

**CORNERSTONE FAMILY PROGRAMS
AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2022 AND 2021



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CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY

DECEMBER 31, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Consolidated Financial Statements

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, 2022, 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 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, 2022, 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 (GAAS) 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 opinion.

Change in Accounting Principle

As discussed in Note 14 to the consolidated financial statements, in 2022 Cornerstone adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

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.

Responsibilities of Management for the Consolidated Financial Statements (Continued)

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Cornerstone's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

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 GAAS 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 GAAS 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

The consolidated financial statements of Cornerstone as of December 31, 2021, were audited by Sobel & Co, LLC whose shareholders and professional staff joined CliftonLarsonAllen LLP as of February 1, 2023, and has subsequently ceased operations. Sobel & Co. LLC's report dated June 30, 2022 expressed an unmodified opinion of the consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of Cornerstone as a whole and the accompanying schedules of expenditures of state (page 27) awards, and notes to the schedules (page 28), are presented for purposes of additional analysis as required by 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 GAAS. 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 July 14, 2023, 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 solely 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.



CliftonLarsonAllen LLP

Livingston, New Jersey
July 14, 2023

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2022	2021
ASSETS		
CURRENT ASSETS:		
Cash	\$ 540,349	\$ 397,944
Investments, at fair value	5,455,363	6,642,381
Grants receivable	423,013	453,562
Accounts receivable	29,121	39,266
Contributions receivable	2,067	13,550
Prepaid expenses	53,902	52,959
Total Current Assets	6,503,815	7,599,662
Operating ROU Asset	90,137	-
OTHER ASSETS:		
Beneficial interest in remainder trust	50,648	59,875
Property and equipment, net	2,438,935	2,452,567
Security deposits	11,050	11,050
Total Assets	\$ 9,094,585	\$ 10,123,154
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 248,865	\$ 146,635
Deferred revenue	63,696	-
Mortgage payable, current	26,461	25,411
Current lease liability - operating	84,386	-
Total Current Liabilities	423,408	172,046
LONG-TERM LIABILITIES:		
Mortgage payable, net of current portion	590,321	616,782
Long-term lease liability - operating (less current maturities)	6,217	-
Total Long-Term Liabilities	596,538	616,782
Total Liabilities	1,019,946	788,828
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Without donor restrictions	7,963,856	9,199,160
With donor restrictions	110,783	135,166
Total Net Assets	8,074,639	9,334,326
	\$ 9,094,585	\$ 10,123,154

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

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

YEAR ENDED DECEMBER 31, 2022

(With Summarized, Comparative Totals for the Year Ended December 31, 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	
EARNED REVENUE AND SUPPORT:				
County grants and contracts	\$ 407,412	\$ -	\$ 407,412	\$ 328,358
Child care state reimbursement	1,672,200	-	1,672,200	1,193,778
Federal and state grants	1,406,826	-	1,406,826	1,267,998
PPP loan forgiveness	-	-	-	1,342,975
Program fees	574,876	-	574,876	309,780
Contributions, grants, and bequests	1,127,139	-	1,127,139	1,043,464
In-kind contributions	114,370	-	114,370	65,728
Special events gross revenue	437,024	-	437,024	270,399
Miscellaneous	1,038	-	1,038	3,266
OTHER REVENUE:				
Investment income, net	114,445	1,905	116,350	171,560
Net realized and unrealized (loss) gain on investments	(1,185,391)	(17,061)	(1,202,452)	119,981
Change in value of split-interest agreements	-	(9,227)	(9,227)	8,408
Total Revenue and Support	<u>4,669,939</u>	<u>(24,383)</u>	<u>4,645,556</u>	<u>6,125,695</u>
Net Assets Released from Restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OPERATING EXPENSES:				
Community services	4,816,552	-	4,816,552	4,100,528
Management and general	670,964	-	670,964	629,771
Development	417,727	-	417,727	396,748
Total Operating Expenses	<u>5,905,243</u>	<u>-</u>	<u>5,905,243</u>	<u>5,127,047</u>
NONOPERATING EXPENSES:				
Transfer of scholarship funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>240,196</u>
CHANGES IN NET ASSETS	<u>(1,235,304)</u>	<u>(24,383)</u>	<u>(1,259,687)</u>	<u>758,452</u>
NET ASSETS - Beginning of year	<u>9,199,160</u>	<u>135,166</u>	<u>9,334,326</u>	<u>8,575,874</u>
NET ASSETS - End of year	<u>\$ 7,963,856</u>	<u>\$ 110,783</u>	<u>\$ 8,074,639</u>	<u>\$ 9,334,326</u>

