

Queens Centers for Progress and Affiliate

Consolidated Financial Statements and Supplemental Schedules

Year Ended June 30, 2009

**Queens Centers for Progress
and Affiliate**

**Consolidated Financial Statements
and Supplemental Schedules**
Year Ended June 30, 2009

Queens Centers for Progress and Affiliate

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Independent Auditors' Report

The Board of Directors
United Cerebral Palsy of Queens, Inc.
(d/b/a Queens Centers for Progress)
New York, New York

We have audited the accompanying consolidated statement of financial position of United Cerebral Palsy of Queens, Inc. d/b/a Queens Centers for Progress and Affiliate ("QCP and Affiliate") as of June 30, 2009, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of QCP and Affiliate's management. Our responsibility is to express an opinion on these financial statements based on our audit. Information for the year ended June 30, 2008 is presented for comparative purposes only and was extracted from the financial statements of United Cerebral Palsy of Queens, Inc. d/b/a Queens Centers for Progress and Affiliate for that year, on which we expressed an unqualified opinion, dated January 13, 2009.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of QCP and Affiliate's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Cerebral Palsy of Queens, Inc. d/b/a Queens Centers for Progress and Affiliate as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

BDO Seidman, LLP

December 7, 2009

Queens Centers for Progress and Affiliate

Consolidated Statement of Financial Position (with comparative totals for 2008)

<i>June 30,</i>	2009	2008
Assets		
Current:		
Cash and cash equivalents (Note 3)	\$ 1,940,185	\$ 1,665,753
Investments at fair value (Notes 3 and 4)	1,884,742	869,874
Accounts receivable, net (Note 3)	6,931,528	8,121,223
Contributions receivable (Note 3)	250,000	-
Consumer funds (Note 3)	188,895	141,068
Prepaid expenses, deposits and other assets	194,513	119,082
Assets limited as to use, current portion (Notes 3 and 5)	613,824	628,347
Total current assets	12,003,687	11,545,347
Assets limited as to use, net of current portion (Notes 3 and 5)	140,369	140,250
Deferred bond issuance costs (Note 3)	152,025	170,714
Fixed assets, net (Notes 3 and 6)	10,782,527	11,020,339
	\$23,078,608	\$22,876,650
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,523,764	\$ 1,662,664
Accrued payroll and related benefits	1,577,498	1,429,714
Consumer funds (Note 3)	188,895	141,068
Due to governmental agencies (Note 7)	2,452,557	2,047,598
Current portion of mortgages and loans payable (Note 8)	562,854	565,270
Current portion of bonds payable (Note 9)	180,000	-
Total current liabilities	6,485,568	5,846,314
Due to governmental agencies (Note 7)	676,330	676,330
Mortgages and loans payable, less current portion (Note 8)	2,416,854	2,947,726
Bonds payable, less current portion (Note 9)	1,705,000	1,885,000
Total liabilities	11,283,752	11,355,370
Commitments and contingencies (Notes 8, 9 and 12)		
Net assets (Note 3):		
Unrestricted	11,794,856	11,521,280
	\$23,078,608	\$22,876,650

See accompanying notes to consolidated financial statements.

Queens Centers for Progress and Affiliate

Consolidated Statement of Activities (Unrestricted) (with comparative totals for 2008)

<i>Year ended June 30,</i>	2009	2008
Revenue and other support:		
Government support	\$32,905,184	\$31,884,899
Other program revenue	645,489	640,055
Prior year (expense) revenue	(43,315)	819,378
Special events, net of direct costs of \$110,642 and \$119,430, respectively	273,077	314,650
Contributions	279,502	32,443
Interest income	44,836	88,567
Miscellaneous income	21,430	15,713
Total revenue and other support	34,126,203	33,795,705
Expenses:		
Program services:		
Clinical and coordination services	2,863,483	2,903,564
Adult day services	8,351,410	7,863,175
Vocational services	3,879,063	3,751,498
Residential services	10,162,098	9,950,287
Children's Center services	5,957,135	5,750,939
Total program services	31,213,189	30,219,463
Supporting services:		
Management and general	2,469,213	2,393,184
Fundraising	170,225	169,352
Total supporting services	2,639,438	2,562,536
Total expenses	33,852,627	32,781,999
Change in net assets	273,576	1,013,706
Net assets, beginning of year	11,521,280	10,507,574
Net assets, end of year	\$11,794,856	\$11,521,280

See accompanying notes to consolidated financial statements.

