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Consolidated Audited Financial Statements

June 30, 2022

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Queens Community House, Inc. and Affiliate (the "Organization") which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users on the basis of these consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

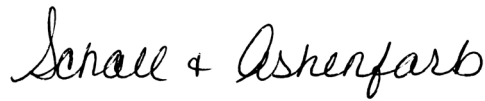
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 10, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules on pages 20 – 21 are presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating schedules are fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Schall & Ashenfarb
Certified Public Accountants, LLC

December 15, 2022

**QUEENS COMMUNITY HOUSE, INC.
AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2022
(With comparative totals at June 30, 2021)**

	<u>6/30/22</u>	<u>6/30/21</u>
Assets		
Current assets:		
Cash and cash equivalents	\$454,505	\$1,071,244
Grants receivable, net	12,058,204	9,979,267
Fees receivable	14,110	14,110
Pledges receivable	1,242,000	190,625
Prepaid expenses and deposits	279,021	191,685
Total current assets	<u>14,047,840</u>	<u>11,446,931</u>
Non-current assets:		
Restricted cash - New Markets Tax Credit loan disbursements (Note 3)	4,363,959	0
Note receivable (Note 3)	5,109,800	0
Investments (Note 4)	129,810	139,837
Fixed assets, net (Note 5)	5,988,524	1,646,304
Total long-term assets	<u>15,592,093</u>	<u>1,786,141</u>
Total assets	<u><u>\$29,639,933</u></u>	<u><u>\$13,233,072</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$2,053,669	\$2,958,530
Accrued interest	13,085	0
Bridge loan payable, net (Note 3)	4,944,727	0
Loans payable (Note 6)	1,500,000	400,000
Government grant advances	2,325,587	1,620,995
Total current liabilities	<u>10,837,068</u>	<u>4,979,525</u>
Non-current liabilities:		
New Markets Tax Credit Program notes payable (Note 3)	6,650,502	0
Total long-term liabilities	<u>6,650,502</u>	<u>0</u>
Total liabilities	<u>17,487,570</u>	<u>4,979,525</u>
Net assets:		
Without donor restrictions	7,491,665	6,453,968
With donor restrictions (Note 7)	4,660,698	1,799,579
Total net assets	<u>12,152,363</u>	<u>8,253,547</u>
Total liabilities and net assets	<u><u>\$29,639,933</u></u>	<u><u>\$13,233,072</u></u>

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

**QUEENS COMMUNITY HOUSE, INC.
AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**
(With comparative totals for the year ended June 30, 2021)

