CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2023 AND 2022

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Cornerstone Family Programs and Subsidiary (the Organization), a New Jersey nonprofit organization, which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, 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 the Organization as of December 31, 2023 and 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 audits 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 Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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.

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 the Organization'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 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 the Organization'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 the Organization'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.

Board of Directors
Cornerstone Family Programs and Subsidiary

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of the Organization as a whole and the accompanying schedule of expenditures of state awards, and notes to the schedule, 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 April 30, 2024, on our consideration of the Organization'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 the Organization'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 the Organization's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Livingston, New Jersey
April 30, 2024

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash	$ 455,492	$ 540,349
Investments, at Fair Value	5,759,173	5,455,363
Grants Receivable	328,891	423,013
Accounts Receivable	26,996	29,121
Contributions Receivable	32,860	2,067
Prepaid Expenses	25,509	53,902
Total Current Assets	6,628,921	6,503,815
OPERATING RIGHT-OF-USE ASSET	132,505	90,137
OTHER ASSETS		
Beneficial Interest in Remainder Trust	51,798	50,648
Property and Equipment, Net	2,609,220	2,438,935
Security Deposits	500	11,050
Total Other Assets	2,661,518	2,500,633
Total Assets	$ 9,422,944	$ 9,094,585
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 281,820	$ 248,865
Deferred Revenue	10,000	-
Grant Advance	-	63,696
Mortgage Payable, Current	27,487	26,461
Current Lease Liability - Operating	33,111	84,386
Total Current Liabilities	352,418	423,408
LONG-TERM LIABILITIES		
Mortgage Payable, Net of Current Portion	562,990	590,321
Long-Term Lease Liability - Operating, Less Current Maturities	99,394	6,217
Total Long-Term Liabilities	662,384	596,538
Total Liabilities	1,014,802	1,019,946
NET ASSETS		
Without Donor Restrictions	8,289,951	7,964,606
With Donor Restrictions	118,191	110,033
Total Net Assets	8,408,142	8,074,639
Total Liabilities and Net Assets	$ 9,422,944	$ 9,094,585

See accompanying Notes to Consolidated Financial Statements.

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2023
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2022)

	Without Donor Restrictions	With Donor Restrictions	Totals 2023	Totals 2022
REVENUE AND SUPPORT				
Earned Revenue and Support:				
County Grants and Contracts	$ 484,301	$ -	$ 484,301	$ 407,412
Child Care State Reimbursement	1,906,936	-	1,906,936	1,672,200
Federal and State Grants	1,948,824	-	1,948,824	1,406,826
Program Fees	682,865	-	682,865	574,876
Contributions, Grants, and Bequests	872,438	-	872,438	1,127,139
In-Kind Contributions	173,542	-	173,542	114,370
Special Events Gross Revenue	411,196	-	411,196	437,024
Miscellaneous	2,623	-	2,623	1,038
Other Revenue:				
Investment Income, Net	77,729	2,162	79,891	116,350
Net Realized and Unrealized Gain (Loss) on Investments	637,924	4,846	642,770	(1,202,452)
Change in Value of Split-Interest Agreements	-	1,150	1,150	(9,227)
Net Assets Released from Restrictions	-	-	-	-
Total Revenue and Support	7,198,378	8,158	7,206,536	4,645,556
OPERATING EXPENSES				
Community Services	5,882,849	-	5,882,849	4,816,552
Management and General	618,148	-	618,148	670,964
Development	372,036	-	372,036	417,727
Total Operating Expenses	6,873,033	-	6,873,033	5,905,243
CHANGES IN NET ASSETS	325,345	8,158	333,503	(1,259,687)
Net Assets - Beginning of Year	7,964,606	110,033	8,074,639	9,334,326
NET ASSETS - END OF YEAR	$ 8,289,951	$ 118,191	$ 8,408,142	$ 8,074,639

See accompanying Notes to Consolidated Financial Statements.