Queens Centers for Progress and Affiliate

Consolidated Statement of Functional Expenses (with comparative totals for 2008)

Year ended June 30,

	Program services						Supporting services			2009 combined	2008 combined
	Clinical and coordination services	Adult services	Vocational services	Residential services	Children's Center services	Total program services	Management and general	Fundraising	Total supporting services		
Salaries, payroll taxes and employee benefits:											
Salaries	\$1,887,627	\$3,978,032	\$2,167,194	\$5,758,523	\$4,282,464	\$18,073,840	\$1,553,195	\$106,203	\$1,659,398	\$19,733,238	\$19,341,940
Payroll taxes and employee benefits	597,255	1,365,891	708,123	1,923,547	1,356,629	5,951,445	481,393	33,273	514,666	6,466,111	5,920,155
Total salaries, payroll taxes and employee benefits	2,484,882	5,343,923	2,875,317	7,682,070	5,639,093	24,025,285	2,034,588	139,476	2,174,064	26,199,349	25,262,095
Other expenses:											
Program participants' compensation	-	-	442,266	-	-	442,266	-	-	-	442,266	449,749
Transportation	-	2,003,966	75,460	64,684	-	2,144,110	-	-	-	2,144,110	1,914,587
Professional and other service fees	183,819	69,626	-	257,316	3,740	514,501	156,933	-	156,933	671,434	748,071
Program supplies	24,184	92,775	40,491	264,222	65,646	487,318	-	-	-	487,318	441,645
Program participants' expenses	25,071	43,767	-	399,986	2,385	471,209	-	-	-	471,209	466,427
Occupancy	31,997	224,255	222,398	279,117	159,415	917,182	32,392	7,110	39,502	956,684	984,939
Communications	14,344	29,409	22,651	44,477	9,882	120,763	13,068	88	13,156	133,919	122,311
Facility assessments	-	-	-	477,683	-	477,683	-	-	-	477,683	473,701
Office supplies, postage and shipping	9,691	29,841	6,801	17,167	15,309	78,809	79,110	11,350	90,460	169,269	184,521
Insurance	8,216	60,282	19,156	67,517	18,559	173,730	30,973	578	31,551	205,281	247,426
Interest	3,342	89,888	23,295	210,925	-	327,450	5,580	455	6,035	333,485	353,034
Staff training and travel	35,281	7,967	32,635	23,225	8,880	107,988	39,426	2,413	41,839	149,827	151,755
Miscellaneous	8,953	24,225	9,377	68,034	11,549	122,138	37,857	5,777	43,634	165,772	215,625
Total expenses before depreciation and amortization	2,829,780	8,019,924	3,769,847	9,856,423	5,934,458	30,410,432	2,429,927	167,247	2,597,174	33,007,606	32,015,886
Depreciation and amortization	33,703	331,486	109,216	305,675	22,677	802,757	39,286	2,978	42,264	845,021	766,113
Total	\$2,863,483	\$8,351,410	\$3,879,063	\$10,162,098	\$5,957,135	\$31,213,189	\$2,469,213	\$170,225	\$2,639,438	\$33,852,627	\$32,781,999

See accompanying notes to consolidated financial statements.

Queens Centers for Progress and Affiliate

Consolidated Statement of Cash Flows (with comparative totals for 2008)

