# Queens Centers for Progress and Affiliate

## Consolidated Financial Statements and Supplemental Schedules

Year Ended June 30, 2016

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Year Ended June 30, 2016

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## Contents

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# Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of United Cerebral Palsy of Queens, Inc. d/b/a Queens Centers for Progress and Affiliate ("QCP and Affiliate"), which comprise the consolidated statement of financial position as of June 30, 2016, 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.

*Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated 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 the consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of United Cerebral Palsy of Queens, Inc. d/b/a Queens Centers for Progress and Affiliate as of June 30, 2016, and the results of changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Other Matters*

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary schedules of consolidating schedule of financial position and consolidating schedule of activities are presented for purposes of additional analysis and are 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 information has 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 information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

*Report on Summarized Comparative Information*

We have previously audited QCP and Affiliate's 2015 consolidated financial statements and our report, dated December 1, 2015, expressed an unmodified audit opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects with the audited consolidated financial statements from which it has been derived.

BDO USA, LLP

November 30, 2016

# Queens Centers for Progress and Affiliate

## Consolidated Statement of Financial Position
## (with comparative totals for 2015)

| *June 30,* | **2016** | 2015 |
|---|---|---|
| **Assets** | | |
| **Current:** | | |
| Cash and cash equivalents (Note 3) | **$ 2,505,044** | $ 6,776,386 |
| Investments, held-to-maturity, at amortized cost (Notes 3 and 4) | **1,778,795** | 3,570,201 |
| Accounts receivable (Notes 3 and 5) | **5,893,261** | 4,510,024 |
| Resident funds (Note 3) | **256,538** | 219,552 |
| Prepaid expenses, deposits and other assets | **394,185** | 462,146 |
| Assets limited as to use, current portion (Notes 3 and 4) | **511,058** | 555,693 |
| **Total Current Assets** | **11,338,881** | 16,094,002 |
| **Assets Limited as to Use, Net of Current Portion (Notes 3 and 4)** | **145,237** | 145,237 |
| **Deferred Bond Issuance Costs (Note 3)** | **30,562** | 42,900 |
| **Fixed Assets, Net (Notes 3 and 6)** | **8,204,794** | 8,042,659 |
| | **$19,719,474** | $24,324,798 |
| **Liabilities and Net Assets** | | |
| **Current Liabilities:** | | |
| Accounts payable and accrued expenses (Note 3) | **$ 2,720,487** | $ 2,713,568 |
| Accrued payroll and related benefits | **2,081,771** | 2,084,246 |
| Resident funds (Note 3) | **256,538** | 219,552 |
| Current portion of due to governmental agencies (Note 7) | **249,224** | 4,612,514 |
| Deferred revenue | **890,185** | 322,999 |
| Current portion of mortgage and loan payable (Note 8) | **11,297** | 96,521 |
| Current portion of bonds payable (Note 9) | **130,000** | 170,000 |
| **Total Current Liabilities** | **6,339,502** | 10,219,400 |
| **Due to Governmental Agencies, Less Current Portion (Note 7)** | **2,030,781** | 2,030,781 |
| **Mortgage and Loan Payable, Less Current Portion (Note 8)** | **7,419** | 12,485 |
| **Bonds Payable, Less Current Portion (Note 9)** | **450,000** | 580,000 |
| **Total Liabilities** | **8,827,702** | 12,842,666 |
| **Commitments and Contingencies (Notes 7, 8, 9, 11 and 12)** | | |
| **Net Assets (Note 3):** | | |
| Unrestricted | **10,891,772** | 11,482,132 |
| | **$19,719,474** | $24,324,798 |

