ARIZONA
DEPARTMENT OF ADMINISTRATION

Arizona State Set-Aside

Certified Nonprofit Agency Proposal Form

Proposal Form is submitted following the feasibility review and completion of the development process. The Proposal Form is to be complete and submitted to the Arizona State Set-Aside Committee representative at least 45 days in advance of the quarterly State Set-Aside Meeting.

Request Date	September 6, 2019 (Re-submitted September 26, 2019)
Certified Nonprofit Agency	Quality Connections Inc.
Point of Contact	Doug Arnett – dougarnett@qualityconnections.org - 928-773-8787 x 1004
Project Name	Office Supplies including Printer Supplies
Product or Service Name	Office Supplies including Printer Supplies
Description	This proposal is for the renewal of Quality Connections' Office Supplies and Printer Supplies Set-Aside Contracts. These contracts are currently separate, but after discussion with SPO staff the renewal requests have been combined into one in order to simplify ordering for State purchasers, simplify contract administration for SPO, and to reduce potential confusion and lost Set-Aside sales by mirroring the organization of the other State Office Supplies contract which include Printer Supplies (HP OEM only). Consistent with the current contracts, this proposal includes Office Supplies for permissive use, HP OEM Printer Supplies for permissive use, as well as Compatible and Remanufactured Printer Supplies for all brands for mandatory use, and OEM Printer Supplies for all brands except HP for mandatory use. The Printer Supplies category includes toner, ink, ribbon and parts for all known printer brands and models used by the State and Coop members. People with disabilities perform the direct labor required at every step of the process, from consultation and quoting to order processing and delivery. 70% of State orders are hand delivered by our delivery network, which includes workers with disabilities at Quality Connections as well as two additional CNAIDs, Valley Life and Yavapai Exceptional Industries. Quality Connections and our CNAID partners currently employ 32 individual workers with disabilities in this program, not including temporary training workers. The program far exceeds the State requirement that 60% of the direct labor is performed by people with disabilities, and also exceeds the higher Ability One standard of 75%. Additionally, based on guidance from the Attorney General's office, Quality Connections is performing a service that includes a direct labor component with the hand delivery on 70% of all orders. The following is a description of the direct labor functions performed by people with disabilities. In order to fully understand the "value-added" service element of this proposal, it is important to understand the flow of direct labor tasks performed by people with disabilities for this service from start to finish. The following is an abbreviated step-by-step description of the positions and steps in this process: 1. Reception/Clerical - Answers phone calls, transfers customers to appropriate

	extension, greets visitors, issues visitor badges, directs guests to the appropriate department, etc. 2. Consultation - Consultations are available to all customers via telephone, email or in person. Helps purchasers save time and money by making sure they are getting the right product for the right task at the right price. 3. Quotes - Our trained Customer Service Representatives have significant product knowledge. Provides customers with written quotes to compare and contrast items, taking into account available options, product dimensions, yields, colors, etc. 4. Customer Service - We provide superior customer service to customers at all points along the purchasing process. Our trained CSRs manage accounts from before an order is placed, through order placement and processing, until delivery and payment are complete. Our job is to go above and beyond and ensure customer satisfaction at all stages. 5. Order Management - CSRs process orders received from State punch-out system, phone, fax, email, etc. A CSR reviews available suppliers, checks stock, selects supplier, places order with supplier, generates invoice, tracks throughout process, etc. Orders that fall within our delivery network are sent to the appropriate CNAID warehouse, while orders falling outside the delivery network are drop shipped. 6. Shipping/Receiving - Orders are received at each warehouse, verified and prepared for delivery by the Delivery Crew in that area. 7. Delivery - Plans route and loads vehicles in order of scheduled deliveries for the day. Desktop delivery is offered and orders are hand-delivered directly to the purchaser whenever possible. Our Delivery Crews also gather signatures, deliver promotional materials, collect electronic waste, and provide a positive customer service experience to the customer. 8. Remanufacturing – Our trained remanufacturing technicians completely re-furbish empty toner cartridges by replacing chips and other internal parts that wear out. 9. Testing/Packaging – Each remanufactured cartridge is tested for quality before being packaged and delivered to the customer. 10. Accounts Receivable - Manages customer accounts, processes payments and credits, issues statements, ensure all information is up to date. 11. Marketing Support - Assists with creation and dissemination of marketing materials to support sales, including Thank You cards, flyers, email blasts, web content, social media, etc. 12. Job Coaching - Workers receive training, guidance, supervision and support in their positions from trained job coaches. In some cases, qualified workers with disabilities fill these positions providing coaching and support to other workers with disabilities.
Materials readily available:	**Yes** ☒ **No** ☐ **If No – Explain:** QC is the longest serving Printer Supplies vendor to the State with over twelve years of successful experience serving the State and Cooperative Members. QC has demonstrated its capacity to handle the Office Supply and Printer Supply needs of State and Cooperative Members as value added retailers, using established strategic partnerships with suppliers.
Capable of timely delivery:	**Yes** ☒ **No** ☐ **If No – Explain:** Orders are processed through QCoffice.org, Quality Connections' complete online office supply retail store, enabling delivery to end-users within one to five business days for all orders. 70% of orders are hand-delivered by workers with disabilities employed by Quality Connections and two CNAID delivery partners.
Lead Time:	1-5 days lead time, which is comparable with other current suppliers to the State.

Capable of meeting quality and price requirements:	**Yes ☒ No ☐ If No – Explain:**
Quality and Price Benchmarks:	Quality Connections' printer supplies program was created with grant funding from Arizona Department of Economic Security Rehabilitation Services Administration (DES/RSA) in 2004 to create employment opportunities for workers with disabilities. In 2006, QC was awarded its first State Set-Aside contract for printer supplies. In December 2013, QC was unanimously awarded compatible / remanufactured printer supplies for all brands for mandatory use, with OEM printer supplies available for permissive use. The mandatory portion of this award was approximately 10% of the State's printer supplies spend. In 2014, QC was awarded a Set-Aside contract for office supplies for permissive use. In December 2017, QC was also unanimously awarded OEM printer supplies for all brands except HP for mandatory use, with HP OEM printer supplies still available for permissive use. The mandatory portion of this award was approximately 20% of the State's printer supplies spend. In December 2018, the contract was again renewed with lower prices providing additional savings to the State. The proposed office supplies renewal pricelist is organized into 34 categories, mirroring the structure of the NASPO cooperative office supplies contract that the State has opted-in to. Prior to the initial permissive award, the committee performed exhaustive pricing analysis to ensure competitiveness, and overall pricing has been reduced with each renewal since. Consistent with the previous renewals, this proposal offers price decreases on a majority of categories (24 of 34), providing additional savings to the State, while keeping pricing consistent on the remaining categories. Pricing has not increased on any category. When compared with the pricing of the two NASPO vendors, QC's pricing beats one or both in every category with sales tax factored in. QC is not the highest priced in any category. In terms of quality, the office supplies provided through this contract are identical to what is commercially available from alternative sources or other current suppliers to the State. The proposed printer supplies renewal pricelist is organized into 42 categories by brand and type of supply: toner, ink, ribbon, and parts. Prior to the previous mandatory awards, the committee performed exhaustive pricing analysis to ensure competitiveness, and overall pricing has been reduced with each renewal since. Consistent with our previous renewals, this proposal keeps most pricing unchanged with price decreases on a few categories providing additional savings to the State. The discount percentages remain unchanged for all categories approved for mandatory use, with lower pricing on remanufactured toner from CIG for products compatible with Brother, Canon, Dell, Kyocera, Lexmark, Oki, Panasonic and Samsung. For the categories approved for permissive use, the discount percentages on HP OEM ink and HP OEM parts have been increased to provide lower prices to the State. The discount percentage for HP OEM toner remains unchanged at 38%. In terms of quality, most of the printer supplies provided through this contract are identical to what is commercially available from alternative sources or other current suppliers to the State. The exception to this is QC Toner Remanufactured Toner cartridges, which are manufactured by workers with disabilities at our facility in Flagstaff and backed with a Lifetime Guarantee. See Addendum for additional information.

Type of Employment for Individuals with Disabilities:	**Full-Time** ☒ **Part-Time** ☒ **Temporary** ☐ **Training** ☒
Product Cost or Service Cost Form attached:	**Attached** ☒ **Not Attached** ☐ **If Not – Explain:**
Product or service fair market price validation:	**Attached** ☒ **Not Attached** ☐ **If Not – Explain:** See Addendum
Estimated Sales:	Approximately $400,000 per year to State and Governmental Units.
Brand Name Partner:	**Yes** ☒ **No** ☐ **If Yes – Explain:** Manufacturers: At A Glance, Acco, Advantus, Bostitch, Acme, AFH Industries, Alliance Rubber, Artistic Products, AmpliVox, Ashley Productions, Allsop, Aurora, Avery, Baumgartens, Mega Brands, Bretford, Bic, Belkin, Newell Rubbermaid, TOPS, Brother, Business Source, Bi-Silque, Compucessory, Carson-Dellarosa, Chartpak, Califone, PACON, C-Line, Clorox, Canon, Cosco, Casio, Clover Imaging Group, Crown, Crayola, dbest, MMF, Deflecto, Dell, Dixie, Dome, Shurtech, Duracell, Dymo, Elmer's, Epson, Eveready, Fellowes, Flipside, Fiskars, GBC, Gojo, Heritage, HP, House of Doolittle, HSM, Honeywell, Ideastream, Chicago Lighthouse, Impact, Ideal, Integra, Kleer-Fax, Kensington, Kantek, Konica Minolta, Kyocera, Lee, Charles Leonard, Lexmark, Lion, Lorell, Loctite, Logitech, Esselte, Master, Maxell, Mead, MMF, 3M, Avery Dennison, Nature Saver, Skilcraft, Officemate, Oki, Oxford, Panasonic, Papermate, Pentel, Pendaflex, Pilot, PM Company, QC Toner, Quartet, Quality Park, Rayovac, Rediform, Roaring Spring, Rapesco, Reditag. Roylco, Safco, Samsill, Samsung, Sanford, Saunders, Satco, Sealed Air, Sharp, Slice, Smead, SP Richards, Spracht, Staedtler, Stride, Storex, Swingline, Trend, Texas Instruments, T3L Group, US Stamp and Sign, Victor, Velcro, Verbatim, Neenah, AEP Industries, Xerox, Xstamper, Zebra, etc.
Mandatory:	**Yes** ☒ **No** ☐ **If Yes – Explain:** Consistent with the current contracts, this proposal includes Office Supplies for permissive use, HP OEM Printer Supplies for permissive use, as well as Compatible and Remanufactured Printer Supplies for all brands for mandatory use, and OEM Printer Supplies for all brands except HP for mandatory use. In the interest of clarity, this information is provided below in larger bold text. • **Office Supplies – permissive** • **HP OEM Printer Supplies – permissive** • **Compatible and Remanufactured Printer Supplies for all brands – mandatory** • **OEM Printer Supplies for all brands except HP – mandatory**
Customer (Existing)	This service is available to all State of Arizona agencies and Coop members. The following is a partial list of State agencies who have used our services in the past year: ADEQ, ADOA, ADOR, ADOT, Department of Agriculture, DCS, DDD, DES, Department of Corrections, DEMA, DHS, DPS, DVS, RSA, DBME, State Board of Physical Therapy, Water Resources, AZ State Schools for the Deaf and Blind, Office of Attorney General, Board of Acupuncture Examiners, Board of Executive Clemency, Commission for the Deaf and Hard of Hearing, Board of Cosmetology, Criminal Justice Commission, Forestry, Gaming, Game and Fish, Arizona Pioneers Home, Historical Society (Tucson), Industrial Commission, Medical Board, Mine Inspector, Office of Tourism, Parks Board, State Treasurer,