<i>Year ended June 30,</i>	2009	2008
Cash flows from operating activities:		
Change in net assets	\$ 273,576	\$ 1,013,706
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	845,020	766,113
Amortization of bond issuance costs	18,689	7,787
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	1,189,695	(2,905,365)
Contributions receivable	(250,000)	-
Consumer funds	(47,827)	(24,102)
Prepaid expenses, deposits and other assets	(75,431)	18,503
Deferred bond issuance costs	-	(178,501)
Increase (decrease) in:		
Accounts payable and accrued expenses	(138,900)	(248,588)
Accrued payroll and related benefits	147,784	(184,628)
Consumer funds	47,827	24,102
Due to governmental agencies	404,959	310,792
Net cash provided by (used in) operating activities	2,415,392	(1,400,181)
Cash flows from investing activities:		
Proceeds from sale of investments	570,000	2,214,532
Purchases of investments	(1,584,868)	-
Purchases of fixed assets	(607,208)	(377,221)
Decrease (increase) in assets limited as to use	14,404	(768,597)
Net cash provided by (used in) investing activities	(1,607,672)	1,068,714
Cash flows from financing activities:		
Proceeds from mortgages and loans payable	-	168,476
Repayments of mortgages payable	(533,288)	(1,502,100)
Proceeds from bonds payable	-	1,925,000
Repayments of bonds payable	-	(40,000)
Net cash provided by (used in) financing activities	(533,288)	551,376
Net increase in cash and cash equivalents	274,432	219,909
Cash and cash equivalents, beginning of year	1,665,753	1,445,844
Cash and cash equivalents, end of year	\$ 1,940,185	\$ 1,665,753
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 279,321	\$ 325,370

See accompanying notes to consolidated financial statements.

Queens Centers for Progress and Affiliate

Notes to Consolidated Financial Statements

- 1. Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of Queens Centers for Progress (“QCP”) and Queens Community Mental Health and Mental Retardation Services Company, Inc. (the “Services Company”) (collectively “QCP and Affiliate”), which are related by certain common members of the Board of Directors and identical management.

The financial statements of the Services Company as of and for the year ended June 30, 2009 were consolidated with those of QCP. All intercompany balances and transactions have been eliminated in consolidation.
- 2. Nature of Organizations**

 - (a) The essential purpose of QCP is to provide services to children and adults with developmental disabilities which will maximize their well-being, independence, and ability to exercise choice and to develop to their fullest potential. QCP addresses the needs of these individuals and their families by providing clinical and coordination services, day programs, vocational and residential services for adults and educational and treatment programs for children.
 - (b) The Services Company is a not-for-profit corporation organized pursuant to Article 8-B of the Mental Hygiene Law of the State of New York as a holding company for the building located at 81-15 164th Street in Jamaica, Queens, which houses several programs and the administrative offices of QCP.
- 3. Summary of Significant Accounting Policies**

 - (a) *Basis of Presentation*

The consolidated financial statements of QCP and Affiliate have been prepared on the accrual basis. In the statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

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Notes to Consolidated Financial Statements

(b) *Financial Statement Presentation*

The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

The only class of net assets that QCP and Affiliate have is as follows:

Unrestricted - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

(c) *Cash and Cash Equivalents*

Cash equivalents include short-term, highly liquid investments with maturities of three months or less at the time of purchase.

(d) *Consumer Funds*

Consumer funds consist of cash deposits held by QCP and Affiliate for their residents' personal use.

(e) *Investments at Fair Value*

Investments of QCP and Affiliate are valued at fair value in the consolidated statement of financial position. Realized and unrealized gains and losses are included in the consolidated statement of activities.

(f) *Provision for Doubtful Accounts*

QCP and Affiliate provide an allowance for doubtful accounts for accounts receivable which are specifically identified by management as to their uncertainty in regards to collectability. As of June 30, 2009, the total allowance for doubtful accounts is \$230,657.

Queens Centers for Progress and Affiliate

Notes to Consolidated Financial Statements

(g) *Deferred Bond Issuance Costs*

Deferred bond issuance costs represent costs incurred to obtain financing. These costs will be amortized over the term of indebtedness using the straight-line method.

(h) *Assets Limited As to Use*

Assets limited as to use include assets held by the trustees under bond agreements.

(i) *Fixed Assets*

Fixed assets are stated at cost or estimated fair market value if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful lives of the related assets.

	Years
Buildings and improvements	5-50
Furniture and equipment	2-15
Leasehold improvements	8-22
Vehicles	3-5

(j) *Contributions and Grants*

Contributions and grants, including unconditional promises to give that are expected to be collected within one year, are recognized as revenues in the period earned and are either classified as temporarily restricted or unrestricted.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at present value of estimated future cash flows. Conditional promises to give are not included as support until such time as the conditions are substantially met.

