835	\$441,944	\$4,023,779	\$25,383,000	\$23,572,368

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, 2020
(With comparative totals for the year ended June 30, 2019)

	<u>6/30/20</u>	<u>6/30/19</u>
Cash flows from operating activities:		
Change in net assets	\$583,093	\$1,030,465
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	189,681	211,572
Net realized/unrealized loss/(gain) on investments	10,413	(3,357)
Changes in assets and liabilities:		
Grants receivable	(1,785,736)	(1,215,686)
Fees receivable	(12,233)	3,813
Pledges receivable	(339,500)	(30,000)
Prepaid expenses and deposits	143,355	(31,455)
Accounts payable and accrued expenses	814,866	(16,746)
Government grant advances	389,016	197,754
Paycheck Protection Program loan payable	3,010,635	0
Total adjustments	<u>2,420,497</u>	<u>(884,105)</u>
Net cash provided by operating activities	<u>3,003,590</u>	<u>146,360</u>
Cash flows from investing activities:		
Purchases of investments	(15,000)	0
Purchases of equipment and fixed assets	<u>(258,828)</u>	<u>(170,498)</u>
Net cash used for investing activities	<u>(273,828)</u>	<u>(170,498)</u>
Cash flows from financing activities:		
Repayments of loans	(1,619,752)	(898,491)
Proceeds from loans	<u>1,100,000</u>	<u>929,373</u>
Net cash (used for)/provided by financing activities	<u>(519,752)</u>	<u>30,882</u>
Net increase in cash and cash equivalents	2,210,010	6,744
Cash and cash equivalents - beginning of year	<u>446,828</u>	<u>440,084</u>
Cash and cash equivalents - end of year	<u>\$2,656,838</u>	<u>\$446,828</u>
Supplemental data:		
Interest paid	<u>\$13,300</u>	<u>\$15,212</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, 2020

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, 2019, QCH adopted the requirements of the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, "Topic 606"). This provides the framework for recognizing revenue by highlighting the identification of performance obligations of a contract, determining the price, and then allocating the price to each of the performance obligations so that revenue is recognized as each of those performance obligations are satisfied.

Also, effective July 1, 2019, QCH adopted ASU No. 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("Topic 605"). Key provisions of this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance for conditional versus unconditional contributions. In accordance with this new standard, QCH evaluates whether a transfer of assets is an exchange transaction in which a resource provider is receiving a commensurate value in return for the transfer of resources or whether it is non-reciprocal. If the transaction is determined to be an exchange transaction, QCH applies guidance under Topic 606. If the transaction is determined to be non-reciprocal, it is treated as a contribution under Topic 605.

QCH evaluates whether contributions are conditional or unconditional. Contributions are considered to be conditional when both a barrier must be overcome for the Organization to be entitled to the revenue and a right of return of the asset or right of release from the obligation exists.

Analysis of the various provisions of both of these standards resulted in no significant changes in the way QCH recognizes revenue.

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 a reserve fund for future use. The Board of Directors is required to approve any requests for the use of the funds and authorize any transfer from the fund.
 - *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 QCH 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

QCH’s government grants are primarily conditional non-exchange transactions and fall under the scope of Topic 605. Revenue from these transactions is recognized when qualifying expenditures are incurred, performance related outcomes are achieved and other conditions under the agreements are met. Payments received in advance of conditions being met are recorded as a government grant advance. At June 30, 2020, all government grants receivable are expected to be collected within one year.

Contributions are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions are recorded in the net asset classes referred to above depending on the existence and/or nature of any donor-imposed restriction. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they were received, they are classified as without donor restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributions expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value, using risk-adjusted present value techniques. At June 30, 2020 and 2019, all contributions were expected to be received within one year.

QCH reviews all outstanding receivables at year end and makes an assessment as to collectability based on historical experience and the age of the receivable. Management established an allowance for potential uncollectable receivables of \$190,000 and \$171,000 as of June 30, 2020 and 2019, respectively.