	Board of Dispensing Opticians, Radiation Regulatory Agency, etc.
Have You Contacted the Customer?	**No** ☐ **Yes** ☒ **Contact:** Quality Connections has provided this service to numerous State agencies and Coop members for over 12 years. Contact names and information too numerous to list. The response to our service has been overwhelmingly positive.
Customer (Proposed)	All State of Arizona agencies and Coop members.
Geographic Coverage:	**Entire State of Arizona** ☒ **Other** ☐ **If Other - Explain:**
Funding Source:	**Federal** ☐ **State** ☒ **Self-funded** ☐ **Other** ☒ **If Other - Explain:** Funding through purchases from State agencies and Coop members
Samples or Literature:	**Attached** ☐ **Not Attached** ☒
Other information	

ADOA Review:	
Is there a need for the Product or Service:	**Yes** ☒ **No** ☐
Impact on current state contracts:	**Yes** ☐ **No** ☒ **Explain:**
Agency capable of producing and delivering the product or service that will meet the reasonable requirements of state or local government:	**Yes** ☐ **No** ☐ **Explain:**
Mandatory:	**Yes** ☐ **No** ☐ **Explain:**
Recommend for Approval:	**Yes** ☐ **No** ☐ **Explain:**
Submit completed form to:	Please visit the Arizona Set Aside Website to determine where your completed / signed document should be sent. https://spo.az.gov/procurement-services/set-aside

Arizona State Set-Aside Program
Service Cost Analysis Sheet

Date Prepared:	September 25, 2019
Member Agency:	Quality Connections Inc.
Service:	Desktop Delivery of Office Supply Products (including Printer Supplies)
Location:	Statewide
Contract Term:	5 years

I. LABOR

A. DIRECT LABOR: **Annual hours employees work directly on contracts, plus other paid time (i.e. vacation, holiday or sick time).**

DISABLED DIRECT LABOR:

Employee Hours	1,950.00	x	$17.00	per hour =	$33,150.00
Employee Hours	1,950.00	x	$21.63	per hour =	$42,178.50
Employee Hours	1,950.00	x	$15.00	per hour =	$29,250.00
Employee Hours	488.00	x	$12.00	per hour =	$5,856.00
Employee Hours	2,925.00	x	$14.00	per hour =	$40,950.00
Employee Hours	975.00	x	$13.25	per hour =	$12,918.75
Employee Hours	1,950.00	x	$14.25	per hour =	$27,787.50
Employee Hours	6,825.00	x	$12.00	per hour =	$81,900.00
Employee Hours	1,950.00	x	$11.00	per hour =	$21,450.00
Employee Hours	2,925.00	x	$11.00	per hour =	$32,175.00

a. TOTAL DISABLED LABOR HOURS 23,888.00 **b. TOTAL DISABLED WAGES** $327,615.75

12.25 FTEs (Total # of Disabled Full Time Equivalents [a.TOTAL DISABLED LABOR HRS/1950])

NON-DISABLED DIRECT LABOR

Employee Hours	1,950.00	x	$15.00	per hour =	$29,250.00
Employee Hours	488.00	x	$14.00	per hour =	$6,832.00
Employee Hours	488.00	x	$14.00	per hour =	$6,832.00
Employee Hours		x		per hour =	$0.00

a. TOTAL NON-DISABLED LABOR HOURS 2,926.00 **d. TOTAL NON-DISABLED WAGES** $42,914.00

e.TOTAL DIRECT LABOR HOURS (a.+c.) 26,814.00 **f. TOTAL WAGES b.+d.** $370,529.75

13.75 **Total # of Full Time Equivalents**

89.09% **PERCENTAGE OF DISABLED LABOR HOURS**

a. (Total Disabled Labor Hours) divided by e.(Total Direct Labor Hours) = Percentage of Disabled Labor Hours

B. INDIRECT LABOR: **Annual Supervision cost. If a supervisor performs tasks to fulfill contract specifications, those hours are considered direct labor.**

DISABLED INDIRECT LABOR: $ Amt.

Employee Hours		x		per hour =	$0.00
Employee Hours		x		per hour =	$0.00

NON-DISABLED INDIRECT LABOR

Employee Hours	488.00	x	$28.85	per hour =	$14,078.80
Employee Hours		x		per hour =	$0.00

TOTAL INDIRECT LABOR HOURS 488.00 **TOTAL INDIRECT WAGES** $14,078.80

SUBTOTAL PAGE 1 - WAGES (f. TOTAL DIRECT WAGES + h. TOTAL INDIRECT WAGES) $384,608.55

II. EMPLOYEE BENEFITS				Disabled		Non-Disabled		
A. Workers Compensation				$6,234.90		$811.68		
B. Medical And Life Insurance				$6,836.00		$6,836.00		
C. Payroll Taxes								
Fica Rate	6.20%	X Disabled Payroll	$327,615.75 =	$20,312.18				
Fica Rate	6.20%	X Non-Disabled Payroll	$56,992.80 =			$3,533.55		
D. Other Benefits								
Other Benefits				$32,790.40		$3,520.00		
Total Other Benefits				$32,790.40		$3,520.00		
Total Benefits				$98,963.88		$18,221.23		$117,185.11
III. INSURANCE								
A. Comprehensive General Liability				$4,136.19		$511.21		
B. Comprehensive Vehicle Liability				$684.21		$84.57		
C. Other								
Total Insurance				$4,820.40		$595.78		$5,416.18

IV. EQUIPMENT AMORTIZATION

DESCRIPTION OF EQUIPMENT

(Original Cost Minus Salvage Value) divided by # of years of useful life = Prorated Annual Amount

	Original Cost		Useful Life/Yrs	Prorated Annual $	
Delivery Van	$27,780.00	divided by	10.00	$2,778.00	
Computers	$10,000.00	divided by	5.00	$2,000.00	
Office Furniture	$6,000.00	divided by	20.00	$300.00	
Toner Vacuum Units	$4,000.00	divided by	20.00	$200.00	
Electric Pallet Jack	$3,000.00	divided by	10.00	$300.00	
Racking	$3,000.00	divided by	20.00	$150.00	
Pallet Jacks	$600.00	divided by	20.00	$30.00	
Compressors	$800.00	divided by	10.00	$80.00	
Total Equipment Amortization					$5,838.00

V. EQUIPMENT OPERATING COSTS		
A. Gas/Oil	$3,780.00	
B. Maintenance	$1,001.00	
C. Other		
Total Equipment Operating Costs		$4,781.00
SUBTOTAL PAGES 1 & 2		$517,828.84

VI. SUPPLIES AND NON-AMORTIZED EQUIPMENT

DESCRIPTION	
Office Supplies	$6,044.24

Toner Remanufacturing Supplies	$2,458.77
Shipping	$1,468.88
Packaging Supplies	$1,434.64
Boxes	$909.00
Postage	$435.11

Total Supplies and Non-Amortized Equipment $12,750.64

VII. OTHER

DESCRIPTION

Total Other Expenses $0.00

VIII. ADMINISTRATIVE OVERHEAD $36,618.86

SUBTOTAL $49,369.50

TOTAL COST OF CONTRACT $567,198.34

COMMENTS: The figures above include estimated wage and hour information from Quality Connections' CNAID delivery partners. This labor is included in analysis calculations, but wages and related expenses are not paid directly by Quality Connections. Quality Connections and it's CNAID delivery partners also receive additional revenues from multiple sources that help support these costs. These sources of revenue include sales of office products to the private sector, revenues from Job Coaching services provided to disabled workers, and revenues from other employment projects. For example, ValleyLife's delivery team also delivers their own supplies internally to multiple locations within their own organization. As a category, office products are a commodity with very low profit margins available. While QC is not able to share its actual costs per its agreements with suppliers, we can share that profit margins are small, [redacted] While this form may not perfectly align with Quality Connections' business model, the State Set-Aside Committee can rest assured that the State's longest serving Printer Supplies vendor will continue to successfully serve it's needs AND support employment for workers with disabilities for the term of this contract and beyond.

Please visit the Arizona Set Aside Website to determine where your completed / notarized document should be sent.