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Notes to Consolidated Financial Statements

As of June 30, 2009, total contributions receivable are \$250,000. Management expects to collect on these contributions within one year and, accordingly, no discount has been taken.

(k) *Third-Party Reimbursements and Revenue Recognition*

QCP and Affiliate receive substantially all of their revenue from third-party reimbursement agencies; primarily the Office of Mental Retardation and Developmental Disabilities (“OMRDD”) and the Department of Health. These revenues are for services provided to approved consumers and are based on rates issued by funding agencies. Revenues are recognized as earned and are subject to audit and retroactive adjustment by the respective third-party fiscal intermediaries.

(l) *Use of Estimates*

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates

(m) *Income Taxes*

QCP and Affiliate are New York State not-for-profit voluntary agencies and are exempt from Federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”) and, therefore, have made no provision for income taxes in the accompanying consolidated financial statements.

QCP and Affiliate have received favorable determination letters from the Internal Revenue Service (“IRS”) indicating that they qualify for tax-exempt status. In addition, QCP and Affiliate have been determined by the IRS not to be “private foundations” within the meaning of Section 509(a) of the Code. There was no unrelated business income for the year ended June 30, 2009.

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Notes to Consolidated Financial Statements

QCP and Affiliate have not taken an unsubstantiated tax position that would require provision of a liability under Financial Accounting Standards Board (“FASB”) Interpretation 48, “Accounting for Uncertainty in Income Taxes” (“FIN 48”). Under FIN 48, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more-likely-than-not that the position will be sustained. QCP and Affiliate do not believe there are any material uncertain tax positions and accordingly, they have not recognized any liability for unrecognized tax benefits. QCP and Affiliate have filed IRS Form 990 tax returns, as required, and all other applicable returns in jurisdictions when it is required. For the year ended June 30, 2009, there was no interest or penalties recorded or included in the consolidated financial statements.

(n) *Allocation Methodology*

The cost of providing the various programs and other activities has been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated to the programs and supporting services benefited.

(o) *Concentration of Credit Risk*

Financial instruments which potentially subject QCP and Affiliate to concentration of credit risk consist primarily of cash and cash equivalents. At various times, QCP and Affiliate have cash deposits at financial institutions, which exceed the Federal Depository Insurance Corporation insurance limits.

(p) *Comparative Financial Information*

The consolidated financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the prior year financial

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Notes to Consolidated Financial Statements

statements from which the summarized information was derived. With respect to the consolidated statement of functional expenses, the prior year expenses by the expense classification are presented in total rather than functional category.

(q) *Reclassifications*

Certain prior year balances have been reclassified to conform with the current year financial statement presentation.

(r) *Recently Issued Accounting Pronouncements*

(i) *Fair Value Measurements*

In September 2006, the FASB issued Statement of Financial Accounting Standards (“SFAS”) No. 157, “Fair Value Measurements”. This standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring the fair value and requires additional disclosures about the use of fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. Effective July 1, 2008, QCP and Affiliate adopted SFAS No. 157. The adoption did not impact the amounts reported in the financial statements, but does require additional footnote disclosures about the inputs used to develop the measurements of fair value and the effect of certain measurements reported in the statement of activities for the fiscal year as noted in Note 13 below.

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Notes to Consolidated Financial Statements

(ii) *Net Asset Classification*

In August 2008, the FASB issued Staff Position No. 117-1 (“FSP No. 117-1”), “Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to Enacted Version of Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), and Enhanced Disclosures for all Endowment Funds”. This statement is intended to improve the quality and consistency of financial reporting of endowments held by not-for-profit organizations. This statement provides guidance on classifying the net assets (equity) associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of UPMIFA, which serves as a model act for states to modernize their laws governing donor-restricted endowment funds. This statement is effective for all fiscal periods ending after December 15, 2008. Effective July 1, 2008, QCP and Affiliate adopted FSP No. 117-1. As of June 30, 2009, QCP and Affiliate did not have any restricted endowments.