	Without Donor Restrictions			With Donor Restrictions			Total	Total
	Operations	Board Designated	Total	Programs (Note 7)	Endowment (Note 8)	Total	6/30/22	6/30/21
Support:								
Grants and contributions:								
Government grants (Note 12)	\$26,171,650		\$26,171,650				\$26,171,650	\$20,156,210
Government grant - Paycheck Protection Program (Note 9)			0				0	3,044,618
Foundation grants and individual contributions	460,468		460,468	\$4,667,057		\$4,667,057	5,127,525	2,419,131
Donated rent (Note 2g)	1,245,526		1,245,526				1,245,526	1,288,575
Total support	<u>27,877,644</u>	<u>0</u>	<u>27,877,644</u>	<u>4,667,057</u>	<u>0</u>	<u>4,667,057</u>	<u>32,544,701</u>	<u>26,908,534</u>
Revenue:								
Fundraising events	476,244		476,244			0	476,244	185,382
Other income	226,395		226,395			0	226,395	15,009
Investment return	(1,915)	(3,460)	(5,375)		(4,650)	(4,650)	(10,025)	28,731
Total revenue	<u>700,724</u>	<u>(3,460)</u>	<u>697,264</u>	<u>0</u>	<u>(4,650)</u>	<u>(4,650)</u>	<u>692,614</u>	<u>229,122</u>
Net assets released from restriction:								
Satisfaction of program restrictions (Note 7)	1,801,288		1,801,288	(1,801,288)		(1,801,288)	0	0
Total support and revenue	<u>30,379,656</u>	<u>(3,460)</u>	<u>30,376,196</u>	<u>2,865,769</u>	<u>(4,650)</u>	<u>2,861,119</u>	<u>33,237,315</u>	<u>27,137,656</u>
Expenses:								
Program services (Note 10)	<u>24,841,657</u>		<u>24,841,657</u>			<u>0</u>	<u>24,841,657</u>	<u>20,580,456</u>
Supporting services:								
Management and general	3,925,381		3,925,381			0	3,925,381	3,416,713
Fundraising	571,461		571,461			0	571,461	383,017
Total supporting services	<u>4,496,842</u>	<u>0</u>	<u>4,496,842</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,496,842</u>	<u>3,799,730</u>
Total expenses	<u>29,338,499</u>	<u>0</u>	<u>29,338,499</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>29,338,499</u>	<u>24,380,186</u>
Change in net assets	1,041,157	(3,460)	1,037,697	2,865,769	(4,650)	2,861,119	3,898,816	2,757,470
Net assets - beginning of year	<u>6,429,531</u>	<u>24,437</u>	<u>6,453,968</u>	<u>1,706,444</u>	<u>93,135</u>	<u>1,799,579</u>	<u>8,253,547</u>	<u>5,496,077</u>
Net assets - end of year	<u>\$7,470,688</u>	<u>\$20,977</u>	<u>\$7,491,665</u>	<u>\$4,572,213</u>	<u>\$88,485</u>	<u>\$4,660,698</u>	<u>\$12,152,363</u>	<u>\$8,253,547</u>

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

**QUEENS COMMUNITY HOUSE, INC.
AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022
(With comparative totals for the year ended June 30, 2021)**

	Program Services	Supporting Services		Total Expenses 6/30/22	Total Expenses 6/30/21
		Management and General	Fundraising		
Salaries	\$12,782,373	\$1,400,735	\$267,365	\$1,668,100	\$14,450,473
Payroll taxes and benefits	2,806,921	275,025	59,026	334,051	3,140,972
Occupancy	444,677	121,779		121,779	566,456
In-kind occupancy	1,243,526	2,000		2,000	1,245,526
Consultation expenses	943,220	78,710	83,040	161,750	1,104,970
Insurance	172,213	76,636	8,521	85,157	257,370
Food	1,247,089	1,826	1,514	3,340	1,250,429
Activities and admissions	797,657	8,060	46,415	54,475	852,132
Communications	228,959	3,603	2,238	5,841	234,800
Materials and supplies	921,005	36,750	864	37,614	958,619
Maintenance and repairs	208,822	16,916	352	17,268	226,090
Printing and postage	18,470	7,295	27,817	35,112	53,582
Office expenses	195,813	927,079	15,953	943,032	1,138,845
Professional fees	711,608	492,051	47,967	540,018	1,251,626
Equipment and rentals	306,001	47,966	5,517	53,483	359,484
Interest and bank charges	4,526	105,725		105,725	110,251
Transportation for elderly	56,289	253		253	56,542
Travel and conferences	231,265	28,597	4,743	33,340	264,605
COVID related expenses	35,664	11,238	90	11,328	46,992
Provider payments	1,311,913			0	1,311,913
Miscellaneous expenses	173,646	38,631	39	38,670	212,316
Total expenses before depreciation	24,841,657	3,680,875	571,461	4,252,336	29,093,993
Depreciation		244,506		244,506	244,506
Total expenses	\$24,841,657	\$3,925,381	\$571,461	\$4,496,842	\$29,338,499

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

**QUEENS COMMUNITY HOUSE, INC.
AND AFFILIATE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022
(With comparative totals for the year ended June 30, 2021)**