Authorized Signature:

Printed Name: Doug Arnett

Job Title: COO

Date: 9/25/19

Reviewed and Submitted by: Arizona State Set-Aside Committee

September 2019

Set-Aside Re-Application Proposal Addendum

Office Supplies including Printer Supplies

EXECUTIVE SUMMARY

Proposal Summary: Re-Application proposals for combined Office Supplies & Printer Supplies Set-Aside contract with price decreases: Office Supplies for permissive use, HP OEM Printer Supplies for permissive use, Compatible and Remanufactured Printer Supplies for all brands for mandatory use, and OEM Printer Supplies for all brands except HP for mandatory use.

Employment: These proposals will maintain permanent employment for 32 workers with disabilities, and provide lower prices to the State.

Timely Delivery: Orders are processed through QCoffice.org, Quality Connections' complete online office supply retail store, enabling delivery to end-users within one to five business days for all orders. 70% of orders are hand-delivered by workers with disabilities employed by Quality Connections and two CNAID delivery partners.

Experience & Expertise: QC is the longest serving Printer Supplies vendor to the State with over twelve years of successful experience serving the State and Cooperative Members. QC also serves hundreds of customers in the private sector, large and small.

Availability of Materials: QC has demonstrated its capacity to handle the Office Supply and Printer Supply needs of State and Cooperative Members as value added retailers, using established strategic partnerships with suppliers.

Quality of Service: QC will continue to offer the highest quality customer service and delivery throughout the State of Arizona. QC products are identical in quality to the private sector as they are supplied by same Original Equipment Manufacturers.

Competitive Analysis: Detailed pricing analysis demonstrates savings to State compared with other large suppliers in the market.

Return on Investment: Data provided demonstrates a massive return on investment to government and society as a whole when investments are made in employing workers with disabilities.

Mission: Our mission is the same as the intent of ARS 41-2636; to employ as many people with disabilities as possible.

INTRODUCTION

This addendum was developed to provide additional information to supplement Quality Connections' re-application proposal for Office Supplies including Printer Supplies. Details are provided about the workers with disabilities employed through the contracts, the CNAID delivery network that has been developed, historical information about the State's printer supplies contract, competitive analysis, and other related details. Additional resources are provided related to the return on investment to government and society when people with disabilities are employed.

CONTRACT DESCRIPTIONS

Quality Connections' current Office Supplies contract includes a complete selection of office supplies in all categories. This contract is permissive, not mandatory. There are currently two other non-Set-Aside State vendors in addition to Quality Connections with State contracts for office supplies.

Quality Connections' current Printer Supplies contract includes OEM Printer Supplies from all major manufacturers, including toner, ink, ribbons and parts for all printer brands and models used by State and Coop members. Quality Connections' contract also includes Compatible / Remanufactured Printer Supplies from all brands. Quality Connections is the only State vendor for the Non-HP OEM and Compatible / Remanufactured portions of this contract, but HP OEM printer supplies are also available from the other non-Set-Aside State vendors.

Historically, Quality Connections' contracts for Printer Supplies and Office Supplies have been two different contracts. For this renewal, Quality Connections' re-application proposals for Printer Supplies and Office Supplies have been consolidated into a single Office Supplies contract which includes Printer Supplies. This will provide many benefits, including simplifying the ordering process for State purchasers, simplifying contract administration for SPO, and reducing potential confusion and lost Set-Aside sales by mirroring the organization of the other State Office Supplies contract which include Printer Supplies.

Quality Connections does not anticipate a significant profit from these contracts; however, they will enable us to continue providing employment for 32 workers with disabilities, which is the most important measure of success and the intent of the Set-Aside program. Unlike commercial enterprises that distribute their profit among owners and shareholders, any profit from this contract goes directly toward employing those who have the most difficulty obtaining employment – the very purpose of the Set-Aside Statute! For more information, please refer to Quality Connections' 2018 Tax Return Form 990, included in Appendix 3. The 2001 letter from the Internal Revenue Service documenting Quality Connections' status as a 501(c)3 nonprofit organization is included in Appendix 4.

EMPLOYMENT FOR WORKERS WITH DISABILITIES

As stated above, Quality Connections' State contracts currently provide employment for 32 workers with disabilities. 22 of these workers are employed directly by Quality Connections, with the remaining 10 workers employed directly by our CNAID delivery partners. Because most work part-time, this equates to approximately 12.25 FTE. The tables below provide detailed hour and wage information for the entire workforce working in support of these contracts. All labor from Quality Connections and our CNAID delivery partners is included in the analysis calculations.

The entire workforce in the chart below supports both of QC's State contracts - Printer Supplies and Office Supplies - although the majority of the State's spend on QC's State contracts, approximately 98%, comes from the Printer Supplies contract. The same workforce also supports QC's non-State business and other projects as well. Together, QC's State contracts account for approximately one third of QC's total sales. It is also important to note that although 32 disabled workers are employed through the program at any given time, with a turn-over rate of approximately 20%, the number of disabled workers employed in the course of a year is actually closer to 40.

See chart on the following page

POSITION	LOC	FT/PT	Disabled?	Direct Labor?	# WORKERS	ESTIMATED FTE	EXT. FTE	WORKFORCE %	WAGE
[redacted]	QC	FT	Y	Y	1	1	1		$17.00
[redacted]	QC	FT	Y	Y	1	1	1		$21.63
[redacted]	QC	FT	Y	Y	1	1	1		$15.00
[redacted]	QC	PT	Y	Y	1	0.25	0.25		$12.00
[redacted]	QC	PT	Y	Y	2	0.75	1.5		$14.00
[redacted]	QC	PT	Y	Y	1	0.5	0.5		$13.25
[redacted]	QC	FT	Y	Y	1	1	1		$14.25
[redacted]	QC	PT	Y	Y	14	0.25	3.5		$12.00
[redacted]	VL	PT	Y	Y	4	0.25	1		$11.00
[redacted]	YEI	PT	Y	Y	6	0.25	1.5		$11.00
				Total Workers	32	Total FTE	12.25	87.50%	

POSITION	LOC	FT/PT	Disabled?	Direct Labor?	# WORKERS	ESTIMATED FTE	EXT. FTE	WORKFORCE %	WAGE
[redacted]	QC	FT	N	Y	1	1	1		$15.00
[redacted]	VL	PT	N	Y	1	0.25	0.25		$14.00
[redacted]	YEI	PT	N	Y	1	0.25	0.25		$14.00
				Total Workers	3	Total FTE	1.5	10.71%	

POSITION	LOC	FT/PT	Disabled?	Direct Labor?	# WORKERS	ESTIMATED FTE	EXT. FTE	WORKFORCE %	WAGE
[redacted]	QC	FT	N	N	1	0.25	0.25		$28.84
				Total Workers	1	Total FTE	0.25	1.79%	
						Total Workforce FTE	14	100.00%	

TIMELY DELIVERY

For the past five years, Quality Connections has partnered with two other CNAIDs to provide desktop delivery of the products on these contracts. Quality Connections' delivery crew covers Flagstaff and surrounding communities. Yavapai Exceptional Industries covers Prescott and surrounding communities. ValleyLife covers the Phoenix area.

Because of the concentration of State offices in the Phoenix area, approximately 70% of State orders are hand-delivered by workers with disabilities. Orders outside of this delivery network — approximately 30% — are shipped directly to State offices using commercial carriers. All labor from QC and our CNAID partners is included in the analysis calculations, but labor from commercial carriers is not included.

While delivering State orders, Quality Connections' delivery crews may also pick-up empty printer cartridges from State offices for recycling, but picking-up these materials has never been a requirement of QC's State contracts. Until December 2018, CNAID Nobody's Perfect held a State Set-Aside contract for this free service, but declined to re-apply to continue the contract. Quality Connections will provide a free postage paid shipping label upon request to any of its Printer Supplies customers, including State purchasers. Packages with the free postage paid shipping labels can be dropped off at any UPS drop-off location.

EXPERIENCE & EXPERTISE

QC Office is a proven model. We are the State's longest serving Printer Supplies vendor, having successfully supplied the State of Arizona and Cooperative members for more than twelve years. We have demonstrated that a workforce of people with disabilities is capable of successfully supplying the largest employer in the State, the State of Arizona.

We have developed systems and strategic partnerships to position ourselves to meet the entire State of Arizona's printer and office supply needs. We have built a solid and reliable distribution network and have dramatically increased our operational capacity to meet the needs of our growing list of customers. Our experienced team has the necessary training and the right tools to help State purchasers and other customers from across the State with all product and account related inquiries.

ARIZONA'S PRINTER SUPPLIES CONTRACT HISTORY

The following will provide a brief historical context of the State's printer supplies contract as it relates to this proposal. Quality Connections' toner remanufacturing program, QC Toner, was created with grant funding from the Arizona Department of Economic Security Rehabilitation Services Administration (DES/RSA) in 2004 to create employment & training opportunities for workers with disabilities. Quality Connections was awarded its first State toner contract in 2006. At this time the State's printer supplies contract was held by several vendors including many that were small businesses based in Arizona, like Quality Connections.

In December 2013, Quality Connections was unanimously awarded a portion of the contract for mandatory use – all brands of Remanufactured Toner. This portion of the contract accounts for approximately 10% of the State's printer supplies spend.

In August 2015, Quality Connections submitted a Request for Assignment Form to begin the process of proposing a mandatory use Printer Supplies Set-Aside contract. Over the next few years and over ten public meetings, the committee reviewed and evaluated our 12 year successful history serving this contract, our pricing, our operational capacity, the competitive landscape of the printer supplies industry, and the opinion of the Attorney General regarding the value-added component of our service, making this arguably the most vetted program in the history of the State Set-Aside program.

In April 2017, the State allowed all of their direct Printer Supplies contracts to expire except for Quality Connections' Set-Aside contract. Printer supplies were added to the State's existing Office Supplies contracts through NASPO by opting-in to the printer supplies categories already on that contract that had previously been restricted.