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022
(With Summarized, Comparative Totals for the Year Ended December 31, 2021)

	2022								
	Community Services				Supporting Services			Total 2022	Total 2021
	Child and Adolescent	Adult Services	Senior Services	Total	Management and General	Development	Total		
Salaries and Fringe Benefits:									
Salaries	\$ 2,369,449	\$ 102,179	\$ 357,191	\$ 2,828,819	\$ 451,230	\$ 247,356	\$ 698,586	\$ 3,527,405	\$ 2,906,121
Benefits	236,092	11,419	32,221	279,732	57,472	25,974	83,446	363,178	386,446
Payroll taxes and workers' compensation insurance	283,761	11,605	46,800	342,166	51,474	25,705	77,179	419,345	319,685
Total Salaries and Fringe Benefits	2,889,302	125,203	436,212	3,450,717	560,176	299,035	859,211	4,309,928	3,612,252
Operational Expense:									
Professional fees	99,767	2,300	18,087	120,154	20,617	4,310	24,927	145,081	247,843
Office supplies	32,396	1,035	5,495	38,926	6,160	1,132	7,292	46,218	56,512
Licensing, dues, and marketing	3,166	159	1,171	4,496	1,427	7,592	9,019	13,515	31,530
Information technology	82,130	2,477	20,035	104,642	18,619	2,716	21,335	125,977	126,384
Postage	3,541	176	840	4,557	212	1,669	1,881	6,438	8,150
Rent	57,622	1,903	10,039	69,564	2,361	1,895	4,256	73,820	71,217
Utilities	67,485	854	856	69,195	2,929	2,929	5,858	75,053	59,085
Repairs and maintenance	129,848	1,496	716	132,060	5,740	5,719	11,459	143,519	155,129
Insurance	73,320	2,340	21,281	96,941	2,454	2,454	4,908	101,849	92,381
Total Operational Expense	549,275	12,740	78,520	640,535	60,519	30,416	90,935	731,470	848,231
Program expense	280,732	8,652	130,774	420,158	12,293	4,009	16,302	436,460	334,313
Financing and bank fees	34,735	461	3,518	38,714	1,773	8,241	10,014	48,728	56,266
Education and travel	5,145	322	808	6,275	9,131	1,105	10,236	16,511	14,538
In-kind expenses	111,090	880	1,300	113,270	300	800	1,100	114,370	65,728
Other expenses	1,305	-	-	1,305	20,439	8,707	29,146	30,451	17,309
Total Expenses Before Depreciation and Special Events	982,282	23,055	214,920	1,220,257	104,455	53,278	157,733	1,377,990	1,336,385
Depreciation	143,656	1,626	296	145,578	6,333	6,333	12,666	158,244	160,654
Special Events	-	-	-	-	-	59,081	59,081	59,081	17,756
Total Expenses	\$ 4,015,240	\$ 149,884	\$ 651,428	\$ 4,816,552	\$ 670,964	\$ 417,727	\$ 1,088,691	\$ 5,905,243	\$ 5,127,047

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY CONSOLIDATED STATEMENTS OF CASH FLOWS