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2022)

	Community Services				Supporting Services			Totals	
	Child and Adolescent	Adult Services	Senior Services	Total	Management and General	Development	Total	2023	2022
Salaries and Fringe Benefits:									
Salaries	$ 2,944,551	$ 121,883	$ 441,105	$ 3,507,539	$ 408,813	$ 238,594	$ 647,407	$ 4,154,946	$ 3,527,405
Benefits	305,755	44,793	12,405	362,953	27,710	28,806	56,516	419,469	363,178
Payroll Taxes and Workers' Compensation Insurance	359,887	59,872	13,737	433,496	45,819	24,222	70,041	503,537	419,345
Total Salaries and Fringe Benefits	3,610,193	226,548	467,247	4,303,988	482,342	291,622	773,964	5,077,952	4,309,928
Operational Expense:									
Professional Fees	99,690	19,740	2,769	122,199	20,595	4,296	24,891	147,090	145,081
Office Supplies	32,423	4,546	1,182	38,151	9,186	2,654	11,840	49,991	46,218
Licensing, Dues, and Marketing	3,229	599	103	3,931	2,032	15,025	17,057	20,988	13,515
Information Technology	117,639	21,233	3,838	142,710	17,529	8,160	25,689	168,399	125,977
Postage	2,620	426	129	3,175	339	175	514	3,689	6,438
Rent	31,437	4,819	1,282	37,538	5,278	2,347	7,625	45,163	73,820
Utilities	52,777	411	590	53,778	7,627	4,968	12,595	66,373	75,053
Repairs and Maintenance	120,777	302	1,305	122,384	19,726	8,293	28,019	150,403	143,519
Insurance	70,133	19,754	2,746	92,633	8,237	5,324	13,561	106,194	101,849
Total Operational Expense	530,725	71,830	13,944	616,499	90,549	51,242	141,791	758,290	731,470
Program Expense	391,695	134,527	19,237	545,459	9,210	626	9,836	555,295	436,460
Financing and Bank Fees	39,010	3,719	248	42,977	4,048	9,323	13,371	56,348	48,728
Education and Travel	9,880	463	712	11,055	6,074	2,774	8,848	19,903	16,511
In-Kind Expenses	170,903	625	782	172,310	894	338	1,232	173,542	114,370
Other Expenses	8,030	-	-	8,030	-	-	-	8,030	30,451
Total Expenses Before Depreciation and Special Events	1,150,243	211,164	34,923	1,396,330	110,775	64,303	175,078	1,571,408	1,377,990
Depreciation	130,553	-	1,240	131,793	20,103	12,940	33,043	164,836	158,244
Special Events	42,492	6,514	1,732	50,738	4,928	3,171	8,099	58,837	59,081
Total Expenses	$ 4,933,481	$ 444,226	$ 505,142	$ 5,882,849	$ 618,148	$ 372,036	$ 990,184	$ 6,873,033	$ 5,905,243

See accompanying Notes to Consolidated Financial Statements.

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	$ 333,503	$ (1,259,687)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	164,836	158,244
Unrealized (Gain) Loss on Investments	(756,683)	997,655
Realized Loss on Investments	113,913	204,797
Bad Debt Expense	7,780	11,986
Beneficial Interest in Remainder Trust	(1,150)	9,227
Right-of-Use Amortization	(466)	466
Changes in Operating Assets and Liabilities:		
Grants Receivable	94,122	30,549
Accounts Receivable	(5,655)	(1,841)
Contributions Receivable	(30,793)	11,483
Security Deposit	10,550	-
Prepaid Expenses	28,393	(943)
Accounts Payable and Accrued Expenses	32,955	102,230
Deferred Revenue	10,000	-
Grant Advance	(63,696)	63,696
Net Cash (Used) Provided by Operating Activities	(62,391)	327,862
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment	(335,118)	(144,612)
Proceeds from Sale of Investments	885,577	1,264,725
Purchase of Investments	(546,619)	(1,280,158)
Net Cash Provided (Used) by Investing Activities	3,840	(160,045)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Mortgage Payable	(26,306)	(25,412)
NET CHANGE IN CASH	(84,857)	142,405
Cash - Beginning of Year	540,349	397,944
CASH - END OF YEAR	$ 455,492	$ 540,349
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	$ 24,584	$ 25,198

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Cornerstone Family Programs is a private, nonprofit 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 Programs' 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 Programs 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.

Principles of Consolidation

The consolidated financial statements include the accounts of Cornerstone Family Programs and Morristown Neighborhood House Association, Inc. (MNHA) (collectively, the "Organization"). 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 the Organization's consolidated financial statements for the year ended December 31, 2022, from which the summarized information was derived.