In December 2017, after exhaustive analysis of the cost effectiveness of these materials and Quality Connection's ability to maintain sufficient operational capacity, Quality Connections was unanimously approved for a Mandatory use contract for all brands of OEM Toner, excluding HP OEM Toner. The award of Non-HP OEM Toner accounts for an additional 10% of the State's printer supplies spend, and provided modest savings to the State of approximately $1,700. HP OEM Toner remains available from Quality Connections and the other non-Set-Aside vendors to the State through NASPO.

In December 2018, the Set-Aside Committee unanimously approved updated prices that provided an additional savings of $6,036 to the State.

COMPETITIVE ANALYSIS

As a nonprofit Community Rehabilitation Program, Quality Connections does not charge sales tax. This sales tax benefit is critically important for helping non profit CNAID organizations like Quality Connections compete with for-profit companies that do not employ a disabled workforce. The following sections and related Appendices contain competitive analysis information comparing QC's proposed prices with past prices and with other large suppliers in the market, namely the non-Set-Aside vendors contracted with the State through NASPO.

Printer Supplies

The proposed pricelist for Printer Supplies is organized into 42 categories by brand and type of supply: toner, ink, ribbon, and parts. Most of the discounts in each category remain unchanged from the current contract, except the discounts on HP OEM Ink, HP OEM Parts, and CIG brand remanufactured toner have been increased to provide lower prices to the State. On the current contract, CIG cartridges for eight different brands are in separate categories, with discounts ranging from 26-46%. For this proposal, these categories have been combined into a single category for CIG toner cartridges from all brands, and discounts have been increased to 60%. The discount percentage for HP OEM Ink has been increased from 23% to 30%, and the discount percentage for HP OEM Parts has been increased from 15% to 30%. All other discount percentages remain the same.

See Appendix 1

Since 2013 when the mandatory contract for remanufactured toner was first approved, Quality Connections has reduced State prices on Printer Supplies at every annual renewal. In 2017, analysis showed a savings of $1,700 over the non-Set-Aside State vendors. When the contract was renewed in 2018, pricing was reduced to provide another $6,036 in savings. The proposed pricing in this proposal provides an additional savings of $41,913.29 based on Quality Connections' usage data. $40,085.39 of this savings comes from the reduced prices on the mandatory portions of this contract - Compatible / Remanufactured and Non-HP OEM Printer Supplies. This analysis is included with this proposal.

Office Supplies

The proposed pricelist for Office Supplies is organized into 48 categories, 14 of which have been restricted. This mirrors the organization of the other non-Set-Aside office supplies contracts. Only the discount rate is published for these contracts, not the actual prices, so a direct comparison of prices is not possible. Instead, comparing discount rates is the best available option. The chart in Appendix 2 shows each category description, QC's current discount rates, QC's proposed new discount rates, and the proposed change to those rates. Appendix 2 also shows the published discount rates from the non-Set-Aside vendors. Finally, in order to provide a direct comparison between Quality Connections and the non-Set-Aside vendors who must charge sales tax, Appendix 2 shows the discount rate for each non-Set-Aside vendor inclusive of sales tax. This section has been color-coded to visually show how the discount rates compare. The lowest price is shown in green, highest in red, with yellow in the middle.

See Appendix 2

QC has lowered its prices and expanded its catalog on Office Supplies with each annual renewal since the initial approval in 2014. This time is no different. QC has lowered prices on 24 of 34 permissible categories. Compared to the non-Set-Aside State vendors, QC's proposed discounts beats one or both of the other non-Set-Aside vendors on every single category after tax.

GROWTH

Quality Connections has begun implementing a plan to grow our business with the State through these Set-Aside contracts, with the goal of increasing usage in order to create more employment opportunities for workers with disabilities. We have begun this process by engaging with leadership within the State agency closest to our hearts - the Department of Economic Security. We plan to replicate this process with other State agencies, and will look to SPO staff for advice and guidance in this effort.

RETURN ON INVESTMENT

When the State buys a printer cartridge or other office supplies from a non-Set-Aside vendor, the State gets a printer cartridge and that's it. When the State buys a printer cartridge from Quality Connections, the State gets the printer cartridge plus significant return on investment as outlined below.

The US Census Bureau estimates that there are approximately 19 million working age adults in the US who have a disability.[1] According to 2008 government spending figures, disability assistance spending from the federal government totaled $357 billion, with States' share of joint federal-state disability programs was $71 billion. Dividing total spending by the estimated 19 million working age people with disabilities shows that total federal and state spending was equivalent to $22,561 per person.[2] People with disabilities who are able to work, like QC's workforce, can reduce or completely eliminate their need for these resources.

Last year, the workers with disabilities employed in the program collectively took home over $300,000 in wages, salaries and commissions. If not for this program, many of these workers might otherwise be unemployed. Payroll taxes are paid on the income earned, which is then spent in the community, helping the overall economy and generating additional sales tax revenue for State coffers.

According to the National Conference of State Legislators, "Increasing job opportunities for people with disabilities saves the federal and state government money by reducing dependency on cash and medical and disability benefits."[3] According to a 2013 report from the National Governors Association, "SSA disability beneficiaries who are employed through vocational rehabilitation support provide a return on investment of $7 for every dollar spent.[4] Counting only the compensation paid directly to QC's disabled workforce, this return on investment to state and federal government equates to $2.1 million.

Although it is difficult to quantify because of each individual's unique situation, employment for people with disabilities provides additional savings and benefits to the government and to the greater community as well. Independent Research from the Roberts Enterprise Development Fund (REDF), the only venture philanthropy organization in the United States that invests exclusively in social enterprises focused on employment, has calculated that every employee hired by a social enterprise, like Quality Connections, creates a benefit worth an average of $22,632 to society as a whole, and savings of $13,250 to taxpayers.[5] With employment for 32 disabled workers, this program saves taxpayers $424,000, with even greater benefits to society.

The value of social enterprises to society becomes even more apparent in light of recent news from Walmart. According to a February 27, 2019 report from NBC News, "Walmart told greeters around the country last week that their positions would be eliminated on April 26 in favor of an expanded, more physically demanding "customer host" role. To qualify, they will need to be able to lift 25-pound (11-kilogram) packages, climb ladders and stand for long periods. That came as a heavy blow to greeters with cerebral palsy, spina bifida and other physical disabilities. For them, a job at Walmart has provided needed income, served as a source of pride and offered a connection to the community."[6] Whereas private-sector employers like Walmart are free to discontinue disability employment programs based on business factors unrelated to worker performance, social enterprises like Quality Connections will always remain committed to supporting workers with disabilities. Our mission is service, not profit.

While it may be impossible to quantify the precise savings and benefits to the State from this proposal, this information should assure the committee that those savings and benefits dwarf any potential savings from non-Set-Aside vendors.

When the State buys a printer cartridge from a non-Set-Aside vendor, the State gets a printer cartridge. When the State buys a printer cartridge from Quality Connections, the State gets the printer cartridge, over $300,000 in wages to workers with disabilities who might otherwise be unemployed, and a massive return on investment estimated at $424,000 - $2.1 million.

Footnotes

1. http://factfinder.census.gov/servlet/ADPTable?_bm=y&-geo_id=01000US&-qr_name=ACS_2008_1YR_G00_DP2&-ds_name=ACS_2008_1YR_G00_&-_lang=en&-_caller=geoselect&-redoLog=false&-format Google Scholar
2. https://www.healthaffairs.org/doi/full/10.1377/hlthaff.2011.0247
3. http://www.ncsl.org/research/labor-and-employment/employing-people-with-disabilities.aspx
4. http://www.askearn.org/wp-content/uploads/docs/nga_2013_better_bottom_line.pdf
5. https://redf.org/app/uploads/2015/02/REDF-MJS-Final-Report.pdf
6. https://www.nbcnews.com/news/us-news/walmart-getting-rid-greeters-worrying-disabled-n977256

Appendix 1

OEM Manufacturers	Category	Current Discount %	New Discount %	Change in %
Brother	OEM Toner/Ribbon	23%	23%	
Brother	OEM Ink	10%	10%	
Brother	OEM Parts	21%	21%	
Canon	OEM Toner	21%	21%	
Canon	OEM Ink	5%	5%	
Canon	OEM Parts	10%	10%	
Dell	OEM Toner	5%	5%	
Dell	OEM Parts	5%	5%	
Epson	OEM Toner	7%	7%	
Epson	OEM Ink	5%	5%	
Epson	OEM Ribbon	35%	35%	
Epson	OEM Parts	10%	10%	
HP	OEM Toner	38%	38%	
HP	OEM Ink	23%	30%	7%
HP	OEM Parts	15%	30%	15%
Konica Minolta	OEM Toner	22%	22%	
Konica Minolta	OEM Parts	19%	19%	
Kyocera	OEM Toner	26%	26%	
Kyocera	OEM Parts	10%	10%	
Lexmark	OEM Toner	24%	24%	
Lexmark	OEM Ink	20%	20%	
Lexmark	OEM Ribbon	35%	35%	
Lexmark	OEM Parts	18%	18%	
Oki	OEM Toner	12%	12%	
Oki	OEM Ribbon	35%	35%	
Oki	OEM Parts	10%	10%	
Panasonic	OEM Toner/Ribbon	24%	24%	
Panasonic	OEM Parts	31%	31%	
Ricoh	OEM Toner/Ink	18%	18%	
Ricoh	OEM Parts	10%	10%	
Samsung	OEM Toner	22%	22%	
Samsung	OEM Parts	16%	16%	
Xerox	OEM Toner	25%	25%	
Xerox	OEM Parts	21%	21%	
Compatible Manufacturers	**Category**	**Current Discount %**	**New Discount %**	**Change in %**
CIG (Toner: All Brands)	Compatible Toner	60%	60%	
Dataproducts (Ribbon: All Brands)	Compatible Ribbon	40%	40%	
ecoPost (Meter Ink: All Brands)	Compatible Ink	30%	30%	
MICR (CIG,MSE)	Compatible Toner	57%	57%	
MSE (Toner: All Brands)	Compatible Toner	48%	48%	
NuPost (Meter Ink: All Brands)	Compatible Ink	30%	30%	
QC Toner (Toner: HP)	Compatible Toner	70%	70%	
Xerox (Toner: HP,Brother)	Compatible Toner	53%	53%	

