

**CORNERSTONE FAMILY PROGRAMS
AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2021 AND 2020



SOBEL & CO. LLC

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY

DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying 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, 2021 and 2020, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cornerstone as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Cornerstone and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Cornerstone's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cornerstone's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of Cornerstone as a whole. The accompanying schedules of expenditures of federal (page 25) and state (page 26) awards, and notes to the schedules (page 27), are presented for purposes of additional analysis 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 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 Requirements by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2022, 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, 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 effectiveness of Cornerstone's 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.

Sobel & Co, LLC

Certified Public Accountants

Livingston, New Jersey
June 30, 2022

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

| | December 31, | |
|--|----------------------|----------------------|
| | 2021 | 2020 |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash | \$ 397,944 | \$ 270,513 |
| Investments, at fair value | 6,642,381 | 6,690,413 |
| Grants receivable | 453,562 | 400,831 |
| Accounts receivable | 39,266 | 17,162 |
| Contributions receivable | 13,550 | 71,697 |
| Prepaid expenses | 52,959 | 35,524 |
| Total Current Assets | <u>7,599,662</u> | <u>7,486,140</u> |
| OTHER ASSETS: | | |
| Beneficial interest in remainder trust | 59,875 | 51,467 |
| Property and equipment, net | 2,452,567 | 2,607,251 |
| Security deposits | 11,050 | 11,050 |
| Total Assets | <u>\$ 10,123,154</u> | <u>\$ 10,155,908</u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES: | | |
| Accounts payable and accrued expenses | \$ 146,635 | \$ 141,200 |
| Line of credit | - | 150,000 |
| Deferred revenue | - | 3,200 |
| Refundable advance | - | 619,040 |
| Mortgage payable, current | 25,411 | 24,402 |
| Total Current Liabilities | <u>172,046</u> | <u>937,842</u> |
| LONG-TERM LIABILITIES: | | |
| Mortgage payable, net of current portion | 616,782 | 642,192 |
| Total Liabilities | <u>788,828</u> | <u>1,580,034</u> |
| COMMITMENTS AND CONTINGENCIES | | |
| NET ASSETS | | |
| Without donor restrictions | 9,199,160 | 8,214,277 |
| With donor restrictions | 135,166 | 361,597 |
| Total Net Assets | <u>9,334,326</u> | <u>8,575,874</u> |
| | <u>\$ 10,123,154</u> | <u>\$ 10,155,908</u> |

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

YEAR ENDED DECEMBER 31, 2021

(With Summarized, Comparative Totals for the Year Ended December 31, 2020)

| | 2021 | | | 2020 |
|---|---------------------------------------|------------------------------------|---------------------------|---------------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | |
| EARNED REVENUE AND SUPPORT: | | | | |
| County grants and contracts | 328,358 | \$ - | \$ 328,358 | 271,161 |
| Child care state reimbursement | 1,193,778 | - | 1,193,778 | 1,291,149 |
| Federal and state grants | 1,267,998 | - | 1,267,998 | 678,386 |
| PPP loan forgiveness | 1,342,975 | - | 1,342,975 | - |
| Program fees | 309,780 | - | 309,780 | 203,523 |
| Contributions, grants, and bequests | 1,109,192 | - | 1,109,192 | 1,312,049 |
| Special events gross revenue | 270,399 | - | 270,399 | 343,816 |
| Miscellaneous | 3,266 | - | 3,266 | 5,769 |
| OTHER REVENUE: | | | | |
| Investment income, net | 175,651 | 4,841 | 180,492 | 55,425 |
| Net realized and unrealized gain on investments | 119,465 | 516 | 119,981 | 30,379 |
| Change in value of split-interest agreements | - | 8,408 | 8,408 | 906 |
| Total Revenue and Support | <u>6,120,862</u> | <u>13,765</u> | <u>6,134,627</u> | <u>4,192,563</u> |
| Net Assets Released from Restrictions | <u>240,196</u> | <u>(240,196)</u> | <u>-</u> | <u>-</u> |
| OPERATING EXPENSES: | | | | |
| Community services | 4,100,528 | - | 4,100,528 | 4,038,432 |
| Management and general | 638,703 | - | 638,703 | 485,287 |
| Development | 396,748 | - | 396,748 | 370,408 |
| Total Operating Expenses | <u>5,135,979</u> | <u>-</u> | <u>5,135,979</u> | <u>4,894,127</u> |
| NONOPERATING EXPENSES: | | | | |
| Transfer of scholarship funds | <u>240,196</u> | <u>-</u> | <u>240,196</u> | <u>-</u> |
| CHANGES IN NET ASSETS | 984,883 | (226,431) | 758,452 | (701,564) |
| NET ASSETS - Beginning of year | <u>8,214,277</u> | <u>361,597</u> | <u>8,575,874</u> | <u>9,277,438</u> |
| NET ASSETS - End of year | <u>\$ 9,199,160</u> | <u>\$ 135,166</u> | <u>\$9,334,326</u> | <u>\$8,575,874</u> |