	<u>6/30/22</u>	<u>6/30/21</u>
Cash flows from operating activities:		
Change in net assets	\$3,898,816	\$2,757,470
Adjustments to reconcile change in net assets to net cash provided by/(used for) operating activities:		
Depreciation	244,506	199,340
Interest on debt issuance costs	20,449	0
Bad debt expense	779,667	295,103
Net realized/unrealized loss/(gain) on investments	10,027	(28,725)
Changes in assets and liabilities:		
Grants receivable	(2,858,604)	(2,280,081)
Fees receivable	0	(1,877)
Pledges receivable	(1,051,375)	191,375
Prepaid expenses and deposits	(87,336)	(65,997)
Accounts payable and accrued expenses	(904,861)	293,357
Accrued interest	13,085	0
Government grant advances	704,592	892,152
Paycheck Protection Program loan	0	(3,010,635)
Total adjustments	<u>(3,129,850)</u>	<u>(3,515,988)</u>
Net cash provided by/(used for) operating activities	<u>768,966</u>	<u>(758,518)</u>
Cash flows from investing activities:		
Purchases of fixed assets	<u>(4,586,726)</u>	<u>(1,201,388)</u>
Net cash used for investing activities	<u>(4,586,726)</u>	<u>(1,201,388)</u>
Cash flows from financing activities:		
Repayments of loans	(400,000)	(25,688)
Outlays for debt issuance costs	(405,222)	0
Outlays for note receivable	(5,109,800)	0
Proceeds from New Markets Tax Credit loans	7,000,000	0
Proceeds from loans	<u>6,480,002</u>	<u>400,000</u>
Net cash provided by financing activities	<u>7,564,980</u>	<u>374,312</u>
Net increase/(decrease) in cash, cash equivalents and restricted cash	3,747,220	(1,585,594)
Cash, cash equivalents and restricted cash - beginning of year	<u>1,071,244</u>	<u>2,656,838</u>
Cash, cash equivalents and restricted cash - end of year	<u><u>\$4,818,464</u></u>	<u><u>\$1,071,244</u></u>
Cash, cash equivalents and restricted cash:		
Cash and cash equivalents	454,505	1,071,244
Restricted cash - New Markets Tax Credit loan disbursements	<u>4,363,959</u>	<u>0</u>
	<u><u>\$4,818,464</u></u>	<u><u>\$1,071,244</u></u>
Supplemental data:		
Interest paid	<u>\$110,251</u>	<u>\$42,278</u>
Income taxes paid	<u>\$0</u>	<u>\$0</u>

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

QUEENS COMMUNITY HOUSE, INC.
AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022

Note 1 - Organization

Queens Community House, Inc. ("QCH") is a New York not-for-profit 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 Foundation Inc. (the "Foundation"), incorporated in 2022, is a New York not-for-profit organization (the "Foundation") whose mission is, for the benefit of QCH to facilitate financing, construction and support of a facility located at 108-25 62nd Drive, Queens, New York for the provision of a community facility in support of QCH's charitable purposes. QCH has the right to appoint a majority of the board of the Foundation.

The accompanying consolidated financial statements include the financial position, change in net assets and cash flows of QCH and the Foundation, which collectively are referred to as the "Organization". All intercompany transactions have been eliminated.

QCH and the Foundation have been notified by the Internal Revenue Service that they are not-for-profit organizations exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and have not been determined to be a private foundation.

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.

b. Basis of Presentation

As a not-for-profit organization, the Organization 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 of QCH 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 have 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 transfers 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 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

The Organization follows the requirements of the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 958-605 for recording contributions, which are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature.

QCH's government grants are primarily conditional non-exchange transactions and fall under the scope of ASC 958-605. 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, 2022, all government grants receivables 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 may be subject to conditions which are defined as both a barrier to entitlement and a right of return of payments, or release from obligations, and are recognized as income once the conditions have been 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, 2022 and 2021, all contributions were expected to be received within one year.

The Organization 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 government grants receivables of \$372,000 and \$263,000 as of June 30, 2022 and 2021, 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 consolidated statement of activities.

f. Fixed Assets

The Organization capitalizes equipment, furniture, vehicles, and leasehold improvements purchased in excess of \$5,000 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. In valuing the contributed spaces, which are located in Queens, New York, QCH estimated the fair value on the basis of recent comparable sales prices in the area's real estate market.