Summary of Categories with Discount % Increased				
HP	OEM Ink	23%	30%	7%
HP	OEM Parts	15%	30%	15%
CIG Toner: Brother	Compatible Toner	46%	60%	14%
CIG Toner: Canon	Compatible Toner	44%	60%	16%
CIG Toner: Dell	Compatible Toner	40%	60%	20%
CIG Toner: Kyocera	Compatible Toner	26%	60%	34%
CIG Toner: Lexmark	Compatible Toner	41%	60%	19%
CIG Toner: Oki	Compatible Toner	37%	60%	23%
CIG Toner: Panasonic	Compatible Toner	46%	60%	14%
CIG Toner: Samsung	Compatible Toner	42%	60%	18%

Appendix 2

Category Description	QC Current 2018 Discount %	QC Proposed 2019 Discount %	Proposed Change to Discount %	DEPOT Discount %	WIST Discount %	QC Proposed 2019 Discount %	DEPOT Current w/ SALES TAX	WIST Current w/ SALES TAX
Adhesives, Glues, Glue sticks, Adhesive Removers	43.53%	44.00%	0.47%	48%	50%	44.00%	43.53%	45.95%
Dictionaries, Thesauruses, Diaries, Tickets, Reference Sets, etc.	27.24%	28.00%	0.76%	33%	45%	28.00%	27.24%	40.55%
Archive Boxes, Cardboard Boxes, Storage Containers	45.70%	46.00%	0.30%	50%	54%	46.00%	45.70%	50.27%
Award Frames, Displays, Plaques, Certificates								
Badges, Badge Holders, Lanyards								
Batteries, Chargers, UPS Power Supplies, Surge Protectors, Extension Cords	40.27%	41.00%	0.73%	45%	52%	41.00%	40.27%	48.11%
Binder Clips, Paper Clips, Panel Clips, Pushpins, Thumbtacks, Safety Pins, Rubber Bands, Scissors, Cutters, Trimmers, Hole Punches	41.36%	42.00%	0.64%	46%	59%	42.00%	41.36%	55.68%
Binders, Combs, Rings, Spines	38.10%	39.00%	0.90%	43%	59%	39.00%	38.10%	55.68%
Book Cases, Book Ends, Book Shelves								
White Boards, Bulletin Boards, Cork Boards, Easels, Poster Boards, Display Rails	31.00%	31.00%		36%	50%	31.00%	30.50%	45.95%
Appontment Books, Phone Message Books, Statement Books, Fax Message Books, While You Were Out Books, Forms, Calendars, Deskpads, Refills, Planners	41.36%	42.00%	0.64%	46%	54%	42.00%	41.36%	50.27%
Garbage Can Liners, Shredder Bags	42.44%	43.00%	0.56%	47%	54%	43.00%	42.44%	50.27%
Carts, Handtrucks	38.00%	39.00%	1.00%	43%	41%	39.00%	38.10%	36.22%
CDs, DVDs, Cassette Tapes, Tape Cartridges, CD and DVD Cases, CD and DVD Storage, VHS Tapes, Computer Disks and Diskettes, CD Mailers, Ribbons, Computer Bags and Cases, Camera Film, Photo Paper, Camera Bags, Camera Cases	26.00%	26.00%		31%	47%	26.00%	25.07%	42.71%
Chair Mats, Door Mats, Floor Mats, Anti-fatigue Mats	38.10%	39.00%	0.90%	43%	52%	39.00%	38.10%	48.11%
Clocks, Hooks, Lamps (including Desk Lamps and Light Bulbs)	33.00%	33.00%		38%	48%	33.00%	32.67%	43.79%
Correction Fluid, Correction Tape, Correction Pens	43.53%	44.00%	0.47%	48%	50%	44.00%	43.53%	45.95%
Food Service Ware: Cups, Spoons, Forks, Plates, Bowls								
Breakroom Cleaners: Dusters, Computer Air Dusters, Wipes, All Purpose Cleaners, Bathroom Cleaners, Disinfectants, Sanitizers, Hand Soaps, Glass Cleaners, Air Fresheners, Dust Pans, Stainless Steel Cleaners, Microfiber Cloths, Kitchen Cleaners, Furniture Cleaners and Other Cleaning Supplies								
Chalk Erasers, Dry Erase Erasers, Chalk	42.44%	43.00%	0.56%	47%	50%	43.00%	42.44%	45.95%
Calculators, Digital Voice Recorders, Typewriters, Cameras, Fans, Heaters, Laminators, Shredders, Pencil Sharpeners, Air Cleaners	32.00%	32.00%		37%	36%	32.00%	31.58%	30.82%
First Aid, Hand Lotions, Hand Sanitizers, Pain Relief, Gloves, Safety Supplies								
Headsets, Headset Accessories, Headphones	35.00%	35.00%		40%	32%	35.00%	34.84%	26.49%
Ink Pads, Refills, Calculator Ink, Stamps, Calculator Spools, Adding Machine Tape, Cash Register Tape, Wide Format Paper Rolls	45.70%	46.00%	0.30%	50%	54%	46.00%	45.70%	50.27%
Knives, Cutters, Blades, Scrapers	44.61%	46.00%	1.39%	49%	50%	46.00%	44.61%	45.95%
Labels, Lablel Makers, Label Holders	39.18%	40.00%	0.82%	44%	47%	40.00%	39.18%	42.71%
Mailing Tubes, Mailing Tubs, Packaging, Envelopes, Fingertips, Letter Openers, Moistener, Butcher Paper	48.96%	49.00%	0.04%	53%	59%	49.00%	48.96%	55.68%
Markers, Highlighters, Felt Pens	43.53%	44.00%	0.47%	48%	54%	44.00%	43.53%	50.27%
Mice, Keyboards, Wristrests, Keyboard Pads, Mousepads, Keyboard Trays, Speakers	35.00%	35.00%		40%	36%	35.00%	34.84%	30.82%
Paper: Notebooks, Notepads, Pads of Paper, Sticky Notes, Easel Pads, Stationery Paper	54.39%	56.00%	1.61%	58%	59%	56.00%	54.39%	55.68%

Category Description	QC Current 2018 Discount %	QC Proposed 2019 Discount %	Proposed Change to Discount %	DEPOT Discount %	WIST Discount %	QC Proposed 2019 Discount %	DEPOT Current w/ SALES TAX	WIST Current w/ SALES TAX
Office Organizers, Inboxes, Copyholders, Pen and Pencil Holders, Wastebaskets, Drawers, Desktop Shelves	42.44%	43.00%	0.56%	47%	50%	43.00%	42.44%	45.95%
Paper (including Copy Paper except for paper in Category 49, Writing Paper, Colored Paper, etc.)								
Pencils, Pencil Erasers, Mechanical Pencils, Lead Refills, Pens, Pen Refills	56.00%	58.00%	2.00%	61%	54%	58.00%	57.65%	50.27%
Protactors, Rulers, Yardsticks, Compasses, Engineer Triangles, Measuring Tapes	42.44%	43.00%	0.56%	47%	50%	43.00%	42.44%	45.95%
Report Covers, Files, File Folders, Pocket Files, Portfolios, Jackets, Inserts, Folder Frames, Dividers, Wallet Files, File Guides, Index Cards, Business Cards, Card Holders, File Indexes, Tabs, Ledgers, Tab Reinforcements, Tags, Sheet Protectors, Letters, Numbers, Fasteners, Bases, Clipboards, Flag Tape	51.13%	52.00%	0.87%	55%	54%	52.00%	51.13%	50.27%
Signs, Sign Holders, Flyer Holders, Racks, Literature Displays, Name Plates	21.00%	21.00%		26%	45%	21.00%	19.64%	40.55%
Staplers, Staples, Staple Removers	36.00%	36.00%		41%	59%	36.00%	35.93%	55.68%
Storage Cabinets, Filing Cabinets, File Storage Systems, Rails								
Tape, Tape Dispensers, Embossing Tape, Velcro Products	41.36%	42.00%	0.64%	46%	54%	42.00%	41.36%	50.27%
Breakroom Paper Products: Tissue, Paper Towels, Napkins								
Toner Cartridges, Lasrjet HP Brand only including High Yield	38.00%	38.00%	0.00%	45%	43%	38.00%	40.27%	38.38%
All other HP Brand Toner and Ink Cartridges, Fusers, Kits, Drums	23.00%	30.00%	7.00%	42%	35%	30.00%	37.01%	29.74%
Toner and Ink Cartrdiges, Fusers, Kits, Drums, All Other Brands	5%-30%	5%-30%		39%	35%	5%-30%	33.75%	29.74%
Remanufactured and Biobased Toner and Ink Cartridges				49%	60%	60.00%	44.61%	56.76%
Transparency Film, Transparency Paper, Laminating Supplies, Laminating Pouches	25.00%	25.00%		30%	41%	25.00%	23.98%	36.22%
USB Drives, Flash Memory, Zip Disks	10.00%	10.00%		10%	41%	10.00%	2.26%	36.22%
"School Supplies": Art Paper, Art Supplies, Construction Paper, Crepe Paper, Paint, Games/Learning Tools, Crayons	45.00%	46.00%	1.00%	50%	41%	46.00%	45.70%	36.22%
Uncategorized Spend								

Note: Categories in red text are restricted from NASPO contract for AZ.

Appendix 3

2018 TAX RETURN

CLIENT COPY

Client: JN-03799

Prepared for: QUALITY CONNECTIONS, INC.
3012 E ROUTE 66
FLAGSTAFF, AZ 86004-3936
(928) 773-8787

Prepared by: JENNIFER NORDSTROM
NORDSTROM & ASSOCIATES PC
150 W DALE AVE STE 2
FLAGSTAFF, AZ 86001
(928) 774-5086

Date: JUNE 18, 2019

Comments:

Route to: ____________ ____________ ____________ ____________

Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

► Do not enter social security numbers on this form as it may be made public.
► Go to *www.irs.gov/Form990* for instructions and the latest information.

