

**CORNERSTONE FAMILY PROGRAMS  
AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2020 AND 2019



**SOBEL & CO. LLC**

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

**CORNERSTONE FAMILY PROGRAMS  
AND SUBSIDIARY**

DECEMBER 31, 2020 AND 2019

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Cornerstone Family Programs and Subsidiary  
Morristown, New Jersey

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Cornerstone Family Programs and Subsidiary ("Cornerstone"), a New Jersey nonprofit organization, which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to Cornerstone's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Cornerstone's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cornerstone Family Programs and Subsidiary as of December 31, 2020, and the consolidated changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedules of expenditures of federal and state awards, shown on pages 24 and 25, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey Office of Management and Budget Circular Letter 15-08, are presented for purposes of additional analysis and are not required parts of the consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report, dated September 9, 2021, on our consideration of Cornerstone's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cornerstone's internal control over financial reporting and compliance.

#### **Report on Summarized, Comparative Information**

We have previously audited Cornerstone's 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those consolidated audited financial statements in our report dated June 11, 2020. In our opinion, the summarized, comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the consolidated audited financial statements from which it has been derived.

Livingston, New Jersey  
September 9, 2021

*Sobel & Co, LLC*

Certified Public Accountants



**CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

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	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash	\$ 270,513	\$ 256,040
Investments, at fair value	6,690,413	6,761,984
Grants receivable	279,931	243,381
Accounts receivable	138,062	69,007
Contributions receivable	71,697	64,900
Prepaid expenses	35,524	41,206
Total Current Assets	<u>7,486,140</u>	<u>7,436,518</u>
OTHER ASSETS:		
Beneficial interest in remainder trust	51,467	50,561
Property and equipment, net	2,607,251	2,727,486
Security deposits	11,050	11,050
Total Assets	<u>\$ 10,155,908</u>	<u>\$ 10,225,615</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 141,200	\$ 258,227
Line of credit	150,000	-
Deferred revenue	3,200	-
Refundable advance	619,040	-
Mortgage payable, current	24,402	23,359
Total Current Liabilities	<u>937,842</u>	<u>281,586</u>
LONG-TERM LIABILITIES:		
Mortgage payable, net of current portion	642,192	666,591
Total Liabilities	<u>1,580,034</u>	<u>948,177</u>
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Without donor restrictions	8,214,277	8,916,604
With donor restrictions	361,597	360,834
Total Net Assets	<u>8,575,874</u>	<u>9,277,438</u>
	<u>\$ 10,155,908</u>	<u>\$ 10,225,615</u>

**CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES  
IN NET ASSETS.**

**YEAR ENDED DECEMBER 31, 2020**

**(With Summarized, Comparative Totals for the Year Ended December 31, 2019)**

	2020			2019
	Without Donor Restriction	With Donor Restrictions	Total	
<b>EARNED REVENUE AND SUPPORT:</b>				
County grants and contracts	\$ 271,161	\$ -	\$ 271,161	\$ 523,672
Child care state reimbursement	1,291,149	-	1,291,149	1,160,109
Federal and state grants	678,386	-	678,386	351,808
Program fees	203,523	-	203,523	896,703
Contributions, grants and bequests	1,311,049	1,000	1,312,049	1,274,454
Special events gross revenue	343,816	-	343,816	520,485
United Way	-	-	-	22,700
Miscellaneous	5,769	-	5,769	28,642
<b>OTHER REVENUE:</b>				
Investment income, net	51,421	4,004	55,425	64,281
Net realized and unrealized gain on investments	14,589	15,790	30,379	383,202
Change in value of split-interest agreements	-	906	906	7,767
Total Revenue and Support	4,170,863	21,700	4,192,563	5,233,823
Net Assets Released from Restrictions	20,937	(20,937)	-	-
<b>OPERATING EXPENSES:</b>				
Community services	4,038,432	-	4,038,432	4,004,307
Management and general	485,287	-	485,287	535,617
Development	370,408	-	370,408	511,155
Total Operating Expenses	4,894,127	-	4,894,127	5,051,079
CHANGES IN NET ASSETS	(702,327)	763	(701,564)	182,744
NET ASSETS - Beginning of year	8,916,604	360,834	9,277,438	9,094,694
NET ASSETS - End of year	\$ 8,214,277	\$ 361,597	\$ 8,575,874	\$ 9,277,438

**CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2020**  
(With Summarized, Comparative Totals For The Year Ended December 31, 2019)