	December 31,	
	2022	2021
CASH FLOWS PROVIDED BY (USED FOR):		
<u>OPERATING ACTIVITIES:</u>		
Changes in net assets	\$ (1,259,687)	\$ 758,452
Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities:		
Depreciation	158,244	160,654
Unrealized losses on investments	997,655	285,648
Realized loss (gain) on investments	204,797	(405,629)
Bad debt expense	11,986	17,319
Beneficial interest in remainder trust	9,227	(8,408)
ROU Amortization	466	-
Changes in certain assets and liabilities:		
Grants receivable	30,549	(52,731)
Accounts receivable	(1,841)	(39,423)
Contributions receivable	11,483	58,147
Prepaid expenses	(943)	(17,435)
Accounts payable and accrued expenses	102,230	5,435
Refundable advance	-	(619,040)
Deferred revenue	63,696	(3,200)
Net Cash Provided by Operating Activities	327,862	139,789
<u>INVESTING ACTIVITIES:</u>		
Purchase of equipment	(144,612)	(5,970)
Proceeds from sale of investments	1,264,725	2,315,078
Purchase of investments	(1,280,158)	(2,147,064)
Net Cash (Used for) Provided by Investing Activities	(160,045)	162,044
<u>FINANCING ACTIVITIES:</u>		
Payments on line of credit	-	(150,000)
Principal payments on mortgage payable	(25,412)	(24,402)
Net Cash Used for Financing Activities	(25,412)	(174,402)
NET INCREASE IN CASH	142,405	127,431
CASH:		
Beginning of year	397,944	270,513
End of year	\$ 540,349	\$ 397,944
<u>SUPPLEMENTAL DISCLOSURE OF CASH-FLOW INFORMATION:</u>		
Cash paid during the year for interest	\$ 25,198	\$ 26,583

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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, 2021, 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, 2022 AND 2021

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

Adoption of New Accounting Standards:

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, Leases (ASC 842). The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

Cornerstone adopted the requirements of the guidance effective January 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

Cornerstone has elected to adopt the package of practical expedients available in the year of adoption. Cornerstone has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Cornerstone's ROU assets.

The Organization elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, Cornerstone recognized on January 1, 2022 a lease liability of \$209,272, which represents the present value of the remaining operating lease payments of \$210,895, discounted using the risk-free rates which range from 0.78% - 1.04%, and a right-of-use asset of \$209,272.

The standard had a material impact on the consolidated statements of financial position but did not have a material impact on the consolidated statements of activities and changes in net assets, nor consolidated statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

Adoption of New Accounting Standards: (Continued)

In July 2020, the FASB issued an accounting standard update (ASU), *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, intended to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. This ASU requires organizations to present contributed nonfinancial assets as a separate line item in the consolidated statements of activities and changes in net assets apart from contributions of cash or other financial assets. Additional disclosure is required regarding the valuation techniques used, as well as any donor restrictions for the contributed nonfinancial assets. The Organization adopted this ASU on January 1, 2022.

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.

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

Fair Value: (Continued)

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.

We use net asset value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, as a practical expedient to estimate the fair values of certain hedge funds, private equity funds, funds of funds, and limited partnerships, which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

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.

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 \$31,200 and \$8,900 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021.

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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

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, 2022 and 2021.

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 year ended December 31, 2022 there were \$63,696 of advances from government contracts. There were no advances from government contracts as of December 31, 2021. 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.

Leases

Cornerstone leases a vehicle and administrative office space. Cornerstone determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on the consolidated statements of financial position.

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

Leases: (Continued)

ROU assets represent Cornerstone's right to use an underlying asset for the lease term and lease liabilities represent Cornerstone's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of leases do not provide an implicit rate, Cornerstone uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that Cornerstone exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Cornerstone has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the consolidated statements of financial position.

In evaluating contracts to determine if they qualify as a lease, Cornerstone considers factors such as if Cornerstone has obtained substantially all of the rights to the underlying asset through exclusivity, if Cornerstone can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

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 2022 and 2021. At December 31, 2022 and 2021, 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.

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

Subsequent Events:

Cornerstone has evaluated its subsequent events and transactions occurring after December 31, 2022, through July 14, 2023, the date that the consolidated financial statements were available to be issued.