OMB No. 1545-0047

2018

Open to Public Inspection

A For the 2018 calendar year, or tax year beginning , 2018, and ending ,

B Check if applicable:
- [ ] Address change
- [ ] Name change
- [ ] Initial return
- [ ] Final return/terminated
- [ ] Amended return
- [ ] Application pending

C
QUALITY CONNECTIONS, INC.
3012 E ROUTE 66
FLAGSTAFF, AZ 86004-3936

D Employer identification number: 86-1000271

E Telephone number: (928) 773-8787

G Gross receipts $ 3,916,396.

F Name and address of principal officer: ARMANDO BERNASCONI
SAME AS C ABOVE

H(a) Is this a group return for subordinates? [ ] Yes [X] No

H(b) Are all subordinates included? [ ] Yes [ ] No
If "No," attach a list. (see instructions)

I Tax-exempt status: [X] 501(c)(3) [ ] 501(c) ( ) ◄ (insert no.) [ ] 4947(a)(1) or [ ] 527

J Website: ► WWW.QUALITYCONNECTIONS.ORG

H(c) Group exemption number ►

K Form of organization: [X] Corporation [ ] Trust [ ] Association [ ] Other ►

L Year of formation: 1999

M State of legal domicile: AZ

Part I Summary

Activities & Governance

1 Briefly describe the organization's mission or most significant activities: OUR MISSION IS TO PROVIDE QUALITY SUPPORT AND EMPLOYMENT SERVICES TO INDIVIDUALS WITH DISABILITIES AND DISADVANTAGES IN ORDER TO INCREASE BOTH THEIR INDEPENDENCE AND THEIR PARTICIPATION IN OUR COMMUNITY.

2 Check this box ► [ ] if the organization discontinued its operations or disposed of more than 25% of its net assets.

3	Number of voting members of the governing body (Part VI, line 1a)	3	5
4	Number of independent voting members of the governing body (Part VI, line 1b)	4	5
5	Total number of individuals employed in calendar year 2018 (Part V, line 2a)	5	187
6	Total number of volunteers (estimate if necessary)	6	0
7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	0.
b	Net unrelated business taxable income from Form 990-T, line 38	7b	0.

			Prior Year	Current Year
Revenue	8	Contributions and grants (Part VIII, line 1h)	147,634.	75,606.
	9	Program service revenue (Part VIII, line 2g)	3,439,083.	3,840,755.
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	65.	35.
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)		
	12	Total revenue – add lines 8 through 11 (must equal Part VIII, column (A), line 12)	3,586,782.	3,916,396.
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1-3)		
	14	Benefits paid to or for members (Part IX, column (A), line 4)		
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	2,092,764.	2,217,763.
	16a	Professional fundraising fees (Part IX, column (A), line 11e)		
	b	Total fundraising expenses (Part IX, column (D), line 25) ►		
	17	Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	1,525,589.	1,838,572.
	18	Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	3,618,353.	4,056,335.
	19	Revenue less expenses. Subtract line 18 from line 12	-31,571.	-139,939.

			Beginning of Current Year	End of Year
Net Assets or Fund Balances	20	Total assets (Part X, line 16)	914,008.	812,057.
	21	Total liabilities (Part X, line 26)	431,898.	469,886.
	22	Net assets or fund balances. Subtract line 21 from line 20	482,110.	342,171.

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

► Signature of officer — Date

► ARMANDO BERNASCONI — CEO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check [ ] if self-employed	PTIN
JENNIFER NORDSTROM				P01253541

Firm's name ► NORDSTROM & ASSOCIATES PC

Firm's address ► 150 W DALE AVE STE 2
FLAGSTAFF, AZ 86001

Firm's EIN ► 86-0898871

Phone no. (928) 774-5086

May the IRS discuss this return with the preparer shown above? (see instructions) [X] Yes [ ] No

Part III **Statement of Program Service Accomplishments**

Check if Schedule O contains a response or note to any line in this Part III . . . [X]

1 Briefly describe the organization's mission:

OUR MISSION IS TO PROVIDE QUALITY SUPPORT AND EMPLOYMENT SERVICES TO INDIVIDUALS WITH DISABILITIES AND DISADVANTAGES IN ORDER TO INCREASE BOTH THEIR INDEPENDENCE AND THEIR PARTICIPATION IN OUR COMMUNITY.

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? . . . [ ] **Yes** [X] **No**

If "Yes," describe these new services on Schedule O.

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? . . . [ ] **Yes** [X] **No**

If "Yes," describe these changes on Schedule O.

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. Section 501(c)(3) and 501(c)(4) organizations are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

4 a (Code:) (Expenses $ 3,615,612. including grants of $) (Revenue $)

SEE SCHEDULE O

4 b (Code:) (Expenses $ including grants of $) (Revenue $)

4 c (Code:) (Expenses $ including grants of $) (Revenue $)

4 d Other program services (Describe in Schedule O.)

(Expenses $ including grants of $) (Revenue $)

4 e Total program service expenses ► 3,615,612.

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If 'Yes,' complete Schedule A*	**1**	X	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	**2**	X	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If 'Yes,' complete Schedule C, Part I*	**3**		X
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If 'Yes,' complete Schedule C, Part II*	**4**	X	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If 'Yes,' complete Schedule C, Part III*	**5**		X
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If 'Yes,' complete Schedule D, Part I*	**6**		X
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? *If 'Yes,' complete Schedule D, Part II*	**7**		X
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If 'Yes,' complete Schedule D, Part III*	**8**		X
9	Did the organization report an amount in Part X, line 21, for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X; or provide credit counseling, debt management, credit repair, or debt negotiation services? *If 'Yes,' complete Schedule D, Part IV*	**9**		X
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If 'Yes,' complete Schedule D, Part V*	**10**		X
11	If the organization's answer to any of the following questions is 'Yes', then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable.			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? *If 'Yes,' complete Schedule D, Part VI*	**11 a**	X	
b	Did the organization report an amount for investments – other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If 'Yes,' complete Schedule D, Part VII*	**11 b**		X
c	Did the organization report an amount for investments – program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If 'Yes,' complete Schedule D, Part VIII*	**11 c**		X
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If 'Yes,' complete Schedule D, Part IX*	**11 d**		X
e	Did the organization report an amount for other liabilities in Part X, line 25? *If 'Yes,' complete Schedule D, Part X*	**11 e**	X	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If 'Yes,' complete Schedule D, Part X*	**11 f**		X
12 a	Did the organization obtain separate, independent audited financial statements for the tax year? *If 'Yes,' complete Schedule D, Parts XI and XII*	**12a**		X
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If 'Yes,' and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI and XII is optional*	**12b**		X
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If 'Yes,' complete Schedule E*	**13**		X
14 a	Did the organization maintain an office, employees, or agents outside of the United States?	**14a**		X
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If 'Yes,' complete Schedule F, Parts I and IV*	**14b**		X
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or other assistance to or for any foreign organization? *If 'Yes,' complete Schedule F, Parts II and IV*	**15**		X
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or other assistance to or for foreign individuals? *If 'Yes,' complete Schedule F, Parts III and IV*	**16**		X
17	Did the organization report a total of more than $15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If 'Yes,' complete Schedule G, Part I* (see instructions)	**17**		X
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If 'Yes,' complete Schedule G, Part II*	**18**		X
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If 'Yes,' complete Schedule G, Part III*	**19**		X
20a	Did the organization operate one or more hospital facilities? *If 'Yes,' complete Schedule H*	**20a**		X
b	If 'Yes' to line 20a, did the organization attach a copy of its audited financial statements to this return?	**20b**		
21	Did the organization report more than $5,000 of grants or other assistance to any domestic organization or domestic government on Part IX, column (A), line 1? *If 'Yes,' complete Schedule I, Parts I and II*	**21**		X

Part IV Checklist of Required Schedules *(continued)*

			Yes	No
22	Did the organization report more than $5,000 of grants or other assistance to or for domestic individuals on Part IX, column (A), line 2? *If 'Yes,' complete Schedule I, Parts I and III*	22		X
23	Did the organization answer 'Yes' to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If 'Yes,' complete Schedule J*	23		X
24 a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If 'Yes,' answer lines 24b through 24d and complete Schedule K. If 'No,' go to line 25a*	24a		X
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		
d	Did the organization act as an 'on behalf of' issuer for bonds outstanding at any time during the year?	24d		
25 a	**Section 501(c)(3), 501(c)(4), and 501(c)(29) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If 'Yes,' complete Schedule L, Part I*	25a		X
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If 'Yes,' complete Schedule L, Part I*	25b		X
26	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? *If 'Yes,' complete Schedule L, Part II*	26	X	
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? *If 'Yes,' complete Schedule L, Part III*	27		X
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions):			
a	A current or former officer, director, trustee, or key employee? *If 'Yes,' complete Schedule L, Part IV*	28a	X	
b	A family member of a current or former officer, director, trustee, or key employee? *If 'Yes,' complete Schedule L, Part IV*	28b	X	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If 'Yes,' complete Schedule L, Part IV*	28c	X	
29	Did the organization receive more than $25,000 in non-cash contributions? *If 'Yes,' complete Schedule M*	29	X	
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If 'Yes,' complete Schedule M*	30		X
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If 'Yes,' complete Schedule N, Part I*	31		X
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If 'Yes,' complete Schedule N, Part II*	32		X
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? *If 'Yes,' complete Schedule R, Part I*	33		X
34	Was the organization related to any tax-exempt or taxable entity? *If 'Yes,' complete Schedule R, Part II, III, or IV, and Part V, line 1*	34		X
35 a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a		X
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If 'Yes,' complete Schedule R, Part V, line 2*	35b		
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If 'Yes,' complete Schedule R, Part V, line 2*	36		X
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If 'Yes,' complete Schedule R, Part VI*	37		X
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? **Note.** All Form 990 filers are required to complete Schedule O.	38	X	