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021
(With Summarized, Comparative Totals for the Year Ended December 31, 2020)

| | 2021 | | | | | | | Total 2021 | Total 2020 |
|---|-------------------------|-------------------|--------------------|--------------|---------------------------|-------------|--------------|---------------|---------------|
| | Community Services | | | | Supporting Services | | | | |
| | Child and Adolescent | Adult Services | Senior Services | Total | Management and General | Development | Total | | |
| Salaries and Fringe Benefits: | | | | | | | | | |
| Salaries | \$ 1,955,769 | \$ 148,851 | \$ 233,869 | \$ 2,338,489 | \$ 309,062 | \$ 258,570 | \$ 567,632 | \$ 2,906,121 | \$ 2,806,577 |
| Benefits | 287,893 | 9,719 | 17,453 | 315,065 | 46,215 | 25,166 | 71,381 | 386,446 | 358,912 |
| Payroll taxes and workers' compensation insurance | 223,631 | 15,812 | 26,913 | 266,356 | 29,817 | 23,512 | 53,329 | 319,685 | 291,258 |
| Total Salaries and Fringe Benefits | 2,467,293 | 174,382 | 278,235 | 2,919,910 | 385,094 | 307,248 | 692,342 | 3,612,252 | 3,456,747 |
| Operational Expense: | | | | | | | | | |
| Professional fees | 138,064 | 9,454 | 37,544 | 185,062 | 107,241 | 36,842 | 144,083 | 329,145 | 297,074 |
| Office supplies | 32,332 | 1,591 | 5,179 | 39,102 | 29,987 | 1,117 | 31,104 | 70,206 | 57,446 |
| Licensing and affiliation dues | 5,151 | 30 | 232 | 5,413 | 25,709 | 408 | 26,117 | 31,530 | 9,159 |
| Telephone | 25,653 | 689 | 3,231 | 29,573 | 9,749 | 998 | 10,747 | 40,320 | 40,350 |
| Postage | 5,433 | 300 | 1,595 | 7,328 | 284 | 538 | 822 | 8,150 | 6,378 |
| Rent | 53,030 | 3,324 | 11,001 | 67,355 | 1,931 | 1,931 | 3,862 | 71,217 | 68,977 |
| Utilities | 52,645 | 776 | 787 | 54,208 | 2,596 | 2,281 | 4,877 | 59,085 | 57,575 |
| Repairs and maintenance | 139,532 | 1,666 | 1,007 | 142,205 | 6,802 | 6,122 | 12,924 | 155,129 | 155,097 |
| Insurance | 64,448 | 3,485 | 20,021 | 87,954 | 2,164 | 2,263 | 4,427 | 92,381 | 88,492 |
| Total Operational Expense | 516,288 | 21,315 | 80,597 | 618,200 | 186,463 | 52,500 | 238,963 | 857,163 | 780,548 |
| Program expense | 240,292 | 2,360 | 62,648 | 305,300 | 27,604 | 1,409 | 29,013 | 334,313 | 255,472 |
| Scholarships | - | - | - | - | - | - | - | - | 20,937 |
| Financing and bank fees | 41,225 | 317 | 171 | 41,713 | 7,191 | 7,362 | 14,553 | 56,266 | 48,628 |
| Education and travel | 5,381 | 268 | 687 | 6,336 | 7,289 | 913 | 8,202 | 14,538 | 7,651 |
| In-kind expenses | 12,248 | 50,980 | - | 63,228 | 1,000 | 1,500 | 2,500 | 65,728 | 123,252 |
| Other expenses | - | - | - | - | 17,309 | - | 17,309 | 17,309 | 5,215 |
| Total Expenses Before Depreciation and Special Events | 815,434 | 75,240 | 144,103 | 1,034,777 | 246,856 | 63,684 | 310,540 | 1,345,317 | 1,241,703 |
| Depreciation | 144,736 | - | 1,105 | 145,841 | 6,753 | 8,060 | 14,813 | 160,654 | 164,983 |
| Special Events | - | - | - | - | - | 17,756 | 17,756 | 17,756 | 30,694 |
| Total Expenses | \$ 3,427,463 | \$ 249,622 | \$ 423,443 | \$ 4,100,528 | \$ 638,703 | \$ 396,748 | \$ 1,035,451 | \$ 5,135,979 | \$ 4,894,127 |