NOTE 3 - INVESTMENTS:

Investments are valued as follows:

FAIR VALUE MEASUREMENTS
AS OF DECEMBER 31, 2022

	LEVEL 1	LEVEL 2	LEVEL 3	Investments Measured at NAV	TOTAL
Cash	\$ 46,427	\$ -	\$ -	\$ -	\$ 46,427
Mutual funds	2,604,539	-	-	-	2,604,539
Exchange-traded funds	1,424,871	-	-	-	1,424,871
Equities	228,498	-	-	-	228,498
Hedge funds	-	-	-	1,151,028	1,151,028
	<u>\$ 4,304,335</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,151,028</u>	<u>\$ 5,455,363</u>

FAIR VALUE MEASUREMENTS
AS OF DECEMBER 31, 2021

	LEVEL 1	LEVEL 2	LEVEL 3	Investments Measured at NAV	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
Hedge funds	-	-	-	1,232,200	1,232,200
	<u>\$ 5,410,181</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,232,200</u>	<u>\$ 6,642,381</u>

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 3 - INVESTMENTS: (Continued)

Investments in certain entities that are measured at fair value using NAV per share as a practical expedient are as follows at December 31:

	Number of Investments	Fair value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
<u>December 31, 2022</u>					
Hedge Funds	2	\$ 1,151,028	\$ -	Semi-Annually	100 days
		<u>\$ 1,151,028</u>	<u>\$ -</u>		
<u>December 31, 2021</u>					
Hedge Funds	2	\$ 1,232,200	\$ -	Semi-Annually	100 days
		<u>\$ 1,232,200</u>	<u>\$ -</u>		

Hedge Funds – Funds that can invest long and short, primarily in mutual funds and private investment companies. Fund managers may invest in value, growth, or event-driven equity opportunities and typically are not restricted by market capitalization, industry sector, or geography. Leverage may be utilized, which can magnify changes in the values of the underlying securities.

NOTE 4 - GRANTS RECEIVABLE:

Grants receivable comprise the following:

	December 31,	
	2022	2021
Governmental grants	\$ 395,863	\$ 415,560
Private grants	27,150	38,002
Grants Receivable	<u>\$ 423,013</u>	<u>\$ 453,562</u>

NOTE 5 - ACCOUNTS RECEIVABLE:

Accounts receivable comprise the following:

	December 31,	
	2022	2021
Adult Day Center client fees	\$ 29,121	\$ 39,176
Other	-	90
Accounts Receivable	<u>\$ 29,121</u>	<u>\$ 39,266</u>

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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 \$9,227 and an increase of \$8,408 for the years ended December 31, 2022 and 2021, 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 \$50,648 and \$59,875 as of December 31, 2022 and 2021, respectively, as shown on the accompanying consolidated statements of financial position.

NOTE 7 - PROPERTY AND EQUIPMENT:

Property and equipment is as follows:

	December 31,	
	2022	2021
Land	\$ 250,000	\$ 250,000
Building and improvements	3,371,058	3,227,545
Equipment	361,730	430,257
Furniture and fixtures	115,565	115,565
	<u>4,098,353</u>	<u>4,023,367</u>
Less: Accumulated depreciation	(1,659,418)	(1,570,800)
Property and Equipment, Net	<u>\$ 2,438,935</u>	<u>\$ 2,452,567</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).

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 8 - MORTGAGES PAYABLE: (Continued)

Principal amounts due under the above obligation mature as follows:

Year Ended December 31,	
2023	\$ 26,461
2024	27,487
2025	28,690
2026	29,875
2027	31,109
Thereafter	<u>473,160</u>
	616,782
Less: Short-term maturities	<u>(26,461)</u>
Long-term maturities	<u>\$ 590,321</u>

NOTE 9 - NET ASSETS WITHOUT DONOR RESTRICTIONS:

Net assets without donor restrictions comprise the following:

	December 31,	
	2022	2021
Operations	\$ 2,567,876	\$ 2,632,071
Board-designated:		
Endowment	1,768,121	2,217,444
Board-approved Future Initiatives	3,627,859	4,349,645
	<u>\$ 7,963,856</u>	<u>\$ 9,199,160</u>

The Board approved a distributions of \$100,000 to support general expenditures during the years ended December 31, 2022 and 2021.