	2020							Total 2020	Total 2019
	Community Services			Total	Supporting Services				
	Child and Adolescent	Adult Services	Senior Services		Management and General	Development	Total		
Salaries and Fringe Benefits:									
Salaries	\$ 1,890,854	\$ 176,026	\$ 280,397	\$ 2,347,277	\$ 212,453	\$ 246,847	\$ 459,300	\$ 2,806,577	\$ 2,722,523
Benefits	264,109	9,775	18,836	292,720	48,174	18,018	66,192	358,912	272,909
Payroll taxes and workers' compensation insurance	206,815	17,337	28,068	252,220	17,746	21,292	39,038	291,258	281,094
Total Salaries and Fringe Benefits	2,361,778	203,138	327,301	2,892,217	278,373	286,157	564,530	3,456,747	3,276,526
Operational Expense:									
Professional fees	162,711	10,802	17,639	191,152	94,064	11,858	105,922	297,074	274,226
Office supplies	7,687	1,835	1,876	11,398	40,780	5,268	46,048	57,446	14,253
Licensing and affiliation dues	8,890	-	-	8,890	269	-	269	9,159	-
Equipment rental and maintenance	-	-	-	-	-	-	-	-	50,444
Telephone	26,169	1,035	3,643	30,847	7,491	2,012	9,503	40,350	25,598
Postage	2,577	215	1,293	4,085	372	1,921	2,293	6,378	7,846
Rent	43,773	2482	8,202	54,457	13,080	1,440	14,520	68,977	62,637
Utilities	50,549	1,569	464	52,582	2,404	2,589	4,993	57,575	63,895
Repairs and maintenance	117,552	3,201	3,716	124,469	26,021	4,607	30,628	155,097	141,372
Insurance	55,997	3,723	23,404	83,124	1,833	3,535	5,368	88,492	88,834
Total Operational Expense	475,905	24,862	60,237	561,004	186,314	33,230	219,544	780,548	729,105
Program expense	205,030	5,203	38,495	248,728	2,651	4,093	6,744	255,472	473,381
Scholarships	20,937	-	-	20,937	-	-	-	20,937	23,643
Financing and bank fees	35,212	500	40	35,752	4,730	8,146	12,876	48,628	59,710
Education and travel	960	297	9	1,266	5,758	627	6,385	7,651	24,507
In-kind expenses	33,661	89,591	-	123,252	-	-	-	123,252	144,466
Other expenses	5,215	-	-	5,215	-	-	-	5,215	20,019
Total Expenses Before Depreciation and Special Events	776,920	120,453	98,781	996,154	199,453	46,096	245,549	1,241,703	1,474,831
Depreciation	145,507	1,849	2,705	150,061	7,461	7,461	14,922	164,983	190,766
Special Events	-	-	-	-	-	30,694	30,694	30,694	108,956
Total Expenses	\$ 3,284,205	\$ 325,440	\$ 428,787	\$ 4,038,432	\$ 485,287	\$ 370,408	\$ 855,695	\$ 4,894,127	\$ 5,051,079

The accompanying notes are an integral part of these consolidated financial statements.

**CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Year Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS PROVIDED BY (USED FOR):</b>		
<u>OPERATING ACTIVITIES:</u>		
Changes in net assets	\$ (701,564)	\$ 182,744
Adjustments to reconcile changes in net assets to net cash (used for) provided by operating activities:		
Depreciation	164,983	190,766
Unrealized losses (gains) on investments	48,041	(389,242)
Realized (gains) loss on investments	(78,420)	6,040
Changes in certain assets and liabilities:		
Grants receivable	(36,550)	36,973
Accounts receivable	(69,055)	(34,792)
Contributions receivable	(6,797)	(2,129)
Prepaid expenses	5,682	(8,372)
Beneficial interest in remainder trust	(906)	(7,767)
Accounts payable and accrued expenses	(117,027)	79,220
Refundable advance	619,040	-
Deferred revenue	3,200	-
Net Cash (Used for) Provided by Operating Activities	<u>(169,373)</u>	<u>53,441</u>
<u>INVESTING ACTIVITIES:</u>		
Purchase of equipment	(44,748)	(362,870)
Proceeds from sale of investments	6,506,577	6,562,278
Purchase of investments	(6,404,627)	(6,024,146)
Net Cash Provided by Investing Activities	<u>57,202</u>	<u>175,262</u>
<u>FINANCING ACTIVITIES:</u>		
Draws on line of credit	150,000	317,000
Payments on line of credit	-	(317,000)
Principal payments on mortgage payable	(23,356)	(22,507)
Net Cash Provided by (Used for) Financing Activities	<u>126,644</u>	<u>(22,507)</u>
<b>NET INCREASE IN CASH</b>	<b>14,473</b>	<b>206,196</b>
<b>CASH:</b>		
Beginning of year	256,040	49,844
End of year	<u>\$ 270,513</u>	<u>\$ 256,040</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:</b>		
Cash paid during the year for interest	<u>\$ 27,627</u>	<u>\$ 33,928</u>

**CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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**NOTE 1 - NATURE OF ORGANIZATION:**

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Cornerstone Family Programs is a private, not-for-profit organization dedicated to strengthening communities by helping people build better lives. Through our programs, most notably The Morristown Neighborhood House, we provide opportunities to over 6,000 children, families, and seniors in greater Morris County. Our children's programs include pre-school, before and after school, summer camp, recreation and more. Our Teen Pathways to Brighter Futures support teens through comprehensive college prep, workforce development, social, and recreation programs. For families and adults, we offer workforce, language, and support programs. Our Adult Day Centers keep seniors safe and support caregivers. Our Operation Sisterhood program, the only female veteran run program for female veterans, addresses the unique needs of female veterans. We partner with our neighbors to build better and stronger communities.