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response or note to any line in this Part V ☐

					Yes	No
1 a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable	1 a	18			
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable	1 b	0			
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			1 c	X	

Part V **Statements Regarding Other IRS Filings and Tax Compliance** *(continued)*

			Yes	No
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	**2a** 187		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?	**2b**	X	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to *e-file* (see instructions)			
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?	**3a**		X
b	If 'Yes,' has it filed a Form 990-T for this year? *If 'No' to line 3b, provide an explanation in Schedule O*	**3b**		
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	**4a**		X
b	If 'Yes,' enter the name of the foreign country: ►			
	See instructions for filing requirements for FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR).			
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	**5a**		X
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	**5b**		X
c	If 'Yes,' to line 5a or 5b, did the organization file Form 8886-T?	**5c**		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?	**6a**		X
b	If 'Yes,' did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	**6b**		
7	**Organizations that may receive deductible contributions under section 170(c).**			
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?	**7a**		X
b	If 'Yes,' did the organization notify the donor of the value of the goods or services provided?	**7b**		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	**7c**		X
d	If 'Yes,' indicate the number of Forms 8282 filed during the year	**7d**		
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	**7e**		X
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	**7f**		X
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	**7g**		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	**7h**		
8	**Sponsoring organizations maintaining donor advised funds.** Did a donor advised fund maintained by the sponsoring organization have excess business holdings at any time during the year?	**8**		
9	**Sponsoring organizations maintaining donor advised funds.**			
a	Did the sponsoring organization make any taxable distributions under section 4966?	**9a**		
b	Did the sponsoring organization make a distribution to a donor, donor advisor, or related person?	**9b**		
10	**Section 501(c)(7) organizations.** Enter:			
a	Initiation fees and capital contributions included on Part VIII, line 12	**10a**		
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	**10b**		
11	**Section 501(c)(12) organizations.** Enter:			
a	Gross income from members or shareholders	**11a**		
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.)	**11b**		
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?	**12a**		
b	If 'Yes,' enter the amount of tax-exempt interest received or accrued during the year	**12b**		
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**			
a	Is the organization licensed to issue qualified health plans in more than one state?	**13a**		
	Note. See the instructions for additional information the organization must report on Schedule O.			
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	**13b**		
c	Enter the amount of reserves on hand	**13c**		
14a	Did the organization receive any payments for indoor tanning services during the tax year?	**14a**		X
b	If 'Yes,' has it filed a Form 720 to report these payments? *If 'No,' provide an explanation in Schedule O*	**14b**		
15	Is the organization subject to the section 4960 tax on payment(s) of more than $1,000,000 in remuneration or excess parachute payment(s) during the year? If 'Yes,' see instructions and file Form 4720, Schedule N.	**15**		X
16	Is the organization an educational institution subject to the section 4968 excise tax on net investment income? If 'Yes,' complete Form 4720, Schedule O.	**16**		X

Part VI Governance, Management, and Disclosure *For each 'Yes' response to lines 2 through 7b below, and for a 'No' response to line 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.*

Check if Schedule O contains a response or note to any line in this Part VI X

Section A. Governing Body and Management

			Yes	No
1 a Enter the number of voting members of the governing body at the end of the tax year	1a	5		
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O.				
b Enter the number of voting members included in line 1a, above, who are independent	1b	5		
2 Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee? SEE SCHEDULE O	2		X	
3 Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors, or trustees, or key employees to a management company or other person?	3			X
4 Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4			X
5 Did the organization become aware during the year of a significant diversion of the organization's assets?	5			X
6 Did the organization have members or stockholders?	6			X
7 a Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a			X
b Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b			X
8 Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:				
a The governing body?	8a		X	
b Each committee with authority to act on behalf of the governing body?	8b			X
9 Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If 'Yes,' provide the names and addresses in Schedule O*	9			X

Section B. Policies *(This Section B requests information about policies not required by the Internal Revenue Code.)*

		Yes	No
10 a Did the organization have local chapters, branches, or affiliates?	10a		X
b If 'Yes,' did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	10b		
11 a Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	11a	X	
b Describe in Schedule O the process, if any, used by the organization to review this Form 990. SEE SCHEDULE O			
12 a Did the organization have a written conflict of interest policy? *If 'No,' go to line 13*	12a		X
b Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b		
c Did the organization regularly and consistently monitor and enforce compliance with the policy? *If 'Yes,' describe in Schedule O how this was done*	12c		
13 Did the organization have a written whistleblower policy?	13	X	
14 Did the organization have a written document retention and destruction policy?	14	X	
15 Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?			
a The organization's CEO, Executive Director, or top management official. SEE SCHEDULE O	15a	X	
b Other officers or key employees of the organization	15b		X
If 'Yes' to line 15a or 15b, describe the process in Schedule O (see instructions).			
16 a Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a		X
b If 'Yes,' did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	16b		

Section C. Disclosure

17 List the states with which a copy of this Form 990 is required to be filed ► AZ

18 Section 6104 requires an organization to make its Forms 1023 (1024 or 1024-A if applicable), 990, and 990-T (Section 501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.

☐ Own website ☒ Another's website ☒ Upon request ☐ Other *(explain in Schedule O)*

19 Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year. SEE SCHEDULE O

20 State the name, address, and telephone number of the person who possesses the organization's books and records ►

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Part VII **Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors**

Check if Schedule O contains a response or note to any line in this Part VII . . . . ☐

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1 a Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.
- List all of the organization's **current** key employees, if any. See instructions for definition of 'key employee.'
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than $100,000 from the organization and any related organizations.
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than $100,000 of reportable compensation from the organization and any related organizations.
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than $10,000 of reportable compensation from the organization and any related organizations.

List persons in the following order: individual trustees or directors; institutional trustees; officers; key employees; highest compensated employees; and former such persons.

☐ Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee.

(A) Name and Title	**(B)** Average hours per week (list any hours for related organizations below dotted line)	**(C)** Position (do not check more than one box, unless person is both an officer and a director/trustee) Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former	**(D)** Reportable compensation from the organization (W-2/1099-MISC)	**(E)** Reportable compensation from related organizations (W-2/1099-MISC)	**(F)** Estimated amount of other compensation from the organization and related organizations
(1) CANDACE OWENS DIRECTOR	3 0	X						0.	0.	0.
(2) GRETCHEN POVLSEN CHAIR	1 0	X		X				0.	0.	0.
(3) TED DWYER TREASURER	1 0	X		X				0.	0.	0.
(4) AL WHITE DIRECTOR	1 0	X						0.	0.	0.
(5) JOHN STIGMON DIRECTOR	1 0	X						0.	0.	0.
(6) ARMANDO BERNASCONI PRESIDENT & CEO	40 0			X				47,190.	0.	6,090.
(7)										
(8)										
(9)										
(10)										
(11)										
(12)										
(13)										
(14)										

Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees *(continued)*

(A) Name and title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position: Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former	(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
(15)										
(16)										
(17)										
(18)										
(19)										
(20)										
(21)										
(22)										
(23)										
(24)										
(25)										

	(D)	(E)	(F)
1 b Sub-total ►	47,190.	0.	6,090.
c Total from continuation sheets to Part VII, Section A ►	0.	0.	0.
d Total (add lines 1b and 1c) ►	47,190.	0.	6,090.

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ► 0

		Yes	No
3 Did the organization list any **former** officer, director, or trustee, key employee, or highest compensated employee on line 1a? *If 'Yes,' complete Schedule J for such individual*	3		X
4 For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than $150,000? *If 'Yes,' complete Schedule J for such individual*	4		X
5 Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? *If 'Yes,' complete Schedule J for such person*	5		X

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than $100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

(A) Name and business address	(B) Description of services	(C) Compensation

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 of compensation from the organization ► 0

Part VIII Statement of Revenue

Check if Schedule O contains a response or note to any line in this Part VIII . . . ☐

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514
Contributions, Gifts, Grants and Other Similar Amounts						
1a Federated campaigns	1a					
b Membership dues	1b					
c Fundraising events	1c					
d Related organizations	1d					
e Government grants (contributions)	1e	40,388.				
f All other contributions, gifts, grants, and similar amounts not included above	1f	35,218.				
g Noncash contributions included in lines 1a-1f: $		40,388.				
h **Total.** Add lines 1a-1f			75,606.			
Program Service Revenue		Business Code				
2a GROUP HOME ACTIVITIES		721310	1,905,741.	1,905,741.		
b TONER CARTRIDGE SALES		453000	1,246,444.	1,246,444.		
c CLIENT WORK ACTIVITIES		453000	680,525.	680,525.		
d MISC INCOME		900099	8,045.	8,045.		
e						
f All other program service revenue						
g **Total.** Add lines 2a-2f			3,840,755.			
Other Revenue						
3 Investment income (including dividends, interest and other similar amounts)			35.			35.
4 Income from investment of tax-exempt bond proceeds						
5 Royalties						
	(i) Real	(ii) Personal				
6a Gross rents						
b Less: rental expenses						
c Rental income or (loss)						
d Net rental income or (loss)						
	(i) Securities	(ii) Other				
7a Gross amount from sales of assets other than inventory						
b Less: cost or other basis and sales expenses						
c Gain or (loss)						
d Net gain or (loss)						
8a Gross income from fundraising events (not including $ ______ of contributions reported on line 1c). See Part IV, line 18	a					
b Less: direct expenses	b					
c Net income or (loss) from fundraising events						
9a Gross income from gaming activities. See Part IV, line 19	a					
b Less: direct expenses	b					
c Net income or (loss) from gaming activities						
10a Gross sales of inventory, less returns and allowances	a					
b Less: cost of goods sold	b					
c Net income or (loss) from sales of inventory						
Miscellaneous Revenue		Business Code				
11a						
b						
c						
d All other revenue						
e **Total.** Add lines 11a-11d						
12 **Total revenue.** See instructions			3,916,396.	3,840,755.	0.	35.

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A).