Basis of Accounting

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

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards

The Organization has adopted the current expected credit losses (CECL) methodology for estimating credit losses on financial assets, effective January 1, 2023, utilizing the modified retrospective transition method. The adoption of CECL resulted in changes to the Organization's accounting policies, including the recognition of credit losses based on expected future credit losses rather than incurred credit losses. The company also updated its accounting policies for determining the recoverability of trade receivables, loans, and other financial assets. The adoption of this Standard did not have a material impact on the Organization's consolidated financial statements but did change how the allowance for credit losses is determined.

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 the Organization 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 the Organization and/or the passage of time. Also, other net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization 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 statement 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.

NOTE 1 PRINCIPAL ACTIVITY AND 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.

The Organization uses 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 the Organization at year-end.

Exchange-Traded Funds – Valued at the net asset value of shares held by the Organization 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 $29,000 and $31,200 for the years ended December 31, 2023 and 2022, 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. The Organization charges uncollectible grants receivable to operations when determined to be uncollectible. There was no allowance for uncollectible grants receivable as of December 31, 2023 and 2022.

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Organization charges uncollectible receivables to operations when determined to be uncollectible. Management determined no allowance for uncollectible accounts receivable was necessary as of December 31, 2023 and 2022, respectively.

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

The Organization primarily derives its revenue from state financial assistance and program fees. Revenues are recognized when services are transferred to the Organization’s clients in an amount that reflects the consideration the Organization 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, 2023, there were no advances from government contracts. During the year ended December 31, 2022, there were $63,696 of advances from government contracts. In applying this concept, the legal and contractual requirements of each individual contract are used as guidance.

The Organization 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.

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Organization leases a vehicle and various office equipment. The Organization 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.

ROU assets represent the Organization’s right to use an underlying asset for the lease term and lease liabilities represent the Organization’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, the Organization 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 the Organization exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization 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 ROU assets on the consolidated statements of financial position.

In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if the Organization has obtained substantially all the rights to the underlying asset through exclusivity, if the Organization 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

The Organization is a nonprofit 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.

The Organization follows standards that provide clarification on accounting for uncertainty in income taxes recognized in the Organization’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. The Organization’s policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense. No interest and penalties were recorded during 2023 and 2022. At December 31, 2023 and 2022, there were no significant income tax uncertainties.

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Subsequent Events

The Organization has evaluated its subsequent events through April 30, 2024, the date the consolidated financial statements were available to be issued.

NOTE 2 INVESTMENTS

Investments are valued as follows:

	Level 1	Level 2	Level 3	Investments Measured at NAV	Total
December 31, 2023					
Cash	$ 25,332	$ -	$ -	$ -	$ 25,332
Mutual Funds	2,659,138	-	-	-	2,659,138
Exchange-Traded Funds	1,472,331	-	-	-	1,472,331
Equities	342,632	-	-	-	342,632
Hedge Funds	-	-	-	1,259,740	1,259,740
Total Investments at Fair Value	$ 4,499,433	$ -	$ -	$ 1,259,740	$ 5,759,173
December 31, 2022					
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
Total Investments at Fair Value	$ 4,304,335	$ -	$ -	$ 1,151,028	$ 5,455,363

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
December 31, 2023					
Hedge Funds	2	$ 1,259,740	$ -	Semi-Annually	100 Days
December 31, 2022					
Hedge Funds	2	$ 1,151,028	$ -	Semi-Annually	100 Days

NOTE 2 INVESTMENTS (CONTINUED)

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 3 GRANTS RECEIVABLE

Grants receivable comprise the following:

	2023	2022
Governmental Grants	$ 321,241	$ 395,863
Private Grants	7,650	27,150
Total Grants Receivable	$ 328,891	$ 423,013

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable is comprised of adult day center client fees in the amount of $26,996 and $29,121 as of December 31, 2023 and 2022, respectively.