- 4. Investments** QCP and Affiliate had \$1,884,742 recorded as investments with a market value and cost of \$1,884,742 and \$1,870,000, respectively, at June 30, 2009. These investments consist of certificates of deposit that mature at various times in the future.

- 5. Assets Limited as to Use** Assets limited as to use at June 30, 2009 are as follows:

Project Fund	\$ 377,746
Bond Fund	236,078
Debt Service Reserve Fund	140,369
	754,193
Less: Current portion	(613,824)
	<u>\$ 140,369</u>

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Notes to Consolidated Financial Statements

Assets limited as to use consist of the following securities.

Balance as of June 30, 2009

Cash and cash equivalents	\$614,446
U.S. Government securities	139,747
Total	\$754,193

6. Fixed Assets

Fixed assets, net consist of the following at June 30, 2009:

Land	\$ 1,012,830
Buildings and improvements	16,889,846
Leasehold improvements	1,744,075
Furniture and equipment	402,657
Vehicles	682,491
	20,731,899
Less: Accumulated depreciation and amortization	(9,949,372)
Fixed assets, net	\$10,782,527

**7. Due to
Governmental
Agencies**

Due to governmental agencies consists of the following at June 30, 2009:

Advances by funding sources to be recouped in future years	\$3,128,887
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Notes to Consolidated Financial Statements

8. Mortgages and Loans Payable

- (a) On February 6, 1990, QCP entered into a loan agreement with the Facilities Development Corporation, acting by and through the OMRDD, to finance the construction of the Daniel Wieder Campus, a complex of buildings in Bellerose, Queens, consisting of a day program center and five intermediate care facilities. The loan bears interest at the rate of 7.107% per annum and is payable in semi-annual installments of \$308,344 until February 2014. The loan agreement is secured by a mortgage covering the land, buildings and improvements, all fixtures and property at the site, and all revenues from the operation of these facilities. The total principal amount outstanding as of June 30, 2009 was \$2,420,536. Funds to repay this loan have been added to the Medicaid rates payable to QCP for services rendered; these “add-on” funds are withheld from payments to QCP and remitted directly to the OMRDD.
- (b) The building located at 81-15 164th Street in Jamaica, Queens, which houses several programs and the administrative offices of QCP, secures a loan payable to the New York State Housing Agency. This loan bears interest at the rate of 7.03% per annum and is payable in monthly installments of \$5,111 until October 1, 2016. The total principal amount outstanding as of June 30, 2009 was \$324,239.
- (c) Periodically QCP purchases vehicles to transport program participants to community activities. These purchases are financed through loan agreements with various financial institutions and are payable in current monthly installments ranging from \$400 to \$811. Interest rates run from 2.90% through 8.99%. The loans are secured by the respective vehicles and expire on various dates through 2013. The total principal amount for these loans as of June 30, 2009 was \$234,933.

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Future minimum payments on mortgages and loans payable are as follows:

<i>Year ending June 30,</i>	
2010	\$ 562,854
2011	559,163
2012	588,350
2013	607,861
2014	559,179
Thereafter	102,301
Total	\$2,979,708

9. Bonds Payable

On January 30, 2008, QCP obtained financing of \$1,925,000 from the issuance of Civic Facility Revenue Bonds (Special Needs Facilities Pooled Program) by the New York City Industrial Development Agency (“NYCIDA”). Proceeds were applied to refinance existing loans, and will also be used to update fixed improvements, machinery and equipment in the building which houses several day programs and the administrative offices of QCP. The bonds, which require semi-annual principal and interest payments, bear interest at the following rates and are secured by real estate located in Queens, New York.

Principal	Series
\$1,855,000	Civic Facility Revenue Bonds, Series 2009 A-1 (variable interest rates ranging from 5.70% to 6.20%, due July 1, 2033)
\$ 70,000	Civic Facility Revenue Bonds, Series 2009 A-2 (7.5% interest rate, due July 1, 2009)

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Notes to Consolidated Financial Statements

At June 30, 2009, \$1,885,000 remains outstanding. Minimum principal payments are due as follows:

<i>Year ending June 30,</i>	<i>Amount</i>
2010	\$ 180,000
2011	190,000
2012	190,000
2013	190,000
2014	190,000
Thereafter	945,000
Total	\$1,885,000

10. Contributed Services

Several members of the Board of Directors provide services to QCP on a voluntary basis or at cost below market rates. The value of these contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist QCP in its fundraising activities, but these services do not meet the criteria for recognition as contributed services.