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS:

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

	December 31,	
	2022	2021
“Plays for Living” series	\$ 23,560	\$ 33,061
Scholarships	28,070	33,725
Split-interest agreement	50,648	59,875
Total subject to expenditure for time or specified purpose	102,278	126,661
Restricted-in-perpetuity Endowment	8,505	8,505
	<u>\$ 110,783</u>	<u>\$ 135,166</u>

Net assets released from time and use restrictions for the year ended December 31, 2021, amounted to \$240,19 and are reflected on the accompanying consolidated statements of activities and changes in net assets. There were no releases of net assets with donor restrictions for the year ended December 31, 2022.

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, 2022 and 2021, the fair market value of the investment, which includes net appreciation and income reinvested, was \$29,511 and \$39,676, 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, 2022 the account had a no balance. At December 31, 2022 and 2021, 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, 2022 and 2021, the fair market value of the investment, which includes net appreciation and income reinvested, was \$29,870 and \$34,861, respectively.

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 11 - ENDOWMENT FUNDS: (Continued)

Donor-restricted Endowment: (Continued)

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, 2022 and 2021.

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 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 FAMILY PROGRAMS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 11 - ENDOWMENT FUNDS: (Continued)

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.

As of December 31, 2022 and 2021, Cornerstone had the following endowment net asset composition by type of fund:

	December 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 1,768,121	\$ -	\$ 1,768,121
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	-	51,630	51,630
December 31, 2022, net endowment assets	<u>\$ 1,768,121</u>	<u>\$ 60,135</u>	<u>\$ 1,828,256</u>
	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>

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 11 - ENDOWMENT FUNDS: (Continued)

Changes in endowment net assets for the years ended December 31, 2022 and 2021, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2021	\$ 2,217,444	\$ 75,291	\$ 2,292,735
Investment return, net	(349,323)	(15,156)	(364,479)
Appropriation of endowment assets pursuant to spending-rate policy	(100,000)	-	(100,000)
Endowment net assets, December 31, 2022	<u>\$ 1,768,121</u>	<u>\$ 60,135</u>	<u>\$ 1,828,256</u>

	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>

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 (8.875% and 5.125% at December 31, 2022 and 2021, respectively). There was no outstanding balance at December 31, 2022, or 2021 respectively. 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, 2022 and 2021, 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, 2022 and 2021.

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 14 - LEASES - ASC 842

Cornerstone leases a vehicle as well as administrative office space for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2024. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases.

The following table provides quantitative information concerning Cornerstone's leases.

Lease Cost	2022
Operating lease cost	\$ 120,425
Short-term lease cost	396
Total lease cost	<u>\$ 120,821</u>

Other Information

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 119,958
Right-of-use assets obtained in exchange for new operating lease liabilities:	\$ 209,272
Weighted-average remaining lease term - operating leases (years)	0.80
Weighted-average discount rate - operating leases (%)	0.90

Cornerstone classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2022, is as follows:

<u>Year</u>	<u>Operating</u>
2023	\$ 84,718
2024	6,219
Undiscounted cash flows	90,937
(Less) Imputed interest	(334)
Total present value	<u>\$ 90,603</u>
Short-term lease liabilities	\$ (84,386)
Long-term lease liabilities	(6,217)
	<u>\$ (90,603)</u>

As of December 31, 2022, Cornerstone has an operating lease for a vehicle that has not yet commenced of \$26,338. The operating lease commenced on April 13, 2023, with a lease term of 3 years.

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 15 - LEASES - ASC 840

Cornerstone elected to apply the provisions of FASB ASC 842 to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

Cornerstone leases a vehicle as well as administrative office space for various terms under long-term, non-cancelable lease agreements. Total rent expense under these operating leases was \$122,965 for 2021. Future minimum rent commitments under this facility lease were as follows:

Year Ended	
December 31,	
2022	\$ 122,358
2023	87,118
2024	6,620
	<u>\$ 216,096</u>

NOTE 16 - DONATED GOODS:

Cornerstone received in-kind contributions of goods that are related to program operations. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Cornerstone. Donated goods are recorded at their estimated fair value at the date of donation and are reflected as in-kind contributions in the accompanying consolidated financial statements. The value of donated goods, services, and space received or used by Cornerstone is reflected in the consolidated financial statements as revenues and expenses, as follows:

	Year Ended December 31,	
	2022	2021
Donated goods	<u>\$ 114,370</u>	<u>\$ 65,728</u>

All donated goods were utilized by Cornerstone's programs and supporting services. There were no donor-imposed restrictions associated with the donated services and assets.