The Board of Directors sets direction and develops resources to support the programs of Cornerstone Family Programs while professional staff and volunteers carry out such programs. Funding for the support of Cornerstone Family Programs is primarily generated through public grants and contracts, client service fee revenue, and contributions from individuals, corporations, and foundations.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

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***Principles of Consolidation:***

The consolidated financial statements include the accounts of Cornerstone Family Programs and Morristown Neighborhood House Association, Inc. ("MNHA"), (collectively, "Cornerstone"). Intercompany transactions and balances have been eliminated upon consolidation.

***Comparative Information:***

The consolidated financial statements include certain prior-year, summarized, comparative information in total but not by net asset class or by functional expense category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Cornerstone's consolidated financial statements for the year ended December 31, 2019, from which the summarized information was derived.

***Basis of Accounting:***

The consolidated financial statements of Cornerstone have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

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***Financial Statement Presentation:***

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Cornerstone and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Cornerstone and/or the passage of time. Also, other net assets subject to donor-imposed stipulations that they be maintained permanently by Cornerstone. Generally, the donors of these assets permit Cornerstone to use all or part of the income earned on any related investments for general or specific purposes. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

***Cash:***

Cash consists of cash in noninterest-bearing bank accounts, as well as, interest-bearing money market accounts held by investment brokerage firms.

***Fair Value:***

Fair value measurements are defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are three defined hierarchical levels based on the quality of inputs used that directly relate to the amount of subjectivity associated with the determination of fair value. The fair value hierarchy defines the three levels as follows:

**Level 1:** Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

**Level 2:** Valuations based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

**Level 3:** Valuations based on unobservable inputs when little or no market is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

**CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

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***Fair Value: (Continued)***

The fair value of investments is summarized as follows:

Mutual funds – valued at the net asset value of shares held by Cornerstone at year-end.

Exchange-traded funds – valued at the net asset value of shares held by Cornerstone at year-end.

U.S. treasury bonds – Valued based upon a modeled bid evaluation pricing estimate for comparable instruments.

Equity securities – shares in companies traded on national securities exchanges are valued at the closing price reported in the active market in which the individual securities are traded.

***Investments:***

Interest and dividend income is presented net of investment advisory/management fees and is reflected as investment income in the accompanying consolidated statement of activities and changes in net assets. Investment advisory/management fees amounted to approximately \$14,000 for the years ended December 31, 2020 and 2019, respectively. All investment income is credited to net assets without donor restrictions unless otherwise restricted by the donor. All capital appreciation/depreciation earned on investments is reported as a change in net assets without donor restrictions unless otherwise restricted by the donor. All investments are carried at fair value with the related gains and losses included in the consolidated statement of activities and changes in net assets.

***Grants Receivable:***

Grants receivable are stated at the amount management expects to collect from outstanding balances. Cornerstone charges uncollectible grants receivable to operations when determined to be uncollectible. There was no allowance for uncollectible grants receivable as of December 31, 2020 and 2019.

***Accounts Receivable:***

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Cornerstone charges uncollectible receivables to operations when determined to be uncollectible. There was no allowance for uncollectible accounts receivable as of December 31, 2020 and 2019.

**CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

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***Property and Equipment:***

Purchased property and equipment is capitalized at cost. The costs of additions and betterments are capitalized when they exceed \$1,000 and have a useful life of over three years. Donated assets are capitalized at fair value at time of receipt. Property and equipment are depreciated using the straight-line method over the estimated useful lives ranging from 3 to 15 years. Building and improvements are depreciated over 10 to 40 years. In the absence of donor-imposed restrictions on the use of an asset, gifts or long-lived assets are reported as unrestricted support. Maintenance, repairs, and minor replacements that do not improve or extend the life of an asset are expensed as incurred.

***Revenue Recognition:***

Cornerstone primarily derives its revenue from state financial assistance and program fees. Revenues are recognized when services are transferred to Cornerstone's clients in an amount that reflects the consideration Cornerstone expects to be entitled to in exchange for those services. For the performance obligation relating to child care state reimbursement and program fees, control transfers to the client over time as the services are provided to the client. Revenue under state financial assistance and program fees are recognized based on agreed-upon daily rates. There are no significant financing components or variable considerations provided to clients.