*See accompanying notes to consolidated financial statements.*

# Queens Centers for Progress and Affiliate

## Consolidated Statement of Activities
## (with comparative totals for 2015)

| *Year ended June 30,* | **2016** | 2015 |
|---|---|---|
| | (Unrestricted) | |
| **Revenue and Other Support:** | | |
| Government support | **$33,790,362** | $33,368,082 |
| Other program revenue | **418,897** | 441,191 |
| Special events, net of direct costs to donors of $232,776 and $207,505 for 2016 and 2015, respectively | **1,108,196** | 638,021 |
| Contributions | **32,767** | 24,187 |
| Interest income | **39,092** | 42,127 |
| **Total Revenue and Other Support** | **35,389,314** | 34,513,608 |
| **Expenses:** | | |
| Program services: | | |
| Clinical and coordination services | **2,910,460** | 2,490,347 |
| Adult day services | **9,219,396** | 8,936,620 |
| Vocational services | **3,799,835** | 3,821,403 |
| Residential services | **10,764,074** | 10,901,662 |
| Children's Center services | **5,949,528** | 5,911,122 |
| **Total Program Services** | **32,643,293** | 32,061,154 |
| Supporting services: | | |
| Management and general | **2,554,855** | 2,569,211 |
| Fundraising | **247,976** | 213,616 |
| **Total Supporting Services** | **2,802,831** | 2,782,827 |
| **Total Expenses** | **35,446,124** | 34,843,981 |
| **Change in Net Assets From Operations** | **(56,810)** | (330,373) |
| **Nonoperating Expenses:** | | |
| Non-funded depreciation | **(533,550)** | (675,181) |
| **Change in Net Assets** | **(590,360)** | (1,005,554) |
| **Net Assets, Beginning of Year** | **11,482,132** | 12,487,686 |
| **Net Assets, End of Year** | **$10,891,772** | $11,482,132 |

*See accompanying notes to consolidated financial statements.*

## Queens Centers for Progress and Affiliate

### Consolidated Statement of Functional Expenses
### (with comparative totals for 2015)

*Year ended June 30,*

| | Program Services | | | | | | Supporting Services | | | Consolidated Totals | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Clinical and Coordination Services | Adult Day Services | Vocational Services | Residential Services | Children's Center Services | Total Program Services | Management and General | Fundraising | Total Supporting Services | **2016** | 2015 |
| **Salaries, Payroll Taxes and Employee Benefits:** | | | | | | | | | | | |
| Salaries | $1,742,323 | $4,478,681 | $1,934,117 | $ 5,880,978 | $3,882,557 | $17,918,656 | $1,500,554 | $138,278 | $1,638,832 | **$19,557,488** | $19,167,559 |
| Payroll taxes and employee benefits | 822,067 | 2,172,575 | 921,938 | 2,821,832 | 1,793,560 | 8,531,972 | 694,034 | 66,669 | 760,703 | **9,292,675** | 8,913,012 |
| **Total Salaries, Payroll Taxes and Employee Benefits** | 2,564,390 | 6,651,256 | 2,856,055 | 8,702,810 | 5,676,117 | 26,450,628 | 2,194,588 | 204,947 | 2,399,535 | **28,850,163** | 28,080,571 |
| **Other Expenses:** | | | | | | | | | | | |
| Program participants' compensation | - | - | 322,647 | - | - | 322,647 | - | - | - | **322,647** | 395,309 |
| Transportation | - | 1,729,843 | 52,814 | 66,238 | - | 1,848,895 | - | - | - | **1,848,895** | 1,799,507 |
| Professional and other service fees | 103,031 | 144,288 | 53,878 | 222,633 | 707 | 524,537 | 193,426 | - | 193,426 | **717,963** | 617,801 |
| Program supplies | 27,743 | 67,247 | 64,135 | 305,718 | 36,370 | 501,213 | - | - | - | **501,213** | 498,775 |
| Program participants' expenses | 74,876 | 39,682 | - | 438,631 | 4,562 | 557,751 | - | - | - | **557,751** | 542,490 |
| Occupancy | 30,201 | 217,366 | 197,238 | 288,664 | 146,333 | 879,802 | 30,574 | 6,711 | 37,285 | **917,087** | 987,222 |
| Communications | 14,377 | 50,227 | 37,762 | 36,831 | 9,753 | 148,950 | 9,336 | 886 | 10,222 | **159,172** | 152,853 |
| Facility assessments | - | - | - | 402,260 | - | 402,260 | - | - | - | **402,260** | 485,847 |
| Office supplies, postage and shipping | 30,453 | 44,511 | 36,649 | 44,436 | 20,116 | 176,165 | 47,553 | 6,686 | 54,239 | **230,404** | 212,861 |
| Insurance | 7,500 | 73,019 | 24,990 | 73,437 | 20,501 | 199,447 | 39,002 | - | 39,002 | **238,449** | 242,515 |
| Interest | 856 | 3,622 | 5,146 | 27,994 | - | 37,618 | 1,002 | 181 | 1,183 | **38,801** | 51,912 |
| Staff training and travel | 29,032 | 28,907 | 30,403 | 25,630 | 5,980 | 119,952 | 9,084 | 4,529 | 13,613 | **133,565** | 158,015 |
| Miscellaneous | 23,570 | 60,332 | 92,899 | 79,214 | 16,199 | 272,214 | 26,690 | 23,818 | 50,508 | **322,722** | 386,954 |
| **Total Expenses Before Depreciation and Amortization** | 2,906,029 | 9,110,300 | 3,774,616 | 10,714,496 | 5,936,638 | 32,442,079 | 2,551,255 | 247,758 | 2,799,013 | **35,241,092** | 34,612,632 |
| **Depreciation and Amortization** | 4,431 | 109,096 | 25,219 | 49,578 | 12,890 | 201,214 | 3,600 | 218 | 3,818 | **205,032** | 231,349 |
| **Total** | **$2,910,460** | **$9,219,396** | **$3,799,835** | **$10,764,074** | **$5,949,528** | **$32,643,293** | **$2,554,855** | **$247,976** | **$2,802,831** | **$35,446,124** | $34,843,981 |