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 the Organization 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 the Organization to a 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, the Organization 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. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated 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
- Consultation 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 the QCH's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

m. Accounting for Uncertainty of Income Taxes

The Organization does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending June 30, 2019 and later are subject to examination by applicable taxing authorities.

n. New Accounting Pronouncement

FASB issued Accounting Standards Update ("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.

The Organization is in the process of evaluating the impact this standard will have on future financial statements.

Note 3 - New Markets Tax Credit Program

On December 10, 2021, the Organization closed on a \$7,000,000 New Market Tax Credit ("NMTC") program financing arrangement. The NMTC program provides federal tax incentives to the investing third parties with QCH receiving favorable borrowing terms and potentially, without any assurance, also receiving the value of part of that financing at the end of the seven-year term. In connection with the arrangement, QCH entered into two separate NMTC loans. Loan A is for \$5,109,800 and Loan B is for \$1,890,200, both with interest only payments due quarterly at an annual rate of 1% through 2028, and then quarterly installments of \$210,138 (Loan A) and \$77,733 (Loan B), including interest and principal through 2056. Any unpaid principal and all accrued interest will be due and payable at the maturity date, subject to an early termination in December 2028.

Pursuant to the issuance of the loans, QCH is required to maintain a loan disbursement account at Goldman Sachs bank. Funds will be disbursed to satisfy certain capital expenditures incurred during the construction phase of the project. At June 30, 2022, \$4,363,959 is held at Goldman Sachs bank for this purpose.

In connection with the NMTC program financing, the Foundation, acting as a leveraged lender, entered into a note receivable arrangement with an unrelated organization totaling \$5,109,800. The note receivable bears interest at 1% and has a maturity date of December 10, 2049. The repayment terms on the note receivable approximate the terms of the NMTC loans payable. The unrelated organization holds the separate NMTC loans referred to above.

Furthermore, in order to fund the note receivable, the Foundation obtained a bridge loan from Goldman Sachs bank totaling \$4,980,002. The loan bears interest at 6.09% over two years. The loans were secured with \$1,200,000 of pledges receivable of QCH. Subsequent to year-end, this loan was fully repaid.

On the consolidated statement of financial position, the New Markets Tax Credit Program notes payable of \$7,000,000 are reflected net of debt issuance costs of \$349,498. Additionally, the bridge loan payable of \$4,980,002 is reflected net of debt issuance costs of \$35,275.

Note 4 - Investments and Fair Value Measurements

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 QCH 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, 2022</u>		
	<u>Market Value</u>	<u>Level 1</u>	<u>Other (a)</u>
Cash and money funds	\$51,808	\$51,808	\$0
Equities	68,230	68,230	0
FJC Pooled CD Portfolio	<u>9,772</u>	<u>0</u>	<u>9,772</u>
Total	<u>\$129,810</u>	<u>\$120,038</u>	<u>\$9,772</u>

	<u>June 30, 2021</u>		
	<u>Market Value</u>	<u>Level 1</u>	<u>Other (a)</u>
Cash and money funds	\$50,478	\$50,478	\$0
Equities	79,587	79,587	0
FJC Pooled CD Portfolio	<u>9,772</u>	<u>0</u>	<u>9,772</u>
Total	<u>\$139,837</u>	<u>\$130,065</u>	<u>\$9,772</u>

Investments consist of:

	<u>6/30/22</u>	<u>6/30/21</u>
Investments held for endowment	\$88,485	\$93,135
Unrestricted	20,348	22,265
Board designated investments	<u>20,977</u>	<u>24,437</u>
Total	<u>\$129,810</u>	<u>\$139,837</u>

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

(a) At June 30, 2022 and 2021, 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 return consists of:

	<u>6/30/22</u>	<u>6/30/21</u>
Net realized/unrealized (loss)/gain	(\$11,357)	\$28,725
Interest and dividends	<u>1,332</u>	<u>6</u>
Total	<u>(\$10,025)</u>	<u>\$28,731</u>