NOTE 5 BENEFICIAL INTEREST IN REMAINDER TRUST

A grantor established a charitable remainder trust in December 2000, naming the Organization 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 the Organization. The present value of future benefits expected to be received by the Organization 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 $1,150 and a decrease of $9,227 for the years ended December 31, 2023 and 2022, respectively. Both of these are shown as the change in the value of split-interest agreements on the accompanying consolidated statement of activities and changes in net assets. The beneficial interest in remainder trust is $51,798 and $50,648 as of December 31, 2023 and 2022, respectively, as shown on the accompanying consolidated statements of financial position.

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment is as follows:

	2023	2022
Land	$ 250,000	$ 250,000
Building and Improvements	3,692,244	3,371,058
Equipment	368,182	361,730
Furniture and Fixtures	123,046	115,565
Total	4,433,472	4,098,353
Less: Accumulated Depreciation	(1,824,252)	(1,659,418)
Property and Equipment, Net	$ 2,609,220	$ 2,438,935

NOTE 7 MORTGAGES PAYABLE

On July 22, 2014, the Organization 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 Ending December 31,	Amount
2024	$ 27,487
2025	28,690
2026	29,875
2027	31,109
2028	32,341
Thereafter	440,975
Total	590,477
Less: Short-Term Maturities	(27,487)
Long-Term Maturities	$ 562,990

NOTE 8 NET ASSETS

Net Assets Without Donor Restrictions

Net assets without donor restrictions comprise the following:

	2023	2022
Operations	$ 2,597,170	$ 2,568,626
Board-Designated:		
Endowment	1,882,399	1,768,121
Board-Approved Future Initiatives	3,810,382	3,627,859
Total Net Assets Without Donor Restrictions	$ 8,289,951	$ 7,964,606

The board approved distributions of $446,895 and $100,000 to support general expenditures during the year ended December 31, 2023 and 2022, respectively.

Net Assets With Donor Restrictions

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

	2023	2022
Subject to Expenditure for Specified Purpose or Passage of Time:		
“Plays For Living” Series	$ 32,346	$ 23,560
Scholarships	26,292	28,070
Split-Interest Agreement	51,798	50,648
Total	110,436	102,278
Restricted-In-Perpetuity Endowment	7,755	7,755
Total Net Assets With Donor Restrictions	$ 118,191	$ 110,033

There were no releases of net assets with donor restrictions for the years ended December 31, 2023 and 2022.

NOTE 9 ENDOWMENT FUNDS

Donor-Restricted Endowment

The Organization’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.

NOTE 9 ENDOWMENT FUNDS (CONTINUED)

Donor-Restricted Endowment (Continued)

The Organization'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 the Organization. As specified by the donor, a minimum balance of $5,955 is to be maintained in perpetuity. At December 31, 2023 and 2022, the fair market value of the investment, which includes net appreciation and income reinvested, was $32,247 and $29,511, respectively.
>
> 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, 2023 and 2022, the fair market value of the investment, which includes net appreciation and income reinvested, was $34,142 and $29,870, 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). The Organization 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, 2023 and 2022.

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, the Organization 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 the Organization.

NOTE 9 ENDOWMENT FUNDS (CONTINUED)

Donor-Restricted Endowment (Continued)

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

- The duration and preservation of the programs
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

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 the Organization. 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.

The Organization 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 the Organization had the following endowment net asset composition by type of fund:

December 31, 2023	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated Endowment Funds	$ 1,882,399	$ -	$ 1,882,399
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	7,755	7,755
Accumulated Investment Gains	-	58,639	58,639
Total	$ 1,882,399	$ 66,394	$ 1,948,793

NOTE 9 ENDOWMENT FUNDS (CONTINUED)

Board-Designated Endowment (Continued)

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	-	7,755	7,755
Accumulated Investment Gains	-	51,630	51,630
Total	$ 1,768,121	$ 59,385	$ 1,827,506

Changes in endowment net assets for the years ended December 31 were as follows:

December 31, 2023	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	$ 1,768,121	$ 59,385	$ 1,827,506
Investment Return, Net	224,561	7,009	231,570
Appropriation of Endowment Assets Pursuant to Spending-Rate Policy	(110,283)	-	(110,283)
Endowment Net Assets - End of Year	$ 1,882,399	$ 66,394	$ 1,948,793
December 31, 2022			
Endowment Net Assets - Beginning of Year	$ 2,217,444	$ 74,541	$ 2,291,985
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 - End of Year	$ 1,768,121	$ 59,385	$ 1,827,506

NOTE 10 LINE OF CREDIT

The Organization 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 (9.875% and 8.875% at December 31, 2023 and 2022, respectively). There was no outstanding balance at December 31, 2023, or 2022. The line of credit is secured by all assets at 12 Flagler St., Morristown, New Jersey, with a net book value of approximately $2.6 million and $2.5 million as of December 31, 2023 and 2022, respectively.