*See accompanying notes to consolidated financial statements.*

# Queens Centers for Progress and Affiliate

## Consolidated Statement of Cash Flows
## (with comparative totals for 2015)

| *Year ended June 30,* | **2016** | 2015 |
|---|---|---|
| **Cash Flows From Operating Activities:** | | |
| Change in net assets | **$ (590,360)** | $(1,005,554) |
| Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities: | | |
| Depreciation and amortization | **738,582** | 906,530 |
| Amortization of bond issuance costs | **12,338** | 15,679 |
| Changes in assets and liabilities: | | |
| (Increase) decrease in: | | |
| Accounts receivable | **(1,383,237)** | 220,762 |
| Resident funds | **(36,986)** | (23,189) |
| Prepaid expenses, deposits and other assets | **67,961** | (93,843) |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | **6,919** | 750,650 |
| Accrued payroll and related benefits | **(2,475)** | (264,662) |
| Resident funds | **36,986** | 23,189 |
| Due to governmental agencies | **(4,363,290)** | 2,026,729 |
| Deferred revenue | **567,186** | 17,468 |
| **Net Cash (Used In) Provided By Operating Activities** | **(4,946,376)** | 2,573,759 |
| **Cash Flows From Investing Activities:** | | |
| Proceeds from sale of investments | **2,036,406** | (490,000) |
| Purchases of investments | **(245,000)** | 926,638 |
| Purchases of fixed assets | **(900,717)** | (999,129) |
| Assets limited as to use | **44,635** | 35,361 |
| **Net Cash Provided By (Used In) Investing Activities** | **935,324** | (527,130) |
| **Cash Flows From Financing Activities:** | | |
| Proceeds from line of credit | **500,000** | - |
| Repayment of line of credit | **(500,000)** | - |
| Repayments of mortgages and loans payable | **(90,290)** | (152,028) |
| Repayments of bonds payable | **(170,000)** | (195,000) |
| **Net Cash Used In Financing Activities** | **(260,290)** | (347,028) |
| **Net (Decrease) Increase in Cash and Cash Equivalents** | **(4,271,342)** | 1,699,601 |
| **Cash and Cash Equivalents, Beginning of Year** | **6,776,386** | 5,076,785 |
| **Cash and Cash Equivalents, End of Year** | **$ 2,505,044** | $ 6,776,386 |
| **Supplemental Disclosure of Cash Flow Information:** | | |
| Cash paid during the year for interest | **$ 35,407** | $ 50,343 |

*See accompanying 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, 2016 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 of accounting, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). 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.

*(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) Resident Funds*

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

*(e) Investments*

Investments consist of certificates of deposits that mature at various times in the future which QCP and Affiliate have the positive intent to hold to maturity and which are valued at amortized cost in the consolidated statement of financial position. As of June 30, 2016, the amortized cost of the investments was $1,778,795, which includes $8,795 of accrued interest.

*(f) Provision for Doubtful Accounts*

QCP and Affiliate do not provide an allowance for doubtful accounts. Doubtful accounts are written off as they are deemed by management to be uncollectible.

*(g) Deferred Bond Issuance Costs*

Deferred bond issuance costs represent costs incurred to obtain financing. These costs are 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 (see Note 9) and are valued at amortized cost in the consolidated statement of financial position.

*(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) Impairment of Long-Lived Assets*

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 360, "Property, Plant and Equipment," requires QCP and Affiliate to review long-lived assets, such as fixed assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. There were no impairments in 2016.