11. Pension Plan

QCP offers a non-contributory retirement plan for the benefit of all employees who have completed one year of service, work a minimum of 1,000 hours per year and are at least 21 years old. The employer contribution is allocated among plan participants based on a formula which takes into account each participant's years of service and earnings for the year. The contribution approved by the Board for the plan year ended June 30, 2009 was \$562,000.

12. Contingencies

QCP was a defendant in a lawsuit that had arisen in the ordinary course of business. It was management's belief that any settlement that arose from this suit would be within the limits of QCP's insurance policies. Therefore, no provision had been made in the accompanying consolidated financial statements.

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In July 2009, the case was settled with the entire liability covered by QCP's insurance policies.

13. Fair Value Measurements

As indicated in Note 3, QCP and Affiliate adopted SFAS No. 157 on July 1, 2008. There were no financial instruments as of the beginning of such year for which a retrospective application of fair value measurement was required. Accordingly, the effect of adopting the provisions of SFAS No. 157 is prospective from the beginning of the fiscal year ended June 30, 2009.

SFAS No. 157 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace as QCP and Affiliate would use in pricing QCP and Affiliate's asset or liability based on independently derived and observable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of QCP and Affiliate are traded. QCP and Affiliate estimates the price of any assets for which there are only unobservable inputs by using assumptions that market participants that have investments in the same or similar assets would use as determined by the money managers for each investment based on best information available in the circumstances. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable as follows:

Level 1 – Valuation based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment. Examples include equity securities and publicly-traded mutual funds that are actively traded on a major exchange or over-the-counter market.

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Level 2 – Valuation based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly, such as municipal bonds. The fair value of municipal bonds is estimated using recently executed transactions, bid/asked prices and pricing models that factor in, where applicable, interest rates, bond spreads and volatility.

Level 3 – Valuation based on inputs that are unobservable and reflect management’s best estimate of what market participants would use as fair value. Examples include limited partnerships and private equity investments.

QCP and Affiliate’s holdings in certificates of deposit are carried at their aggregate market value that is determined by quoted market prices and can be liquidated daily. The valuation of the above is based on Level 1 inputs within the hierarchy used in measuring fair value.

Below sets forth a table of assets measured at fair value as of June 30, 2009:

Fair value measurement at report date using:

	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant other unobservable inputs	Balance as of June 30, 2009
Certificates of deposit	\$1,884,742	\$-	\$-	\$1,884,742

Queens Centers for Progress and Affiliate

Notes to Consolidated Financial Statements

	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant other unobservable inputs	Balance as of June 30, 2009
Assets limited as to use:				
Cash and cash equivalents	\$614,446	\$-	\$-	\$614,446
U.S. Government securities	139,747	-	-	139,747
	<u>\$754,193</u>	<u>\$-</u>	<u>\$-</u>	<u>\$754,193</u>

- 14. Subsequent Events** QCP and Affiliate's management has performed subsequent event procedures through December 7, 2009, which is the date the consolidated financial statements were available to be issued, and there were no subsequent events requiring adjustment to the consolidated financial statements or disclosures as stated herein.

Independent Auditors' Report on Supplemental Schedules

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental schedules in the following section of this report are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

BDO Seidman, LLP

BDO Seidman, LLP

New York, New York

December 7, 2009

Queens Centers for Progress and Affiliate

Consolidating Statement of Financial Position (with comparative totals for 2008)