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Year Ended December 31, | |
|---|-------------------------|--------------|
| | 2021 | 2020 |
| CASH FLOWS PROVIDED BY (USED FOR): | | |
| <u>OPERATING ACTIVITIES:</u> | | |
| Changes in net assets | \$ 758,452 | \$ (701,564) |
| Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities: | | |
| Depreciation | 160,654 | 164,983 |
| Unrealized losses on investments | 285,648 | 48,041 |
| Realized gains on investments | (405,629) | (78,420) |
| Bad debt expense | 17,319 | - |
| Changes in certain assets and liabilities: | | |
| Grants receivable | (52,731) | (36,550) |
| Accounts receivable | (39,423) | (69,055) |
| Contributions receivable | 58,147 | (6,797) |
| Prepaid expenses | (17,435) | 5,682 |
| Beneficial interest in remainder trust | (8,408) | (906) |
| Accounts payable and accrued expenses | 5,435 | (117,027) |
| Refundable advance | (619,040) | 619,040 |
| Deferred revenue | (3,200) | 3,200 |
| Net Cash Provided by (Used for) Operating Activities | 139,789 | (169,373) |
| <u>INVESTING ACTIVITIES:</u> | | |
| Purchase of equipment | (5,970) | (44,748) |
| Proceeds from sale of investments | 2,315,078 | 6,506,577 |
| Purchase of investments | (2,147,064) | (6,404,627) |
| Net Cash Provided by Investing Activities | 162,044 | 57,202 |
| <u>FINANCING ACTIVITIES:</u> | | |
| Draws on line of credit | - | 150,000 |
| Payments on line of credit | (150,000) | - |
| Principal payments on mortgage payable | (24,402) | (23,356) |
| Net Cash (Used for) Provided by Financing Activities | (174,402) | 126,644 |
| NET INCREASE IN CASH | 127,431 | 14,473 |
| CASH: | | |
| Beginning of year | 270,513 | 256,040 |
| End of year | \$ 397,944 | \$ 270,513 |
| <u>SUPPLEMENTAL DISCLOSURE OF CASH-FLOW INFORMATION:</u> | | |
| Cash paid during the year for interest | \$ 27,627 | \$ 33,928 |

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

NOTE 1 - NATURE OF ORGANIZATION:

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

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, 2020, 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, 2021 AND 2020

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

Consolidated 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, 2021 AND 2020

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

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.

Pooled investment funds – valued on a monthly basis by the pooled investment funds based upon underlying values on each fund within the portfolio.

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 \$8,900 and \$14,000 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020.

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, 2021 and 2020.

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

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

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, 2021 and 2020, 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.

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 \$64,228 and \$123,252 of in-kind contributions for the years ended December 31, 2021 and 2020, 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 FAMILY PROGRAMS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

In-kind Contributions: (Continued)

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 2021 and 2020. At December 31, 2021 and 2020, there were 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.

Recent Accounting Pronouncements:

In February 2016, 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 statement of financial position 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. Earlier adoption is permitted subject to certain limitations. Cornerstone is currently evaluating the effect the standard will have on the consolidated financial statements.

Subsequent Events:

Cornerstone has evaluated its subsequent events and transactions occurring after December 31, 2021, through June 30, 2022, the date that the consolidated financial statements were available to be issued.

**CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 3 - INVESTMENTS:

Investments are valued as follows:

**FAIR VALUE MEASUREMENTS
AS OF DECEMBER 31, 2021**

| | LEVEL 1 | LEVEL 2 | LEVEL 3 | TOTAL |
|-------------------------|---------------------|----------------|---------------------|---------------------|
| Cash | \$ 66,669 | \$ - | \$ - | \$ 66,669 |
| Mutual funds | 3,498,043 | - | - | 3,498,043 |
| Exchange-traded funds | 1,565,637 | - | - | 1,565,637 |
| Equities | 279,832 | - | - | 279,832 |
| Pooled investment funds | - | - | 1,232,200 | 1,232,200 |
| | \$ 5,410,181 | \$ - | \$ 1,232,200 | \$ 6,642,381 |

**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 |

The following table provides further details of pooled investment funds Level 3 fair value measurements as follows:

| | Year Ended December 31, 2021 |
|-------------------|---|
| Beginning balance | \$ - |
| Deposits | 1,200,000 |
| Interest | 32,200 |
| Withdrawals | - |
| Ending balance | \$ 1,232,200 |

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 4 - GRANTS RECEIVABLE:

Grants receivable comprise the following:

| | December 31, | |
|---------------------|---------------------|-------------------|
| | 2021 | 2020 |
| Governmental grants | \$ 415,560 | \$ 294,625 |
| Private grants | 38,002 | 106,206 |
| Grants Receivable | <u>\$ 453,562</u> | <u>\$ 400,831</u> |

NOTE 5 - ACCOUNTS RECEIVABLE:

Accounts receivable comprise the following:

| | December 31, | |
|------------------------------|---------------------|------------------|
| | 2021 | 2020 |
| Adult Day Center client fees | \$ 39,176 | \$ 16,847 |
| Other | 90 | 315 |
| Accounts Receivable | <u>\$ 39,266</u> | <u>\$ 17,162</u> |

NOTE 6 - BENEFICIAL INTEREST IN REMAINDER TRUST:

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 \$8,408 and an increase of \$906 for the years ended December 31, 2021 and 2020, 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 \$59,875 and \$51,467 as of December 31, 2021 and 2020, respectively, as shown on the accompanying consolidated statements of financial position.

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 7 - PROPERTY AND EQUIPMENT:

Property and equipment is as follows:

| | December 31, | |
|--------------------------------|---------------------|---------------------|
| | 2021 | 2020 |
| Land | \$ 250,000 | \$ 250,000 |
| Building and improvements | 3,227,545 | 3,227,545 |
| Equipment | 430,257 | 430,257 |
| Furniture and fixtures | 115,565 | 109,595 |
| | <u>4,023,367</u> | <u>4,017,397</u> |
| Less: Accumulated depreciation | (1,570,800) | (1,410,146) |
| Property and Equipment, Net | <u>\$ 2,452,567</u> | <u>\$ 2,607,251</u> |

NOTE 8 - MORTGAGES PAYABLE:

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:

| Year Ended | |
|-----------------------------|-------------------|
| December 31, | |
| 2022 | \$ 25,411 |
| 2023 | 26,461 |
| 2024 | 27,487 |
| 2025 | 28,690 |
| 2026 | 29,875 |
| Thereafter | <u>504,269</u> |
| | 642,193 |
| Less: Short-term maturities | <u>(25,411)</u> |
| Long-term maturities | <u>\$ 616,782</u> |

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 9 - NET ASSETS WITHOUT DONOR RESTRICTIONS:

Net assets without donor restrictions comprise the following:

| | December 31, | |
|-----------------------------------|---------------------|---------------------|
| | 2021 | 2020 |
| Operations | \$ 2,632,071 | \$ 1,834,001 |
| Board-designated: | | |
| Endowment | 2,217,444 | 1,949,875 |
| Board-approved Future Initiatives | 4,349,645 | 4,430,401 |
| | <u>\$ 9,199,160</u> | <u>\$ 8,214,277</u> |

The Board approved a distribution of approximately \$100,000 and \$150,000 to support general expenditures during the years ended December 31, 2021 and 2020, respectively.