*(k) 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.

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

QCP and Affiliate receive substantially all of their program revenue from third-party reimbursement agencies; primarily the New York State Office for People with Developmental Disabilities ("OPWDD"), the Department of Health ("DOH") and the New York State Education Department ("SED"). These revenues are for services provided to approved individuals 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.

*(m) 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.

*(n) Medical Self-Insurance*

QCP and Affiliate maintain a self-insured medical plan for their employees. Accounts payable and accrued expenses on the consolidated financial statements include an estimated liability of approximately $665,100 for claims incurred but not reported as of June 30, 2016. Management believes that this is a reasonable estimate.

*(o) 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 and, therefore, have made no provision for income taxes in the accompanying consolidated financial statements. There was no unrelated business income in 2016.

QCP and Affiliate adopted the provisions of ASC 740, "Income Taxes," on January 1, 2009. Under ASC 740, 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 not be sustained upon examination by a taxing authority. The implementation of ASC 740 had no impact on QCP and Affiliate's consolidated financial statements. QCP and Affiliate do not believe they have taken any material uncertain tax positions and, accordingly, they have not recorded any liability for unrecognized tax benefits. QCP and Affiliate filed for and received income tax exemptions in the jurisdictions where they are required to do so. Additionally, QCP and Affiliate filed IRS Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the year ended June 30, 2016, there were no interest or penalties recorded or included in the consolidated statement of activities. QCP and Affiliate are subject to routine audits by a taxing authority. As of June 30, 2016, QCP and Affiliate were not subject to any examination by a taxing authority. Management believes they are no longer subject to income tax examination for the years prior to 2013.

*(p) 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.

*(q) 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.

*(r) Comparative Financial Information*

The consolidated financial statements include certain prior year summarized comparative information. With respect to the consolidated statements of financial position, activities and cash flows, the prior year amounts are presented on a consolidated basis rather than by affiliate. 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. 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 consolidated financial statements for the year ended June 30, 2015, from which the summarized information was derived.

*(s) Accounting Pronouncements Issued But Not Yet Adopted*

*(i) Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities*

In August 2016, the FASB issued Accounting Standards Update ("ASU") 2016-14, "Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities." The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for QCP and Affiliate's consolidated financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

## 4. Financial Instruments

The amortized cost of investments at June 30, 2016 is as follows:

| | |
|---|---|
| Project and Bond Funds | $ 511,058 |
| Debt Service Reserve Fund | 145,237 |
| Certificates of Deposit | 1,778,795 |

QCP and Affiliate have investments in certificates of deposit, Federal treasury obligation funds and fixed income instruments. QCP and Affiliate's custodian prices these investments using nationally recognized pricing services.

The project and bond funds and debt service reserve fund are assets limited as to use related to QCP and Affiliate's bonds payable discussed in Note 9.

## 5. Accounts Receivable

At June 30, 2016, accounts receivable consist of the following:

| | |
|---|---|
| Residential Services | $1,965,268 |
| Adult Day Services | 1,240,829 |
| Children's Center Services | 899,077 |
| Other | 738,380 |
| Vocational Services | 606,519 |
| Clinical and Coordination Services | 443,188 |
| | $5,893,261 |

## 6. Fixed Assets, Net

Fixed assets, net consist of the following at June 30, 2016:

| | QCP | Affiliate | Consolidated |
|---|---|---|---|
| Land | $ 874,610 | $ 138,220 | $ 1,012,830 |
| Buildings and improvements | 13,352,280 | 3,509,457 | 16,861,737 |
| Leasehold improvements | 42,600 | - | 42,600 |
| Furniture and equipment | 381,425 | - | 381,425 |
| Vehicles | 403,613 | - | 403,613 |
| Total fixed assets | 15,054,528 | 3,647,677 | 18,702,205 |
| Less: Accumulated depreciation and amortization | (9,137,957) | (2,924,546) | (12,062,503) |
| Construction-in-progress | 1,565,092 | - | 1,565,092 |
| Fixed assets, net | $ 7,481,663 | $ 723,131 | $ 8,204,794 |

At June 30, 2016, the estimated cost to complete construction-in-progress was approximately $80,000.

As of June 30, 2016, QCP and Affiliate removed $1,858,350 of fully depreciated assets from their accounting records.