***Government Grants and Contributions:***

Revenue from government contracts is recognized when conditions under the agreements are met. Government contracts received in advance of their usage are classified as liabilities in the consolidated statements of financial position. During the years ended December 31, 2020 and 2019, there were no advances from government contracts. In applying this concept, the legal and contractual requirements of each individual contract are used as guidance.

Cornerstone recognizes contributions as revenue when they are received or unconditionally pledged and records these revenues as with or without donor-restricted support according to donor stipulations that limit the use of these assets due to time or purpose restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions.

**CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

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***In-kind Contributions:***

Cornerstone receives donated equipment and professional services that create or enhance nonfinancial assets and allow Cornerstone to fulfill its mission. Donated professional services are recognized if the services received: create or enhance long-lived assets or require specialized skills; are provided by individuals possessing those skills; and would typically need to be purchased if not provided by donation. Donations of tangible assets are recognized at fair market value when received. There were \$123,252 and \$144,466 of in-kind contributions for the years ended December 31, 2020 and 2019, respectively, which consist of donated goods. In-kind contributions are included in contributions, grants, and bequests on the consolidated statement of activities and changes in net assets, as well as, in-kind expenses on the consolidated statement of functional expenses.

Cornerstone also regularly receives services from volunteers who are not acting in a professional capacity; such volunteer services do not meet the criteria for financial statement recognition and are not included in the consolidated financial statements.

***Income Taxes:***

Cornerstone is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not liable for federal and state income taxes.

Cornerstone follows standards that provide clarification on accounting for uncertainty in income taxes recognized in Cornerstone's consolidated financial statements. The guidance prescribes a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken, or expected to be taken, in a tax return, and also provides guidance on derecognition, classification, interest and penalties, disclosure and transition. Cornerstone's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense. No interest and penalties were recorded during 2020 and 2019. At December 31, 2020 and 2019, there are no significant income tax uncertainties.

***Use of Estimates:***

In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

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***Recent Accounting Pronouncements:***

The Financial Accounting Standards Board (“FASB”) issued an accounting pronouncement, *Leases*, which requires lessees to recognize a right-of-use asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Under this new pronouncement, a modified retrospective transition approach or a cumulative-effect adjustment transition approach may be used, and the new standard is applied to all leases existing at the date of initial application. An entity may choose to use either (1) its effective date, or (2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. The standard is effective for annual periods beginning after December 15, 2021. Cornerstone is currently evaluating the effect the new standard will have on the financial statements.

***Subsequent Events:***

Cornerstone has evaluated its subsequent events and transactions occurring after December 31, 2020 through September 9, 2021, the date that the consolidated financial statements were available to be issued.

Cornerstone obtained a second Paycheck Protection Program loan under the CARES Act in February 2021 for approximately \$724,000. This loan is to provide Cornerstone with working capital for the purpose of maintaining employment levels and paying occupancy costs during a stay-at-home period ordered by the governor of New Jersey. Cornerstone may receive partial or full forgiveness of the debt if it maintains its employee count, as well as salary levels, during such specified period. Any portion of the loan that is not forgiven must be repaid. The loan is uncollateralized and guaranteed by the Small Business Administration.

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**NOTE 3 - INVESTMENTS:**

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Investments are valued as follows:

**FAIR VALUE MEASUREMENTS**  
**AS OF DECEMBER 31, 2020**

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Cash	\$ 4,452,503	\$ -	\$ -	\$ 4,452,503
Mutual funds	1,031,464	-	-	1,031,464
Exchange-traded funds	326,493	-	-	326,493
U.S. treasury bonds	34,081	-	-	34,081
Equities	845,872	-	-	845,872
	\$ 6,690,413	\$ -	\$ -	\$ 6,690,413

**CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 3 - INVESTMENTS: (Continued)**

**FAIR VALUE MEASUREMENTS**  
**AS OF DECEMBER 31, 2019**

	<b>LEVEL 1</b>	<b>LEVEL 2</b>	<b>LEVEL 3</b>	<b>TOTAL</b>
Cash	\$ 68,405	\$ -	\$ -	\$ 68,405
Mutual funds	1,061,951	-	-	1,061,951
Exchange-traded funds	148,048	-	-	148,048
U.S. treasury bonds	4,637,529	-	-	4,637,529
Equities	846,051	-	-	846,051
	<u>\$ 6,761,984</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,761,984</u>

**NOTE 4 - GRANTS RECEIVABLE:**

Grants receivable are comprised of the following:

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
County	\$ 173,725	\$ 96,564
State	106,206	109,297
Private	-	37,520
Grants receivable	<u>\$ 279,931</u>	<u>\$ 243,381</u>

**NOTE 5 - ACCOUNTS RECEIVABLE:**

Accounts receivable are comprised of the following:

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
ADC client fees	\$ 137,747	\$ 23,166
MNH parent fees	-	44,227
Other	315	1,614
Accounts Receivable	<u>\$ 138,062</u>	<u>\$ 69,007</u>

**CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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**NOTE 6 - BENEFICIAL INTEREST IN REMAINDER TRUST:**

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A grantor established a charitable remainder trust in December 2000, naming Cornerstone as one of its beneficiaries. Under the split-interest agreement, when the trust is terminated at the grantor's death, the remaining trust assets will be distributed to Cornerstone. The present value of future benefits expected to be received by Cornerstone was calculated over the grantor's life expectancy as of the date of the gift. The change in the present value from year to year was an increase of \$906 and a decrease of \$7,767 for the years ended December 31, 2020 and 2019, respectively. Both of these are shown as the change in the value of split-interest agreements on the accompanying consolidated statement of activities and changes in net assets. The beneficial interest in remainder trust is \$51,467 and \$50,561 as of December 31, 2020 and 2019, respectively, as shown on the accompanying consolidated statements of financial position.

**NOTE 7 - PROPERTY AND EQUIPMENT:**

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Property and equipment is as follows:

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Land	\$ 250,000	\$ 250,000
Building and improvements	3,227,545	3,176,948
Equipment	430,257	436,105
Furniture and fixtures	109,595	109,595
	<u>4,017,397</u>	<u>3,972,648</u>
Less: Accumulated depreciation	(1,410,146)	(1,245,162)
Property and Equipment, Net	<u>\$ 2,607,251</u>	<u>\$ 2,727,486</u>

**NOTE 8 - REFUNDABLE ADVANCE:**

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Cornerstone obtained a Paycheck Protection Program ("PPP") loan under the CARES Act in May 2020 for approximately, \$619,000. The loan is to provide Cornerstone with working capital for the purpose of maintaining employment levels and paying occupancy costs during a stay-at-home period ordered by the governor of New Jersey. Paycheck Protection Program loans may be forgiven in part or in whole if the borrower maintains its employee count, as well as salary levels, during a specified period.

Any portion of the loan that is not forgiven must be repaid. Loan payments, if any, are deferred under the PPP Flexibility Act, which extends the deferral period until the date the lender receives the applicable forgiven amount from the Small Business Administration, which is not to exceed 10 months after the covered period, and are payable with interest at 1%, through 2022. The loan is uncollateralized and guaranteed by the Small Business Administration.

**CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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**NOTE 8 - REFUNDABLE ADVANCE: (Continued)**

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Cornerstone’s policy is to record the proceeds from the PPP loan as a conditional government grant through refundable advances. Once the conditions of release have been substantially met or explicitly waived, the conditions of this grant will have been satisfied and Cornerstone will recognize the grant revenue. The Organization formally received full forgiveness in August 2021.

**NOTE 9 - MORTGAGES PAYABLE:**

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On July 22, 2014, Cornerstone obtained a term loan of \$800,000 secured by real property of MNHA. Under the agreement, the loan is to be repaid over 25 years with monthly payments of \$4,249, including principal and interest at 4.000%. The interest rate can be adjusted on August 1, 2024, 2029, and 2034, and will be determined by adding 2.125% to the current index (weekly average yield on United States Treasury Securities adjusted to a constant maturity of five years, as made available by the Federal Reserve Board).

Principal amounts due under the above obligation mature as follows:

<b>Year Ending</b> <b><u>December 31,</u></b>		
2021	\$	24,402
2022		25,411
2023		26,461
2024		27,487
2025		28,690
Thereafter		<u>558,545</u>
		690,996
Less: Short-term maturities		<u>(24,402)</u>
Long-term maturities	\$	<u><u>666,594</u></u>

**CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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**NOTE 10 - NET ASSETS WITHOUT DONOR RESTRICTIONS:**

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Net assets without donor restrictions are comprised of the following:

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Operations	\$ 1,834,001	\$ 2,460,978
Board-designated:		
Endowment	1,949,875	1,907,017
Board-approved Future Initiatives	4,430,401	4,548,609
	<u>\$ 8,214,277</u>	<u>\$ 8,916,604</u>

In 2019, the Board approved distribution of approximately \$402,000 for renovations and improvements at the Morristown Neighborhood House. In addition, the Board approved a distribution of approximately \$150,000 and \$88,000 to support general expenditures during the year ended December 31, 2020 and 2019, respectively.

**NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS:**

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The following net assets with donor restrictions are available for the following purposes:

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
“Plays for Living” series	\$ 27,493	\$ 24,685
Scholarships	274,138	273,883
Split-interest agreement	51,461	50,561
Morris Art	-	3,200
Total subject to expenditure for time or specified purpose	353,092	352,329
Restricted-in-perpetuity Endowment	8,505	8,505
	<u>\$ 361,597</u>	<u>\$ 360,834</u>

Net assets released from time and use restrictions for the years ended December 31, 2020 and 2019, amounted to \$20,937 and \$11,473, respectively, and are reflected on the accompanying consolidated statements of activities and changes in net assets.

**CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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**NOTE 12 - ENDOWMENT FUNDS:**

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***Donor-restricted Endowment:***

Cornerstone's net assets associated with the endowment consist of three separate funds. These funds include donor-restricted funds functioning as endowment funds. Net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions. Cornerstone's net assets with donor restrictions are restricted for the following purposes:

Income earned on the investment held in the scholarship account is restricted for the purpose of granting scholarships by Cornerstone. As specified by the donor, a minimum balance of \$5,955 is to be maintained in perpetuity. At December 31, 2020 and 2019, the fair market value of the investment, which includes net appreciation and income reinvested, was \$40,647 and \$35,237, respectively.

Income earned on the investment held in the Doane Memorial account is restricted for the purpose of purchasing books for use by Cornerstone. As specified by the donor, a minimum balance of \$750 is to be maintained in perpetuity. At December 31, 2020 and 2019, the fair market value of the investment was \$754.

Income earned on the investment held in the Fritschman Memorial account is restricted for the purpose of sponsoring the "Plays for Living" series in the community once a year. As specified by the donor, a minimum balance of \$1,800 is to be maintained in perpetuity. At December 31, 2020 and 2019, the fair market value of the investment which includes net appreciation and income reinvested was \$29,293 and \$26,485, respectively.

The endowment accounts have been specified by the donors to hold a specified minimum balance in perpetuity. However, from time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). Cornerstone has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") to permit spending from underwater endowments in accordance with prudent measures required under law. There were no deficits for the years ended December 31, 2020 and 2019.

The Board of Directors' interpretation requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this, Cornerstone classifies as donor-restricted net assets, the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in net assets restricted in perpetuity is classified as net assets with donor restrictions restricted for a purpose until those amounts are appropriated for expenditure by Cornerstone.

**CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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**NOTE 12 - ENDOWMENT FUNDS: (Continued)**

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***Donor-restricted Endowment: (Continued)***

Cornerstone considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the programs
- (2) The purposes of Cornerstone and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of Cornerstone
- (7) The investment policies of Cornerstone

***Board-designated Endowment:***

The Board of Directors has designated two separate investment accounts as endowment funds. The Board of Directors' primary objective is to add value and minimize risk in managing the assets of the fund while providing a hedge against inflation into the future. It is the intent of the Board of Directors to maintain the endowment and utilize the total return (income plus capital change) to further the mission of Cornerstone. In recognition of the prudence required of fiduciaries, reasonable diversification of quality investment securities will be sought where possible, knowing that fluctuating rates of return are a characteristic of the investment market and performance cycles cannot be accurately predicted. The funds may be held in individual securities or mutual funds, may be comprised of domestic and international securities, and will be further diversified into asset classes by their market capitalization.

Cornerstone may distribute up to 5% of the endowment investment portfolio value each year, as approved by the Finance Committee. Distributions will be paid and performance will be measured on the basis of average endowment values at the start of each year for the previous five years. The base on which the payouts are calculated will add the most recent year-end valuation and delete the earliest year-end valuation so that a five-year rolling average is maintained.

**CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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**NOTE 12 - ENDOWMENT FUNDS: (Continued)**

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As of December 31, 2020 and 2019, Cornerstone had the following endowment net asset composition by type of fund:

	<b>December 31, 2020</b>		
	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
Board-designated endowment funds	\$ 1,949,875	\$ -	\$ 1,949,875
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	8,505	8,505
Accumulated investment gains	-	61,435	61,435
December 31, 2020, net endowment assets	<u>\$ 1,949,875</u>	<u>\$ 69,940</u>	<u>\$ 2,019,815</u>

	<b>December 31, 2019</b>		
	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
Board-designated endowment funds	\$ 1,907,017	\$ -	\$ 1,907,017
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	8,505	8,505
Accumulated investment gains	-	53,967	53,967
December 31, 2019, net endowment assets	<u>\$ 1,907,017</u>	<u>\$ 62,472</u>	<u>\$ 1,969,489</u>

**CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 12 - ENDOWMENT FUNDS: (Continued)**

Changes in endowment net assets for the years ended December 31, 2020 and 2019, are as follows:

	<b>Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, December 31, 2019	\$ 1,907,017	\$ 62,472	\$ 1,969,489
Investment return, net	42,858	7,468	50,326
Appropriation of endowment assets pursuant to spending-rate policy	-	-	-
Endowment net assets, December 31, 2020	<u>\$ 1,949,875</u>	<u>\$ 69,940</u>	<u>\$ 2,019,815</u>

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, December 31, 2018	\$ 1,729,560	\$ 51,639	\$ 1,781,199
Investment return, net	276,911	10,837	287,748
Appropriation of endowment assets pursuant to spending-rate policy	(99,454)	(4)	(99,458)
Endowment net assets, December 31, 2019	<u>\$ 1,907,017</u>	<u>\$ 62,472</u>	<u>\$ 1,969,489</u>

**NOTE 13 - LINE OF CREDIT:**

Cornerstone has a \$300,000 line of credit, which automatically renews. Bank advances on the credit line are payable on demand and carry an interest rate equal to Valley National Bank's prime rate (5.125% and 5.875% at December 31, 2020 and 2019, respectively). At December 31, 2020, the balance on the line amounted to \$150,000. There was no outstanding balance at December 31, 2019. The line of credit is secured by all assets at 12 Flagler St., Morristown, New Jersey, with a net book value of approximately \$2.7 million.