Note 5 - Fixed Assets

Fixed assets consist of the following:

	<u>June 30, 2022</u>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment – 3 and 5 yr. life	\$2,182,950	\$1,639,466	\$543,484
Building improvements – 30 yr. life	599,697	328,156	271,541
Construction in progress (see below)	<u>5,173,499</u>	<u>0</u>	<u>5,173,499</u>
Total	<u>\$7,956,146</u>	<u>\$1,967,622</u>	<u>\$5,988,524</u>

	<u>June 30, 2021</u>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment – 3 and 5 yr. life	\$1,760,636	\$1,414,512	\$346,124
Building improvements – 30 yr. life	573,397	308,604	264,793
Construction in progress (see below)	<u>1,035,387</u>	<u>0</u>	<u>1,035,387</u>
Total	<u>\$3,369,420</u>	<u>\$1,723,116</u>	<u>\$1,646,304</u>

During the year ended June 30, 2021, QCH entered into a purchase and sale agreement; whereby, it purchased the property and building that has long been its headquarters in Forest Hills, New York. Under the terms of this agreement, the seller has the right of first offer if QCH sells or transfers the property within 60 years from the purchase date. Additionally, the agreement restricts the use of the property to run a community facility.

In connection with the purchase, QCH has initiated a capital campaign to fund construction and renovation costs. During the year ended June 30, 2021, QCH received conditional pledges of \$1,400,000 from the Empire State Development, \$4,810,488 from the New York City Economic Development Corporation, and \$1,122,500 (of which \$125,000 of revenue was recognized during the year ended June 30, 2022) from the Dormitory Authority of the State of New York. These pledges are conditioned upon incurring qualifying capital expenses and will be recognized as income once conditions are substantially met.

Note 6 - Loans Payable

On March 14, 2016, QCH entered into a cash flow loan agreement with an interest rate of 5.06% due on March 14, 2021. As of June 30, 2020, the outstanding balance totaled \$25,688. The loan was fully repaid during the year ended June 30, 2021.

Additionally, 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 with interest payable equal to the prime rate plus 1.8%, but no less than 4.00% per annum. The line is secured by QCH's accounts receivable. The outstanding balance was \$1,500,000 and \$400,000 at June 30, 2022 and June 30, 2021, respectively.

Note 7 - Net Assets with Donor Restrictions

The following summarizes net assets released from restrictions:

	<u>6/30/22</u>	<u>6/30/21</u>
Programs:		
Youth	\$795,839	\$976,948
Community program	593,995	513,514
Senior program	64,639	62,235
Hurricane Sandy	327,037	0
Administration	<u>19,778</u>	<u>39,281</u>
Total net assets released from restrictions	<u>\$1,801,288</u>	<u>\$1,591,978</u>

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

	<u>6/30/22</u>	<u>6/30/21</u>
Programs:		
Youth	\$921,238	\$653,887
Community program	499,548	430,178
Senior program	73,551	88,190
Capital grants	2,862,876	514,411
Administration	<u>215,000</u>	<u>19,778</u>
Total restricted for programs	<u>4,572,213</u>	<u>1,706,444</u>
Restricted for endowment	<u>88,485</u>	<u>93,135</u>
Total net assets with donor restrictions	<u>\$4,660,698</u>	<u>\$1,799,579</u>

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, 2022</u>		
	<u>Endowment</u>	<u>Endowment</u>	
	<u>Earnings</u>	<u>Corpus</u>	<u>Total</u>
Endowment net assets, beginning of year	\$17,385	\$75,750	\$93,135
Net investment return	<u>(4,650)</u>	<u>0</u>	<u>(4,650)</u>
Endowment net assets, end of year	<u>\$12,735</u>	<u>\$75,750</u>	<u>\$88,485</u>

	<u>June 30, 2021</u>		
	<u>Endowment</u>	<u>Endowment</u>	
	<u>Earnings</u>	<u>Corpus</u>	<u>Total</u>
Endowment net assets, beginning of year	\$4,300	\$75,750	\$80,050
Net investment return	<u>13,085</u>	<u>0</u>	<u>13,085</u>
Endowment net assets, end of year	<u>\$17,385</u>	<u>\$75,750</u>	<u>\$93,135</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 the endowment funds may fall below the level that the donor or NYPMIFA requires QCH to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2022 or June 30, 2021.