## 7. Due to Governmental Agencies

Due to governmental agencies consists of the following at June 30, 2016:

| | |
|---|---|
| Advances by funding sources to be recouped in future years | $2,280,005 |

## 8. Mortgage and Loan Payable

*(a)* On September 29, 1976, the Services Company entered into a mortgage agreement with the New York State Housing Finance Agency for the building located at 81-15 164th Street in Jamaica, Queens, which houses several programs and the administrative offices of QCP. This mortgage 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, 2016 was $5,657.

*(b)* 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 $880. Interest rates run from 5.94% through 7.99%. The current loan is secured by the respective vehicle and expires September 2018. The total principal amount for the outstanding loan as of June 30, 2016 was $13,059.

Future minimum payments on mortgage and loan payable are as follows:

*Year ending June 30,*

| | Loan Payable – Vehicle | Mortgage Payable - 81-15 164th Street | Total |
|---|---|---|---|
| 2017 | $ 5,640 | $5,657 | $11,297 |
| 2018 | 5,902 | - | 5,902 |
| 2019 | 1,517 | - | 1,517 |
| Total | $13,059 | $5,657 | $18,716 |

## 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 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 and paid July 1, 2009) |

At June 30, 2016, $580,000 remains outstanding. Minimum principal payments are due as follows:

| *Year ending June 30,* | |
|---|---|
| 2017 | $130,000 |
| 2018 | 45,000 |
| 2019 | 45,000 |
| 2020 | 15,000 |
| 2021 | 15,000 |
| Thereafter | 330,000 |
| Total | $580,000 |

## 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 consolidated 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. Retirement Plans

*(a)* 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, 2016 was $550,000.

*(b)* QCP also sponsors a 403(b) tax-deferred annuity plan. Funding for this plan is provided by employee contributions. Employees are eligible to participate upon date of hire and may join this plan by electing to defer a portion of their salary. QCP deposits those deferrals into individual accounts within the plan.

## 12. Line of Credit

During the year ended June 30, 2016, QCP and Affiliate obtained a line of credit with the financial institution which holds QCP's certificates of deposit. The maximum borrowing allowed is based on the eligible securities maintained in QCP's investment account at that financial institution. The line of credit expires on January 31, 2018, and bears interest at a rate that can vary from 2.75% to 6.25%, based on the total assets held at the financial institution. There is no fee charged on the unused portion of the line of credit. As of June 30, 2016, there was no outstanding balance on the line of credit.

## 13. Subsequent Events

QCP and Affiliate's management has performed subsequent event procedures through November 30, 2016 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.

# Supplemental Schedules

# Queens Centers for Progress and Affiliate

## Consolidating Schedule of Financial Position
## (with comparative totals for 2015)

*June 30,*

| | | | | Consolidating Totals | |
|---|---|---|---|---|---|
| | QCP | Affiliate | Eliminations | **2016** | 2015 |
| **Assets** | | | | | |
| **Current:** | | | | | |
| Cash and cash equivalents | $ 1,976,305 | $ 528,739 | $ - | **$ 2,505,044** | $ 6,776,386 |
| Investments, held to maturity, at amortized cost | 1,778,795 | - | - | **1,778,795** | 3,570,201 |
| Accounts receivable | 5,893,261 | - | - | **5,893,261** | 4,510,024 |
| Resident funds | 256,538 | - | - | **256,538** | 219,552 |
| Prepaid expenses, deposits and other assets | 394,185 | - | - | **394,185** | 462,146 |
| Due from affiliates | 297,215 | - | (297,215) | **-** | - |
| Assets limited as to use, current portion | 511,058 | - | - | **511,058** | 555,693 |
| **Total Current Assets** | 11,107,357 | 528,739 | (297,215) | **11,338,881** | 16,094,002 |
| **Assets Limited as to Use, Net of Current Portion** | 145,237 | - | - | **145,237** | 145,237 |
| **Deferred Bond Issuance Costs** | 30,562 | - | - | **30,562** | 42,900 |
| **Fixed Assets, Net** | 7,481,663 | 723,131 | - | **8,204,794** | 8,042,659 |
| | **$18,764,819** | **$1,251,870** | **$(297,215)** | **$19,719,474** | $24,324,798 |
| **Liabilities and Net Assets** | | | | | |
| **Current Liabilities:** | | | | | |
| Accounts payable and accrued expenses | $ 2,720,487 | $ - | $ - | **$ 2,720,487** | $ 2,713,568 |
| Accrued payroll and related benefits | 2,081,771 | - | - | **2,081,771** | 2,084,246 |
| Resident funds | 256,538 | - | - | **256,538** | 219,552 |
| Due to affiliate | - | 297,215 | (297,215) | **-** | - |
| Due to governmental agencies, current portion | 249,224 | - | - | **249,224** | 4,612,514 |
| Deferred revenue | 890,185 | - | - | **890,185** | 322,999 |
| Current portion of mortgage and loan payable | 5,640 | 5,657 | - | **11,297** | 96,521 |
| Current portion of bonds payable | 130,000 | - | - | **130,000** | 170,000 |
| **Total Current Liabilities** | 6,333,845 | 302,872 | (297,215) | **6,339,502** | 10,219,400 |
| **Due to Governmental Agencies** | 2,030,781 | - | - | **2,030,781** | 2,030,781 |
| **Mortgage and Loan Payable, Less Current Portion** | 7,419 | - | - | **7,419** | 12,485 |
| **Bonds Payable, Less Current Portion** | 450,000 | - | - | **450,000** | 580,000 |
| **Total Liabilities** | 8,822,045 | 302,872 | (297,215) | **8,827,702** | 12,842,666 |
| **Commitments and Contingencies** | | | | | |
| **Net Assets:** | | | | | |
| Unrestricted | 9,942,774 | 948,998 | - | **10,891,772** | 11,482,132 |
| | **$18,764,819** | **$1,251,870** | **$(297,215)** | **$19,719,474** | $24,324,798 |