June 30,

	QCP	Affiliate	Eliminations	2009	2008
Assets					
Current:					
Cash and cash equivalents	\$ 1,512,244	\$ 427,941	\$ -	\$ 1,940,185	\$ 1,665,753
Investments at fair value	1,783,623	101,119	-	1,884,742	869,874
Accounts receivable, net	6,931,528	-	-	6,931,528	8,121,223
Contributions receivable	250,000	-	-	250,000	-
Consumer funds	188,895	-	-	188,895	141,068
Prepaid expenses, deposits and other assets	194,513	-	-	194,513	119,082
Due from affiliates	297,215	-	(297,215)	-	-
Assets limited as to use, current portion	613,824	-	-	613,824	628,347
Total current assets	11,771,842	529,060	(297,215)	12,003,687	11,545,347
Assets limited as to use, net of current portion	140,369	-	-	140,369	140,250
Deferred bond issuance costs	152,025	-	-	152,025	170,714
Fixed assets, net	9,557,177	1,225,350	-	10,782,527	11,020,339
	\$21,621,413	\$1,754,410	\$(297,215)	\$23,078,608	\$22,876,650
Liabilities and Net Assets					
Current liabilities:					
Accounts payable and accrued expenses	\$ 1,523,764	\$ -	\$ -	\$ 1,523,764	\$ 1,662,664
Accrued payroll and related benefits	1,577,498	-	-	1,577,498	1,429,714
Consumer funds	188,895	-	-	188,895	141,068
Due to affiliate	-	297,215	(297,215)	-	-
Due to governmental agencies	2,452,557	-	-	2,452,557	2,047,598
Current portion of mortgages and loans payable	524,284	38,570	-	562,854	565,270
Current portion of bonds payable	180,000	-	-	180,000	-
Total current liabilities	6,446,998	335,785	(297,215)	6,485,568	5,846,314
Due to governmental agencies	676,330	-	-	676,330	676,330
Mortgages and loans payable, less current portion	2,131,185	285,669	-	2,416,854	2,947,726
Bonds payable	1,705,000	-	-	1,705,000	1,885,000
Total liabilities	10,959,513	621,454	(297,215)	11,283,752	11,355,370
Commitments and contingencies					
Net assets:					
Unrestricted	10,661,900	1,132,956	-	11,794,856	11,521,280
	\$21,621,413	\$1,754,410	\$(297,215)	\$23,078,608	\$22,876,650

Queens Centers for Progress and Affiliate

Consolidating Statement of Activities (Unrestricted) (with comparative totals for 2008)

Year ended June 30,

	QCP	Affiliate	Eliminations	2009	2008
Revenue and other support:					
Government support	\$32,905,184	\$ -	\$ -	\$32,905,184	\$31,884,899
Other program revenue	645,489	-	-	645,489	640,055
Prior year (expense) revenue	(43,315)	-	-	(43,315)	819,378
Special events, net of direct costs of \$110,642 and \$119,430, respectively	273,077	-	-	273,077	314,650
Contributions	279,502	-	-	279,502	32,443
Interest income	44,370	466	-	44,836	88,567
Rental income	-	63,177	(63,177)	-	-
Miscellaneous income	21,430	-	-	21,430	15,713
Total revenue and other support	34,125,737	63,643	(63,177)	34,126,203	33,795,705
Expenses:					
Program services:					
Clinical and coordination services	2,860,591	8,009	(5,117)	2,863,483	2,903,564
Adult day services	8,342,268	25,315	(16,173)	8,351,410	7,863,175
Vocational services	3,858,958	55,674	(35,569)	3,879,063	3,751,498
Residential services	10,162,098	-	-	10,162,098	9,950,287
Children's Center services	5,957,135	-	-	5,957,135	5,750,939
Total program services	31,181,050	88,998	(56,859)	31,213,189	30,219,463
Supporting services:					
Management and general	2,466,286	8,108	(5,181)	2,469,213	2,393,184
Fundraising	169,583	1,779	(1,137)	170,225	169,352
Total supporting services	2,635,869	9,887	(6,318)	2,639,438	2,562,536
Total expenses	33,816,919	98,885	(63,177)	33,852,627	32,781,999
Change in net assets	308,818	(35,242)	-	273,576	1,013,706
Net assets, beginning of year	10,353,082	1,168,198	-	11,521,280	10,507,574
Net assets, end of year	\$10,661,900	\$1,132,956	\$ -	\$11,794,856	\$11,521,280