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.

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 17 - 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.

NOTE 18 - SPECIAL EVENTS:

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

	Year Ended	
	December 31,	
	2022	2021
Revenue:		
Annual Gala	\$ 357,409	\$ 219,138
Other	79,615	51,261
Total	<u>437,024</u>	<u>270,399</u>
Expense:		
Annual Gala	52,573	12,278
Other	6,508	5,478
Total	<u>59,081</u>	<u>17,756</u>
Special Events, Net	<u>\$ 377,943</u>	<u>\$ 252,643</u>

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 19 - 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.

NOTE 20 - 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.

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 21 - 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,	
	2022	2021
Cash	\$ 540,349	\$ 397,944
Investments	5,455,363	6,642,381
Grants receivable	423,013	453,562
Accounts receivable	29,121	39,266
Contributions receivable	2,067	13,550
Total financial assets	<u>6,449,913</u>	<u>7,546,703</u>
Less amounts not available to be used within one year:		
Board-designated net assets	(5,395,980)	(6,567,089)
Net assets with donor restrictions	(110,783)	(135,166)
	<u>(5,506,763)</u>	<u>(6,702,255)</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 943,150</u>	<u>\$ 844,448</u>

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 STATE AWARDS
 YEAR ENDED DECEMBER 31, 2022**

State Grant or Program Title	Assistance Listing 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	2023-6 CFP	\$ 31,000	01/01/22 - 12/31/22	\$ 31,000
Passed through Morris County Board of Chosen Freeholders					
Social Recreation	N/A	JJ-2204	14,516	01/01/22 - 12/31/22	14,516
Rites of Passage	N/A	JJ-2209	33,532	01/01/22 - 12/31/22	33,128
Total New Jersey Department of Health and Human Services					<u>78,644</u>
New Jersey Department of Education					
Passed through Morris School District					
Preschool Expansion Aid	N/A	N/A	1,021,200	07/01/21 - 06/30/22	584,007
Preschool Expansion Aid	N/A	N/A	1,071,000	07/01/22 - 06/30/23	406,802
Total New Jersey Department of Education					<u>990,809</u>
				Total State Assistance	<u>\$ 1,069,453</u>

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY
SUPPLEMENTARY INFORMATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2022

NOTE 1 - BASIS OF PRESENTATION:

The accompanying schedules of expenditures of state awards include the state 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 the 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, 2022, Cornerstone did not provide any funds relating to its state programs to subrecipients.

NOTE 3 - INDIRECT COSTS:

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

NOTE 4 - LOAN AND LOAN GUARANTEE PROGRAMS:

As of December 31, 2022, Cornerstone did not have any 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

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, 2022, 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 July 14, 2023.

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 or significant deficiencies 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 consolidated financial statements. 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Livingston, New Jersey
July 14, 2023



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

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 OMB Compliance Supplement and the New Jersey Office of Management and Budget Circular Letter 15-08 (NJOMB) that could have a direct and material effect on each of Cornerstone's major programs for the year ended December 31, 2022. 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 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, 2022.

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 (GAAS); 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 NJOMB. Our responsibilities under those standards 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 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 GAAS, *Government Auditing Standards*, 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 GAAS, Government Auditing Standards 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 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

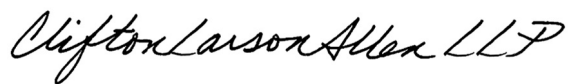
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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.

Board of Directors
Cornerstone Family Programs and Subsidiary

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 NJOMB. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Livingston, New Jersey
July 14, 2023

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022

I. Summary of Auditors' Results

Schedules of Expenditures of 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 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, 2022**

I. Summary of Auditors' Results (Continued)

State Awards (Continued)

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

State - **\$750,000**

Auditee qualified as low-risk auditee? Yes No

II. Consolidated Financial Statement Findings

NONE

III. Compliance Findings

NONE

IV. Prior Audit Findings

NONE