Note 9 - Paycheck Protection Program Loan Payable

During the year ended June 30, 2021, QCH obtained a loan from the Small Business Administration ("SBA") in the amount of \$3,010,635 through the Paycheck Protection Program ("PPP"). Terms of the loan indicated that if certain conditions were met, which included 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, would be forgiven. QCH accounted for the PPP loan as a conditional contribution in accordance with FASB ASC 958-605, and as all conditions were met during the year ended June 30, 2021, this was recognized as revenue. On June 10, 2021, the loan was formally forgiven by the SBA.

Note 10 - Program Services

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

	<u>6/30/22</u>	<u>6/30/21</u>
Youth	\$12,700,157	\$10,549,853
Senior services	6,190,782	5,721,780
Capital project	17,450	0
Community	<u>5,933,268</u>	<u>4,308,823</u>
Total	<u>\$24,841,657</u>	<u>\$20,580,456</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, home 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. During the year ended June 30, 2021, QCH launched the Department of Education funded Queens Childcare Network program, supporting family-based daycares.

Note 11 - 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 \$136,176 and \$49,000 for the years ended June 30, 2022 and June 30, 2021, respectively.

Note 12 - 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

During the year ended June 30, 2021, QCH entered into an operating lease agreement for space that expires on June 14, 2031. Future minimum payments under the lease are as follows:

Year ending:	June 30, 2023	\$67,074
	June 30, 2024	68,080
	June 30, 2025	69,101
	June 30, 2026	70,138
	June 30, 2027	71,190
Thereafter		<u>289,215</u>
Total		<u>\$634,798</u>

QCH has various other lease agreements expiring on various dates. Future minimum payments under the leases are as follows:

Year ending:	June 30, 2023	\$420,162
	June 30, 2024	143,808
	June 30, 2025	<u>31,532</u>
Total		<u>\$595,502</u>

Note 13 - Liquidity and Availability of Financial Resources

The Organization 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 6. As part of its liquidity management, QCH relies on grants and contributions to fund its operations.

The following reflects the Organization's financial assets at June 30, 2022 that are available to meet cash needs for general expenditures within one year:

Cash and cash equivalents	\$454,505	
Grants receivable, net	12,058,204	
Fees receivable	14,110	
Pledges receivable	1,242,000	
Investments	<u>129,810</u>	
Total financial assets		\$13,898,629
Less amounts not available to be used within one year:		
Contributions with purpose restrictions	(4,572,213)	
Donor restricted endowment	(88,485)	
Board designated reserve	<u>(20,977)</u>	
Total amounts not available for general expenditures		<u>(4,681,675)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$9,216,954</u>

Note 14 - Subsequent Events

Subsequent events have been evaluated through December 15, 2022, the date the financial statements were available to be issued. Adjustments and disclosures have been made for all subsequent events that have occurred.

Note 15 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 impact on the economies and financial markets of many countries, including the geographical area in which QCH and the Foundation operate. As of the date of these financial statements, many of the travel restrictions and stay at home orders have been lifted; however, supply chains remain impacted. Management continues to monitor the outbreak; however, as of the date of these financial statements, the potential impact cannot be quantified.