Check if Schedule O contains a response or note to any line in this Part IX ☐

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to domestic organizations and domestic governments. See Part IV, line 21				
2 Grants and other assistance to domestic individuals. See Part IV, line 22				
3 Grants and other assistance to foreign organizations, foreign governments, and foreign individuals. See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	53,280.	0.	53,280.	0.
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0.	0.	0.	0.
7 Other salaries and wages	1,931,246.	1,829,947.	101,299.	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)				
9 Other employee benefits	65,950.	9,295.	56,655.	
10 Payroll taxes	167,287.	155,892.	11,395.	
11 Fees for services (non-employees):				
a Management				
b Legal	12,128.	1,230.	10,898.	
c Accounting	14,789.		14,789.	
d Lobbying				
e Professional fundraising services. See Part IV, line 17				
f Investment management fees				
g Other. (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O.)	37,061.	30,340.	6,721.	
12 Advertising and promotion	12,462.	8,649.	3,813.	
13 Office expenses	15,317.	11,674.	3,643.	
14 Information technology	24,916.	20,393.	4,523.	
15 Royalties				
16 Occupancy	381,493.	333,154.	48,339.	
17 Travel	60,180.	51,328.	8,852.	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	3,058.	3,028.	30.	
20 Interest	15,731.		15,731.	
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	99,373.	79,499.	19,874.	
23 Insurance	31,159.		31,159.	
24 Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O.)				
a COST OF SALES	1,002,010.	1,001,974.	36.	
b FOOD	34,798.	31,441.	3,357.	
c OFFICE SUPPLIES	23,977.	3,817.	20,160.	
d SUPPLIES	18,133.	15,336.	2,797.	
e All other expenses	51,987.	28,615.	23,372.	
25 **Total functional expenses.** Add lines 1 through 24e	4,056,335.	3,615,612.	440,723.	0.
26 **Joint costs.** Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here ► ☐ if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

Check if Schedule O contains a response or note to any line in this Part X . . . ☐

				(A) Beginning of year		(B) End of year
Assets	1	Cash — non-interest-bearing		11,464.	1	34,846.
	2	Savings and temporary cash investments		5.	2	15,007.
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		405,578.	4	296,510.
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L			5	
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions). Complete Part II of Schedule L			6	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		7,858.	8	8,562.
	9	Prepaid expenses and deferred charges			9	
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a 711,802.			
	b	Less: accumulated depreciation	10b 299,001.	434,013.	10c	412,801.
	11	Investments — publicly traded securities			11	
	12	Investments — other securities. See Part IV, line 11			12	
	13	Investments — program-related. See Part IV, line 11			13	
	14	Intangible assets		24,860.	14	7,969.
	15	Other assets. See Part IV, line 11		30,230.	15	36,362.
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		914,008.	16	812,057.
Liabilities	17	Accounts payable and accrued expenses		54,697.	17	88,503.
	18	Grants payable			18	
	19	Deferred revenue		45,593.	19	61,920.
	20	Tax-exempt bond liabilities			20	
	21	Escrow or custodial account liability. Complete Part IV of Schedule D			21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L		44,548.	22	39,015.
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties		192,000.	24	246,000.
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D		95,060.	25	34,448.
	26	**Total liabilities.** Add lines 17 through 25		431,898.	26	469,886.
Net Assets or Fund Balances		**Organizations that follow SFAS 117 (ASC 958), check here ► ☒ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		482,110.	27	342,171.
	28	Temporarily restricted net assets			28	
	29	Permanently restricted net assets			29	
		Organizations that do not follow SFAS 117 (ASC 958), check here ► ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building, or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		482,110.	33	342,171.
	34	Total liabilities and net assets/fund balances		914,008.	34	812,057.

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response or note to any line in this Part XI ☐

1	Total revenue (must equal Part VIII, column (A), line 12)	1	3,916,396.
2	Total expenses (must equal Part IX, column (A), line 25)	2	4,056,335.
3	Revenue less expenses. Subtract line 2 from line 1	3	-139,939.
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	482,110.
5	Net unrealized gains (losses) on investments	5	
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	0.
10	Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	342,171.

Part XII Financial Statements and Reporting

Check if Schedule O contains a response or note to any line in this Part XII ☐

			Yes	No
1	Accounting method used to prepare the Form 990: ☐ Cash ☒ Accrual ☐ Other If the organization changed its method of accounting from a prior year or checked 'Other,' explain in Schedule O.			
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?	2a	X	
	If 'Yes,' check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both: ☒ Separate basis ☐ Consolidated basis ☐ Both consolidated and separate basis			
b	Were the organization's financial statements audited by an independent accountant?	2b		X
	If 'Yes,' check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both: ☐ Separate basis ☐ Consolidated basis ☐ Both consolidated and separate basis			
c	If 'Yes' to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant?	2c		X
	If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O.			
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a		X
b	If 'Yes,' did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	3b		

Appendix 4

INTERNAL REVENUE SERVICE
P. O. BOX 2508
CINCINNATI, OH 45201

DEPARTMENT OF THE TREASURY

Date: APR 26 2001

QUALITY CONNECTIONS
C/O MELISSA SETREN
111 N AZTEC
FLAGSTAFF, AZ 86001

Employer Identification Number:
86-1000271
DLN:
17053095045021
Contact Person:
ZENIA LUK ID# 31522
Contact Telephone Number:
(877) 829-5500
Accounting Period Ending:
December 31
Form 990 Required:
Yes
Addendum Applies:
No

Dear Applicant:

Based on information supplied, and assuming your operations will be as stated in your application for recognition of exemption, we have determined you are exempt from federal income tax under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3).

We have further determined that you are not a private foundation within the meaning of section 509(a) of the Code, because you are an organization described in sections 509(a)(1) and 170(b)(1)(A)(vi).

If your sources of support, or your purposes, character, or method of operation change, please let us know so we can consider the effect of the change on your exempt status and foundation status. In the case of an amendment to your organizational document or bylaws, please send us a copy of the amended document or bylaws. Also, you should inform us of all changes in your name or address.

As of January 1, 1984, you are liable for taxes under the Federal Insurance Contributions Act (social security taxes) on remuneration of $100 or more you pay to each of your employees during a calendar year. You are not liable for the tax imposed under the Federal Unemployment Tax Act (FUTA).

Since you are not a private foundation, you are not subject to the excise taxes under Chapter 42 of the Code. However, if you are involved in an excess benefit transaction, that transaction might be subject to the excise taxes of section 4958. Additionally, you are not automatically exempt from other federal excise taxes. If you have any questions about excise, employment, or other federal taxes, please contact your key district office.

Grantors and contributors may rely on this determination unless the Internal Revenue Service publishes notice to the contrary. However, if you lose your section 509(a)(1) status, a grantor or contributor may not rely on this determination if he or she was in part responsible for, or was aware of, the act or failure to act, or the substantial or material change on the

QUALITY CONNECTIONS

part of the organization that resulted in your loss of such status, or if he or she acquired knowledge that the Internal Revenue Service had given notice that you would no longer be classified as a section 509(a)(1) organization.

Donors may deduct contributions to you as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to you or for your use are deductible for federal estate and gift tax purposes if they meet the applicable provisions of Code sections 2055, 2106, and 2522.

Contribution deductions are allowable to donors only to the extent that their contributions are gifts, with no consideration received. Ticket purchases and similar payments in conjunction with fundraising events may not necessarily qualify as deductible contributions, depending on the circumstances. See Revenue Ruling 67-246, published in Cumulative Bulletin 1967-2, on page 104, which sets forth guidelines regarding the deductibility, as charitable contributions, of payments made by taxpayers for admission to or other participation in fundraising activities for charity.

In the heading of this letter we have indicated whether you must file Form 990, Return of Organization Exempt From Income Tax. If Yes is indicated, you are required to file Form 990 only if your gross receipts each year are normally more than $25,000. However, if you receive a Form 990 package in the mail, please file the return even if you do not exceed the gross receipts test. If you are not required to file, simply attach the label provided, check the box in the heading to indicate that your annual gross receipts are normally $25,000 or less, and sign the return.

If a return is required, it must be filed by the 15th day of the fifth month after the end of your annual accounting period. A penalty of $20 a day is charged when a return is filed late, unless there is reasonable cause for the delay. However, the maximum penalty charged cannot exceed $10,000 or 5 percent of your gross receipts for the year, whichever is less. For organizations with gross receipts exceeding $1,000,000 in any year, the penalty is $100 per day per return, unless there is reasonable cause for the delay. The maximum penalty for an organization with gross receipts exceeding $1,000,000 shall not exceed $50,000. This penalty may also be charged if a return is not complete, so be sure your return is complete before you file it.

You are required to make your annual information return, Form 990 or Form 990-EZ, available for public inspection for three years after the later of the due date of the return or the date the return is filed. You are also required to make available for public inspection your exemption application, any supporting documents, and your exemption letter. Copies of these documents are also required to be provided to any individual upon written or in person request without charge other than reasonable fees for copying and postage. You may fulfill this requirement by placing these documents on the Internet. Penalties may be imposed for failure to comply with these requirements. Additional information is available in Publication 557, Tax-Exempt Status for Your Organization, or you may call our toll free number shown above.

QUALITY CONNECTIONS

You are not required to file federal income tax returns unless you are subject to the tax on unrelated business income under section 511 of the Code. If you are subject to this tax, you must file an income tax return on Form 990-T, Exempt Organization Business Income Tax Return. In this letter we are not determining whether any of your present or proposed activities are unrelated trade or business as defined in section 513 of the Code.

You need an employer identification number even if you have no employees. If an employer identification number was not entered on your application, a number will be assigned to you and you will be advised of it. Please use that number on all returns you file and in all correspondence with the Internal Revenue Service.

If we have indicated in the heading of this letter that an addendum applies, the enclosed addendum is an integral part of this letter.

Because this letter could help resolve any questions about your exempt status and foundation status, you should keep it in your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours,

Steven T. Miller
Director, Exempt Organizations