**NOTE 14 - RETIREMENT PLAN:**

Cornerstone maintains a 403(b) thrift plan (classified as a defined-contribution plan). Cornerstone may elect to make discretionary contributions to the plan. There were no contributions made by Cornerstone for the years ended December 31, 2020 and 2019.

**CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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**NOTE 15 - OPERATING LEASES:**

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Cornerstone leases certain space relative to its operations and office equipment under operating leases expiring at various times through 2023. Cornerstone is obligated for future minimum lease payments under all leases, as follows:

<u>Year Ended</u>	<u>Amount</u>
2021	\$ 125,917
2022	119,958
2023	53,618
	<u>\$ 299,493</u>

Lease expense, for space related to operations, and equipment rental and maintenance, was \$119,960 and \$123,548, respectively, for the years ended December 31, 2020 and 2019. Lease expenses are included in the equipment rental and maintenance, rent, and repairs and maintenance expenses on the consolidated statement of functional expenses.

**NOTE 16 - CONCENTRATIONS OF CREDIT RISK AND UNCERTAINTIES:**

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Cornerstone receives a large portion of its funding from various federal, state and local governmental agencies. The operations of Cornerstone are subject to the administrative directives, rules and regulations of state and local regulatory agencies. Such administrative directives, rules and regulations are subject to changes that may occur because of inadequate funding with little notice to pay for the related costs, including the additional administrative burden, to comply with a change.

Cornerstone is subject to audits by certain federal and state awarding agencies which may result in findings based on various issues. Anticipation of potential audit results is currently not determinable. Accordingly, no accruals have been recorded in the consolidated financial statements for any adjustments that might be required based on such audits.

Cornerstone maintains cash balances at one financial institution. These balances are insured by the Federal Deposit Insurance Corporation.

Cornerstone is actively monitoring the recent COVID-19 outbreak and its potential impact on the employees, volunteers, donors, clients, and operations. It is not known at this time how much effect the virus will have on operations and/or financial results. The potential impact of COVID-19 is not foreseeable due to various uncertainties, including the severity of the disease, the duration of the outbreak, and actions that may be taken by governmental authorities.

**CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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**NOTE 17 - SPECIAL EVENTS:**

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Revenue and expense from the Cornerstone's fundraising events is as follows:

	<b>Year Ended</b>	
	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Revenue:		
Annual Gala	\$ 321,477	\$ 409,720
Bowl-a-Thon	-	84,947
Community Family Day	-	9,100
Other	22,339	16,718
Total	<u>\$ 343,816</u>	<u>520,485</u>
Expense:		
Annual Gala	30,694	87,138
Bowl-a-Thon	-	5,855
Community Family Day	-	10,682
Other	-	5,281
Total	<u>30,694</u>	<u>108,956</u>
Special Events, Net	<u>\$ 313,122</u>	<u>\$ 411,529</u>

**NOTE 18 - FUNCTIONAL EXPENSES:**

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The costs of providing the various programs and other activities have been summarized on a functional basis on the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefits. General and administrative expenses are those not directly identifiable with any specific function, but which provide for the overall support and direction of Cornerstone.

The consolidated financial statements contain certain categories of expense that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and fringe benefits, professional fees, office supplies, equipment and maintenance, telephone, postage, insurance, and program expenses which are allocated on time and effort, as well as direct costs. All other expenses are based on direct costs.

**CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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**NOTE 19 - LIQUIDITY AND AVAILABILITY:**

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The following represents Cornerstone’s financial assets, reduced by amounts not available for general use within one year of the consolidated statement of financial position date because of contractual or donor-imposed restrictions. Amounts available include donor-restricted and Board-restricted amounts that are available for general expenditure in the following year.

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Cash	\$ 270,513	\$ 256,040
Investments	6,690,413	6,761,984
Grants receivable	279,931	243,381
Accounts receivable	138,062	69,007
Contributions receivable	71,697	64,900
Total financial assets	\$ 7,450,616	\$ 7,395,312
Less amounts not available to be used within one year:		
Board-designated net assets	(6,380,276)	(6,455,626)
Net assets with donor restrictions	(361,597)	(360,834)
Estimated Board-designated releases	-	82,229
Estimated donor-restricted releases	-	30,000
	\$ (6,704,231)	\$ (6,704,231)
Financial assets available to meet general expenditures over the next 12 months	\$ 746,385	\$ 691,081

As part of its liquidity plan, excess cash is invested in money market funds, mutual funds, or equities, in accordance with Cornerstone’s investment policy. Cornerstone also has a line of credit for \$300,000 of which \$150,000 is available. At the Board’s discretion and approval, Board-designated net assets can be liquidated. During the year, donor-restricted net assets are released relating to scholarships awarded to recipients. In addition, Board-designated funds are released for operations based on the Board-designated endowment spending policy in Note 12.

**CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2020**

Federal Grant or Program Title	Federal CFDA Number	Grant Number	Grant Amount	Grant Period	Current Year Disbursements/ Expenditures
<b>FEDERAL AWARDS:</b>					
<b>U.S. Department of Agriculture</b>					
Passed through New Jersey State Department of Agriculture					
Child and Adult Care Food Program	10.558	19-27-223	Expense Reimbursements	10/01/19 - 09/30/20	\$ 40,533
Child and Adult Care Food Program	10.558	20-27-1730	Expense Reimbursements	10/01/20 - 09/30/21	14,827
Total U.S. Department of Agriculture					<u>55,360</u>
<b>U.S. Department of Housing and Urban Development</b>					
Passed through County of Morris, Division of Community & Behavioral Health Services, Office of Community Development: Community Development Block Grant, "School Age Child Care Scholarships for Low Income Children"	14.239	B-19-UC-34-0105, 05/19-1438	\$ 40,000	09/01/19 - 06/30/20	30,000
Passed through County of Morris, Division of Community & Behavioral Health Services, Office of Community Development: Community Development Block Grant, "School Age Child Care Scholarships for Low Income Children"	14.239	B-19-UC-34-0105, 05/20-1475	40,000	09/01/19 - 06/30/20	16,000
Total U.S. Department of Housing and Urban Development					<u>46,000</u>
				<b>Total Federal Assistance</b>	<b>\$ <u>101,360</u></b>

**CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**YEAR ENDED DECEMBER 31, 2020**

State Grant or Program Title	Federal CFDA Number	Grant Number	Grant Amount	Grant Period	Current Year Disbursements/ Expenditures
<b>STATE AWARDS:</b>					
<b>New Jersey Department of Health and Human Services</b>					
Friends of the Blind/Older Blind (SCILS)	N/A	2020-5 CFP	\$ 31,000	01/01/20 - 12/31/20	\$ 31,000
Passed through Morris County Board of Chosen Freeholders					
Social Recreation	N/A	JJ-2004	14,516	01/01/20 - 12/31/20	14,516
Rites of Passage	N/A	JJ-1909	27,380	01/01/20 - 12/31/20	33,532
					<u>48,048</u>
				<b>Total State Assistance</b>	<b>\$ <u>79,048</u></b>

**CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY  
SUPPLEMENTARY INFORMATION  
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND  
STATE AWARDS  
YEAR ENDED DECEMBER 31, 2020**

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**NOTE 1 - BASIS OF PRESENTATION:**

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The accompanying schedules of expenditures of federal and state awards include the state and federal grant activity of Cornerstone Family Program and Subsidiary (“Cornerstone”) and are presented on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey Office of Management and Budget Circular Letter 15-08. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.

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**NOTE 2 - SUBRECIPIENTS:**

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During the year ended December 31, 2020, Cornerstone did not provide any funds relating to their federal or state programs to subrecipients.

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**NOTE 3 - INDIRECT COSTS:**

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Cornerstone did not elect to use the de minimis cost rate when allocating indirect costs to federal or state programs.

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**NOTE 4 - LOAN AND LOAN GUARANTEE PROGRAMS:**

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As of December 31, 2020, Cornerstone did not have any federal or state loan or loan guarantee programs.

## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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To the Board of Directors  
Cornerstone Family Programs  
Morristown, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Cornerstone Family Programs and Subsidiary (“Cornerstone”), a New Jersey nonprofit organization, which comprise the consolidated statements of financial position as of December 31, 2020, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 9, 2021.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Cornerstone’s internal control over financial reporting (“internal control”) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cornerstone’s internal control. Accordingly, we do not express an opinion on the effectiveness of Cornerstone’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Cornerstone’s consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Cornerstone’s consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Cornerstone’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cornerstone’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Livingston, New Jersey  
September 9, 2021

*Sobel & Co, LLC*

Certified Public Accountants

**CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2020**

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**I. Summary of Auditors' Results**

**Schedules of Expenditures of Federal and State Awards**

The auditors' report issued on the Schedules of Expenditures of Federal and State Awards of Cornerstone Family Programs and Subsidiary was an unmodified opinion.

Internal control over financial reporting:

- Material weaknesses identified?                   Yes                      X   No
- Significant deficiencies identified?               Yes                      X   No

Noncompliance material to financial  
statements noted?                                       Yes                      X   No