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS:

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

| | December 31, | |
|---|---------------------|-------------------|
| | 2021 | 2020 |
| “Plays for Living” series | \$ 33,061 | \$ 27,493 |
| Scholarships | 33,725 | 274,138 |
| Split-interest agreement | 59,875 | 51,461 |
| Total subject to expenditure for time or specified purpose | 126,661 | 353,092 |
| Restricted-in-perpetuity Endowment | 8,505 | 8,505 |
| | <u>\$ 135,166</u> | <u>\$ 361,597</u> |

Net assets released from time and use restrictions for the years ended December 31, 2021 and 2020, amounted to \$240,196 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, 2021 AND 2020

NOTE 11 - ENDOWMENT FUNDS:

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, 2021 and 2020, the fair market value of the investment, which includes net appreciation and income reinvested, was \$39,676 and \$40,647, 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, 2021 and 2020, 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, 2021 and 2020, the fair market value of the investment, which includes net appreciation and income reinvested, was \$34,861 and \$29,293, 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, 2021 and 2020.

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, 2021 AND 2020

NOTE 11 - ENDOWMENT FUNDS: (Continued)

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 comprise 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, 2021 AND 2020

NOTE 11 - ENDOWMENT FUNDS: (Continued)

As of December 31, 2021 and 2020, Cornerstone had the following endowment net asset composition by type of fund:

| | December 31, 2021 | | |
|--|---------------------------------------|------------------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Board-designated endowment funds | \$ 2,217,444 | \$ - | \$ 2,217,444 |
| 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 | - | 66,786 | 66,786 |
| December 31, 2021, net endowment assets | <u>\$ 2,217,444</u> | <u>\$ 75,291</u> | <u>\$ 2,292,735</u> |

| | December 31, 2020 | | |
|--|---------------------------------------|------------------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| 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> |

Changes in endowment net assets for the years ended December 31, 2021 and 2020, were as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|---|------------------------------------|---------------------|
| Endowment net assets, December 31, 2020 | \$ 1,949,875 | \$ 69,940 | \$ 2,019,815 |
| Investment return, net | 367,569 | 5,351 | 372,920 |
| Appropriation of endowment assets pursuant to spending-rate policy | (100,000) | - | (100,000) |
| Endowment net assets, December 31, 2021 | <u>\$ 2,217,444</u> | <u>\$ 75,291</u> | <u>\$ 2,292,735</u> |

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 11 - ENDOWMENT FUNDS: (Continued)

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|------------------------------------|---------------------|
| 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> |

NOTE 12 - 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% at December 31, 2021 and 2020, respectively). At December 31, 2020, the balance on the line amounted to \$150,000. There was no outstanding balance at December 31, 2021. The line of credit is secured by all assets at 12 Flagler St., Morristown, New Jersey, with a net book value of approximately \$2.5 million and \$2.7 million as of December 31, 2021 and 2020, respectively.

NOTE 13 - 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, 2021 and 2020.

NOTE 14 - OPERATING LEASES:

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:

| Year Ended | |
|-----------------------|-------------------|
| 2022 | \$ 122,358 |
| 2023 | 87,118 |
| 2024 | 6,620 |
| | <u>\$ 216,096</u> |

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 14 - OPERATING LEASES: (Continued)

Lease expense, for space related to operations, and equipment rental and maintenance, was \$122,965 and \$119,960, respectively, for the years ended December 31, 2021 and 2020. Lease expenses are included in the equipment rental and maintenance, rent, and repairs and maintenance expenses on the consolidated statement of functional expenses.

NOTE 15 - CONCENTRATIONS OF CREDIT RISK AND UNCERTAINTIES:

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, 2021 AND 2020

NOTE 16 - SPECIAL EVENTS:

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

| | Year Ended | |
|---------------------|---------------------|-------------------|
| | December 31, | |
| | 2021 | 2020 |
| Revenue: | | |
| Annual Gala | \$ 219,138 | \$ 321,477 |
| Other | 51,261 | 22,339 |
| Total | <u>270,399</u> | <u>343,816</u> |
| Expense: | | |
| Annual Gala | 12,278 | 30,694 |
| Other | 5,478 | - |
| Total | <u>17,756</u> | <u>30,694</u> |
| Special Events, Net | <u>\$ 252,643</u> | <u>\$ 313,122</u> |

NOTE 17 - FUNCTIONAL EXPENSES:

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 based 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, 2021 AND 2020

NOTE 18 - PPP LOAN FORGIVENESS:

Cornerstone obtained a first-draw Paycheck Protection Program (“PPP”) loan under the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act in May 2020 for \$619,000. Cornerstone recorded the PPP funds received as a conditional government grant and recognized revenue as expenses were incurred that satisfied the conditions set forth by the U.S. Small Business Administration (“SBA”). As of December 31, 2021, all amounts received under the first-draw PPP loan were expended and recognized as revenue from PPP loan forgiveness on the consolidated statements of activities and changes in net assets. Cornerstone applied for and received full forgiveness of the loan in August 2021.