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. 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 using 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 and at year-end, 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. Such allocations are determined by management on an equitable basis.

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

- Salaries, payroll taxes 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.

l. Summarized Comparative Information

The financial 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, 2019, 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, 2017 and later are subject to examination by applicable taxing authorities.

n. New Accounting Pronouncement

FASB issued ASU No. 2016-02, *Leases*. The ASU which becomes effective for the June 30, 2023 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.

FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which becomes effective for the June 30, 2022 year with early adoption permitted. This ASU focuses on improving transparency in the reporting of contributed nonfinancial assets and requires a separate line-item presentation on the statement of activities and additional disclosures.

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, 2020</u>		
	<u>Market Value</u>	<u>Level 1</u>	<u>Other (a)</u>
Cash and money funds	\$49,472	\$49,472	\$0
Equities	51,869	51,869	0
FJC Pooled CD Portfolio	<u>9,771</u>	<u>0</u>	<u>9,771</u>
Total	<u>\$111,112</u>	<u>\$101,341</u>	<u>\$9,771</u>

	<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>

Investments consist of:

	<u>6/30/20</u>	<u>6/30/19</u>
Investments held for endowment	\$80,050	\$65,566
Unrestricted	18,295	19,589
Board designated investments	<u>12,767</u>	<u>21,369</u>
Total	<u>\$111,112</u>	<u>\$106,524</u>

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

(a) At June 30, 2020 and 2019, 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.

Investment income consists of:

	<u>6/30/20</u>	<u>6/30/19</u>
Net realized/unrealized (loss)/gain	(\$10,413)	\$3,357
Interest and dividends	<u>981</u>	<u>854</u>
Total	<u>(\$9,432)</u>	<u>\$4,211</u>

Note 4 - Fixed Assets

Fixed assets consist of the following:

	<u>June 30, 2020</u>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment – 3 and 5 yr. life	\$1,468,515	\$1,234,285	\$234,230
Building improvements – 30 yr. life	<u>699,517</u>	<u>289,491</u>	<u>410,026</u>
Total	<u>\$2,168,032</u>	<u>\$1,523,776</u>	<u>\$644,256</u>

	<u>June 30, 2019</u>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment – 3 and 5 yr. life	\$1,320,807	\$1,063,717	\$257,090
Building improvements – 30 yr. life	<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>

Note 5 - Loans Payable

A summary of loans payable is as follows:

	<u>6/30/20</u>	<u>6/30/19</u>
QCH has an agreement dated April 21, 2017 and further amended on July 10, 2019 with the M&T Bank providing for a \$1,500,000 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.	\$0	\$0
Fund for the City of New York – various interest free cash flow loans due in 2020	0	487,002
M&T Bank – A cash flow loan with a 5.06% interest rate, due on March 14, 2021.	<u>25,688</u>	<u>58,437</u>
Total loans outstanding	25,688	545,439
Less short-term portion	<u>(25,688)</u>	<u>(514,069)</u>
Net long-term portion	<u>\$0</u>	<u>\$31,370</u>

Note 6. Paycheck Protection Program Loan Payable

During the year ended June 30, 2020, QCH obtained a loan from the SBA in the amount of \$3,010,635 through the Paycheck Protection Program. Terms of the loan indicate that if certain conditions are met, which include maintaining average work forces during periods subsequent to receipt of the loan funds that are greater than pre-determined historical periods, that the loan, or a portion thereof, will be forgiven. Portions that are not forgiven will be payable over a five-year period, with a six-month deferral of payments and interest will accrue at 1%. The loan forgiveness amount has not been determined as of the date of these financial statements.

QCH expects to recognize revenue from this loan consistent with ASU 2018-08, as it is considered to have traits similar to a conditional contribution; however, will continue to review whether any new accounting pronouncements may be issued that will provide more definitive guidance.