QUEENS COMMUNITY HOUSE, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2022

Assets

	<u>QCH</u>	<u>QCH Foundation</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$332,843	\$121,662	\$454,505
Grants receivable, net	12,058,204		12,058,204
Fees receivable	14,110		14,110
Pledges receivable	1,242,000		1,242,000
Prepaid expenses and deposits	244,024	34,997	279,021
Total current assets	<u>13,891,181</u>	<u>156,659</u>	<u>14,047,840</u>
Non-current assets:			
Restricted cash - New Markets Tax Credit loan disbursements (Note 3)	4,363,959		4,363,959
Note receivable (Note 3)		5,109,800	5,109,800
Investments (Note 4)	129,810		129,810
Fixed assets, net (Note 5)	5,988,524		5,988,524
Total long-term assets	<u>10,482,293</u>	<u>5,109,800</u>	<u>15,592,093</u>
Total assets	<u><u>\$24,373,474</u></u>	<u><u>\$5,266,459</u></u>	<u><u>\$29,639,933</u></u>

Liabilities and Net Assets

Current liabilities:			
Accounts payable and accrued expenses	\$2,038,519	\$15,150	2,053,669
Accrued interest		13,085	13,085
Bridge loan payable - NMTC related (Note 3)		4,944,727	4,944,727
Loans payable (Note 6)	1,500,000		1,500,000
Government grant advances	2,325,587		2,325,587
Total current liabilities	<u>5,864,106</u>	<u>4,972,962</u>	<u>10,837,068</u>
Non-current liabilities:			
New Markets Tax Credit Program notes payable (Note 3)	6,650,502		6,650,502
Total long-term liabilities	<u>6,650,502</u>	<u>0</u>	<u>6,650,502</u>
Total Liabilities	<u>12,514,608</u>	<u>4,972,962</u>	<u>17,487,570</u>
Net assets:			
Without donor restrictions	7,198,168	293,497	7,491,665
With donor restrictions (Note 7)	4,660,698		4,660,698
Total net assets	<u>11,858,866</u>	<u>293,497</u>	<u>12,152,363</u>
Total liabilities and net assets	<u><u>\$24,373,474</u></u>	<u><u>\$5,266,459</u></u>	<u><u>\$29,639,933</u></u>

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

QUEENS COMMUNITY HOUSE, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	QCH							
	Without Donor Restrictions	With Donor Restrictions						
		Programs (Note 7)	Endowment (Note 8)	Total	Total	QCH Foundation	Eliminations	Total
Support:								
Grants and contributions:								
Government grants (Note 12)	\$26,171,650			\$0	\$26,171,650			\$26,171,650
Government grant - Paycheck Protection Program (Note 9)				0	0			0
Foundation grants and individual contributions	460,468	\$4,667,057		4,667,057	5,127,525	\$309,587	(\$309,587)	5,127,525
Donated rent (Note 2g)	1,245,526			0	1,245,526			1,245,526
Total support	27,877,644	4,667,057	0	4,667,057	32,544,701	309,587	(309,587)	32,544,701
Revenue:								
Fundraising events	476,244			0	476,244			476,244
Other income	187,316			0	187,316	39,079		226,395
Investment return	(5,375)		(4,650)	(4,650)	(10,025)			(10,025)
Total revenue	658,185	0	(4,650)	(4,650)	653,535	39,079	0	692,614
Net assets released from restriction:								
Satisfaction of program restrictions (Note 7)	1,801,288	(1,801,288)		(1,801,288)	0			0
Total support and revenue	30,337,117	2,865,769	(4,650)	2,861,119	33,198,236	348,666	(309,587)	33,237,315
Expenses:								
Program services (Note 10)	25,151,244			0	25,151,244		(309,587)	24,841,657
Supporting services:								
Management and general	3,870,212			0	3,870,212	55,169		3,925,381
Fundraising	571,461			0	571,461			571,461
Total supporting services	4,441,673	0	0	0	4,441,673	55,169	0	4,496,842
Total expenses	29,592,917	0	0	0	29,592,917	55,169	(309,587)	29,338,499
Change in net assets	744,200	2,865,769	(4,650)	2,861,119	3,605,319	293,497	0	3,898,816
Net assets - beginning of year	6,453,968	1,706,444	93,135	1,799,579	8,253,547	0	0	8,253,547
Net assets - end of year	\$7,198,168	\$4,572,213	\$88,485	\$4,660,698	\$11,858,866	\$293,497	\$0	\$12,152,363

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