Cornerstone obtained a second-draw Paycheck Protection Program loan under the CARES Act in February 2021 for approximately \$724,000. Cornerstone received forgiveness of the PPP loan for its full amount from the SBA in March 2022. The revenue is recognized and recorded as revenue from PPP loan forgiveness on the consolidated statements of activities and changes in net assets.

The SBA reserves the right to audit loan forgiveness for six years from the date that forgiveness was awarded.

NOTE 19 - LIQUIDITY AND AVAILABILITY:

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.

| | December 31, | |
|---|---------------------|--------------------|
| | 2021 | 2020 |
| Cash | \$ 397,944 | \$ 270,513 |
| Investments | 6,642,381 | 6,690,413 |
| Grants receivable | 453,562 | 400,831 |
| Accounts receivable | 39,266 | 17,162 |
| Contributions receivable | 13,550 | 71,697 |
| Total financial assets | <u>7,546,703</u> | <u>7,450,616</u> |
| Less amounts not available to be used within one year: | | |
| Board-designated net assets | (6,567,089) | (6,380,276) |
| Net assets with donor restrictions | (135,166) | (361,597) |
| Estimated Board-designated releases | - | - |
| Estimated donor-restricted releases | - | - |
| | <u>(6,702,255)</u> | <u>(6,741,873)</u> |
| Financial assets available to meet general expenditures over the next 12 months | <u>\$ 844,448</u> | <u>\$ 708,743</u> |

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 19 - LIQUIDITY AND AVAILABILITY: (Continued)

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, the entire balance of which 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 11.

**CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2021**

| Federal Grant or Program Title | Federal CFDA Number | Grant Number | Grant Amount | Grant Period | Current-Year Disbursements/ Expenditures |
|--|---------------------------|-------------------------------------|---------------------------|---------------------|--|
| FEDERAL AWARDS: | | | | | |
| U.S. Department of Agriculture | | | | | |
| Passed through New Jersey State Department of Agriculture Child and Adult Care Food Program | 10.558 | 19-27-223 | Expense Reimbursements | 10/01/20 - 09/30/21 | \$ 69,572 |
| Child and Adult Care Food Program | 10.558 | 20-27-1730 | Expense Reimbursements | 10/01/21 - 09/30/22 | 22,777 |
| Emergency Operational Cost Program - CACFP Total U.S. Department of Agriculture | 10.558 | 20212H170641 | Expense Reimbursements | 09/20/21 - 12/31/21 | <u>20,281</u> <u>112,630</u> |
| U.S. Department of Housing and Urban Development | | | | | |
| 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" | 14.218 | B-20-UC-34- 0105, 05/20- 1475 | \$ 40,000 | 07/01/20 - 06/30/21 | 24,000 |
| 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" | 14.218 | B-21-UC-34- 0105, 05/21- 1518 | 40,000 | 07/01/21 - 06/30/22 | 16,000 |
| Passed through County of Morris, Division of Community & Behavioral Health Services, Office of Community Development: Community Development Block Grant, "Staying Connected During COVID: Senior Home Meal Delivery Program" Total U.S. Department of Housing and Urban Development | 14.218 | CDBG-CV3 | 38,007 | 09/21/21 - 12/31/22 | <u>16,995</u> <u>56,995</u> |
| U.S. Department of Health and Human Services | | | | | |
| Aging Cluster | | | | | |
| Passed through County of Morris 2020 CARES Area Plan Contract for Senior Tech Connect Extension | 93.044 | 20-14-078 | 51,256 | 10/10/20 - 12/31/21 | <u>48,549</u> |
| Total Federal Assistance | | | | | \$ <u>218,174</u> |

**CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 YEAR ENDED DECEMBER 31, 2021**

| State Grant or Program Title | Federal CFDA Number | Grant Number | Grant Amount | Grant Period | Current-Year Disbursements/ Expenditures |
|---|---------------------------|-----------------|-----------------|-------------------------------|--|
| STATE AWARDS: | | | | | |
| New Jersey Department of Health and Human Services | | | | | |
| Friends of the Blind/Older Blind (SCILS) | N/A | 2020-5 CFP | \$ 31,000 | 01/01/21 - 12/31/21 | \$ 31,000 |
| Passed through Morris County Board of Chosen Freeholders | | | | | |
| Social Recreation | N/A | JJ-2104 | 14,516 | 01/01/21 - 12/31/21 | 14,516 |
| Rites of Passage | N/A | JJ-2109 | 33,532 | 01/01/21 - 12/31/21 | <u>33,532</u> |
| Total New Jersey Department of Health and Human Services | | | | | <u>79,048</u> |
| New Jersey Department of Education | | | | | |
| Passed through Morris School District | | | | | |
| Preschool Expansion Aid | N/A | N/A | 975,000 | 07/01/20 - 06/30/21 | 585,000 |
| Preschool Expansion Aid | N/A | N/A | 1,021,200 | 07/01/21 - 06/30/22 | <u>385,332</u> |
| Total New Jersey Department of Education | | | | | <u>970,332</u> |
| | | | | Total State Assistance | <u>\$ 1,049,380</u> |

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY
SUPPLEMENTARY INFORMATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND
STATE AWARDS
YEAR ENDED DECEMBER 31, 2021

NOTE 1 - BASIS OF PRESENTATION:

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.

NOTE 2 - SUBRECIPIENTS:

During the year ended December 31, 2021, Cornerstone did not provide any funds relating to its federal or state programs to subrecipients.

NOTE 3 - INDIRECT COSTS:

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

NOTE 4 - LOAN AND LOAN GUARANTEE PROGRAMS:

As of December 31, 2021, 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**

To the Board of Directors
Cornerstone Family Programs and Subsidiary
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 of America, the consolidated financial statements of Cornerstone Family Programs and Subsidiary ("Cornerstone"), which comprise the consolidated statements of financial position as of December 31, 2021, 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 June 30, 2022.

Report on 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") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Report on 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
June 30, 2022

Sobel & Co, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR LETTER 15-08

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

Report on Compliance for Each Major Program

Opinion on Each Major Program

We have audited Cornerstone Family Programs and Subsidiary's ("Cornerstone") compliance requirements identified as subject to audit in the U.S. Office of Management and Budget OMB *Compliance Supplement* and the New Jersey Office of Management and Budget ("NJOMB") Circular Letter 15-08 that could have a direct and material effect on each of Cornerstone's major programs for the year ended December 31, 2021. Cornerstone's major programs are identified in the Summary of Auditors' Results section of the accompanying schedule of findings and questioned costs.

In our opinion, Cornerstone complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and NJOMB. Our responsibilities under those standards and the Uniform Guidance and NJOMB are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Cornerstone and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Cornerstone's compliance with the compliance requirements referred to above.

Responsibilities for Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Cornerstone's major programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Cornerstone's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and NJOMB will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report about Cornerstone's compliance with the requirements of each major program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and NJOMB we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Cornerstone's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Cornerstone's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and NJOMB, but not for the purpose of expressing an opinion on the effectiveness of Cornerstone's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and NJOMB. Accordingly, this report is not suitable for any other purpose.

Sobel & Co, LLC

Certified Public Accountants

Livingston, New Jersey
June 30, 2022

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2021

I. Summary of Auditors' Results

Schedules of Expenditures of Federal and State Awards

The auditors' report issued on the basic consolidated financial statements of Cornerstone Family Programs and Affiliate was an unmodified opinion.

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

State Awards

Internal control over each major program:

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

Type of auditors' report issued on compliance for each major program: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance or NJOMB Circular Letter 15-08? Yes No

Identification of Major Programs:

State:

N/A – New Jersey Department of Education
 Preschool Expansion Aid

**CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2021**

I. Summary of Auditors' Results (Continued)

State Awards (Continued)

Dollar threshold used to distinguish between type A and type B programs:

Federal - \$750,000

State - \$750,000

Auditee qualified as low-risk auditee? _____ Yes X No

II. Consolidated Financial Statement Findings

NONE

III. Compliance Findings

NONE

IV. Prior Audit Findings

NONE