Note 7 - Net Assets with Donor Restrictions

The following summarizes net assets released from restrictions:

	<u>6/30/20</u>	<u>6/30/19</u>
Programs:		
Youth	\$839,770	\$699,318
Community program	308,665	212,401
Senior program	75,395	125,893
Hurricane Sandy	6,342	0
Administration	<u>128,676</u>	<u>79,817</u>
Total net assets released from restrictions	<u>\$1,358,848</u>	<u>\$1,117,429</u>

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

	<u>6/30/20</u>	<u>6/30/19</u>
Programs:		
Youth	\$861,365	\$646,135
Community program	269,320	287,235
Senior program	60,425	85,820
Hurricane Sandy	0	6,342
Capital grants	223,750	208,750
Administration	<u>235,400</u>	<u>31,576</u>
Total restricted for programs	<u>1,650,260</u>	<u>1,265,858</u>
Restricted for endowment	<u>80,050</u>	<u>65,566</u>
Total net assets with donor restrictions	<u>\$1,730,310</u>	<u>\$1,331,424</u>

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

Note 8 - 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, QCH 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, 2020</u>		
	<u>Endowment Earnings/ Borrowings</u>	<u>Endowment Corpus</u>	<u>Total</u>
Endowment net assets, beginning of year	(\$10,184)	\$75,750	\$65,566
Transfer into endowment	15,000	0	15,000
Net investment return	<u>(516)</u>	<u>0</u>	<u>(516)</u>
Endowment net assets, end of year	<u>\$4,300</u>	<u>\$75,750</u>	<u>\$80,050</u>

	<u>June 30, 2019</u>		
	Endowment Earnings/ Borrowings	Endowment Corpus	Total
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>

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. At June 30, 2020 there were no such deficiencies.

Note 9 - Program Services

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

	<u>6/30/20</u>	<u>6/30/19</u>
Youth	\$11,867,046	\$11,136,657
Senior services	6,088,772	6,410,222
Community	<u>3,403,403</u>	<u>2,959,426</u>
Total	<u>\$21,359,221</u>	<u>\$20,506,305</u>

QCH's Youth Services department provides comprehensive youth development programming for young people ages 5 to 24. Youth participants can explore interests and passions, develop positive social connections, contribute to their community, become life-long learners, gain meaningful experiences, and achieve formal credentials. QCH's Young Adult Services department helps youth who have struggled in high school to obtain their diploma, develop career plans, and move on to fulfilling post-secondary education and workforce opportunities.

QCH's Services for Older Adults offers comprehensive, multi-faceted older adult programs and services --- including senior centers, homed delivered meals, case management, and social adult day programming --- designed to encourage senior independence and continued engagement.

QCH's Community Services seek to foster strong, stable, and self-sufficient families and communities throughout Queens. These programs link neighbor to neighbor, enhance family supports, provide ESOL and immigration legal services for new immigrants, improve housing conditions, prevent evictions, and assist in community building and development.

Note 10 - 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 a percentage of employees' salary to contribute to the plan. The employer match was approximately \$114,000 and \$27,000 for the years ended June 30, 2020 and June 30, 2019, respectively.

Note 11 - 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.

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 due during the year ended June 30, 2021 total \$93,744.

Note 12 - Liquidity and Availability of Financial Resources

The following reflects QCH's financial assets at June 30, 2020 that are available to meet cash needs for general expenditures within one year:

Cash and cash equivalents	\$2,656,838	
Grants receivable	7,994,289	
Fees receivable	12,233	
Pledges receivable	382,000	
Investments	<u>111,112</u>	
Total financial assets		\$11,156,472
Less amounts not available to be used within one year:		
Contributions with purpose restrictions	(1,650,260)	
Donor restricted endowment	(80,050)	
Board designated reserve	<u>(12,767)</u>	
Total amounts not available for general expenditures		<u>(1,743,077)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$9,413,395</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.

Note 13 - Other Matters – COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which QCH operates. It is unknown how long these conditions will last and what the complete financial effect will be. Management continues to monitor the outbreak; however, as of the date of these financial statements, the potential impact cannot be quantified.

Note 14 - Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through December 10, 2020, the date the financial statements were available to be issued. All events that 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 have been made.