# Queens Centers for Progress and Affiliate

## Consolidating Schedule of Activities
## (with comparative totals for 2014)

*Year ended June 30,*

| | QCP | Affiliate | Eliminations | Consolidating Totals 2016 | Consolidating Totals 2015 |
|---|---|---|---|---|---|
| | | | | (Unrestricted) | |
| **Revenue and Other Support:** | | | | | |
| Government support | $33,790,362 | $ - | $ - | **$33,790,362** | $33,368,082 |
| Other program revenue | 418,897 | - | - | **418,897** | 441,191 |
| Special events, net of direct costs of $232,776 and $207,505 for 2016 and 2015, respectively | 1,108,196 | - | - | **1,108,196** | 638,021 |
| Contributions | 32,767 | - | - | **32,767** | 24,187 |
| Interest income | 39,092 | - | - | **39,092** | 42,127 |
| Rental income | - | 52,753 | (52,753) | **-** | - |
| **Total Revenue and Other Support** | 35,389,314 | 52,753 | (52,753) | **35,389,314** | 34,513,608 |
| **Expenses:** | | | | | |
| Program services: | | | | | |
| Clinical and coordination services | 2,913,931 | 802 | (4,273) | **2,910,460** | 2,490,347 |
| Adult day services | 9,231,820 | 2,874 | (15,298) | **9,219,396** | 8,936,620 |
| Vocational services | 3,822,497 | 5,244 | (27,906) | **3,799,835** | 3,821,403 |
| Residential services | 10,764,074 | - | - | **10,764,074** | 10,901,662 |
| Children's Center services | 5,949,528 | - | - | **5,949,528** | 5,911,122 |
| **Total Program Services** | 32,681,850 | 8,920 | (47,477) | **32,643,293** | 32,061,154 |
| Supporting services: | | | | | |
| Management and general | 2,558,368 | 813 | (4,326) | **2,554,855** | 2,569,211 |
| Fundraising | 248,748 | 178 | (950) | **247,976** | 213,616 |
| **Total Supporting Services** | 2,807,116 | 991 | (5,276) | **2,802,831** | 2,782,827 |
| **Total Expenses** | 35,488,966 | 9,911 | (52,753) | **35,446,124** | 34,843,981 |
| **Change in Net Assets From Operations** | (99,652) | 42,842 | - | **(56,810)** | (330,373) |
| **Nonoperating Expenses:** | | | | | |
| Non-funded depreciation | (461,805) | (71,745) | - | **(533,550)** | (675,181) |
| **Change in Net Assets** | (561,457) | (28,903) | - | **(590,360)** | (1,005,554) |
| **Net Assets, Beginning of Year** | 10,504,231 | 977,901 | - | **11,482,132** | 12,487,686 |
| **Net Assets, End of Year** | **$ 9,942,774** | **$948,998** | **$ -** | **$10,891,772** | $11,482,132 |