NOTE 11 RETIREMENT PLAN

The Organization maintains a 403(b) thrift plan (classified as a defined-contribution plan). The Organization may elect to make discretionary contributions to the plan. There were no contributions made by the Organization for the years ended December 31, 2023 and 2022.

NOTE 12 LEASES – ASC 842

The Organization leases a vehicle as well as office equipment for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2029. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases.

The following tables provide quantitative information concerning the Organization's leases.

	2023	2022
Lease Cost:		
Operating Lease	$ 90,835	$ 120,425
Short-Term Lease	396	396
Total	$ 91,231	$ 120,821

	2023	2022
Other Information:		
Cash Paid For Amounts Included in The Measurement of Lease Liabilities:		
Operating Cash Flows from Operating Leases	$ 91,302	$ 119,958
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	$ 132,180	$ 209,272
Weighted-Average Remaining Lease Term - Operating Leases	4.6 Years	.8 Years
Weighted-Average Discount Rate - Operating Leases	3.95%	0.90%

NOTE 12 LEASES – ASC 842 (CONTINUTED)

The Organization 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, 2023, is as follows:

Year Ending December 31,	Operating Leases
2024	$ 35,866
2025	31,543
2026	24,959
2027	22,764
2028	22,764
Thereafter	7,588
Undiscounted Cash Flows	145,484
Less: Imputed Interest	(12,979)
Total Present Value	$ 132,505
Short-Term Lease Liabilities	$ (33,111)
Long-Term Lease Liabilities	(99,394)
Total Lease Liabilities	$ (132,505)

NOTE 13 DONATED GOODS

The Organization 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 the Organization. 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 the Organization is reflected in the consolidated financial statements as revenues and expenses, as follows:

	2023	2022
Donated Goods	$ 173,542	$ 114,370

All donated goods were valued based on estimates of retail values for similar products and were utilized by the Organization's programs and supporting services. There were no donor-imposed restrictions associated with the donated services and assets.

The Organization 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.

NOTE 14 CONCENTRATIONS OF CREDIT RISK AND UNCERTAINTIES

The Organization receives a large portion of its funding from various federal, state, and local governmental agencies. The operations of the Organization 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.

The Organization 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.

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

NOTE 15 SPECIAL EVENTS

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

	2023	2022
Revenue:		
Annual Gala	$ 357,426	$ 357,409
Other	53,770	79,615
Total	411,196	437,024
Expense:		
Annual Gala	54,328	52,576
Other	4,509	6,505
Total	58,837	59,081
Special Events, Net	$ 352,359	$ 377,943

NOTE 16 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 the Organization.

NOTE 16 FUNCTIONAL EXPENSES (CONTINUED)

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 17 LIQUIDITY AND AVAILABILITY

The following represents the Organization'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 years.

	2023	2022
Cash	$ 455,492	$ 540,349
Investments	5,759,173	5,455,363
Grants Receivable	328,891	423,013
Accounts Receivable	26,996	29,121
Contributions Receivable	32,860	2,067
Total Financial Assets	6,603,412	6,449,913
Less Amounts Not Available to be Used Within One Year:		
Board-Designated Net Assets	(5,692,781)	(5,395,980)
Net Assets With Donor Restrictions	(118,191)	(110,033)
Financial Assets Available to Meet General Expenditures Over the Next 12 Months	$ 792,440	$ 943,900

As part of its liquidity plan, excess cash is invested in money market funds, mutual funds, or equities, in accordance with the Organization's investment policy. The Organization 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.

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2023

State Grant or Program Title	Assistance Listing Number	Grant Number	Grant Amount	Grant Period	Current-Year Disbursements/ Expenditures
New Jersey Department of Health and Human Services					
Friends of the Blind/Older Blind (SCILS)	N/A	2023-8 CFP	$ 51,000	01/01/23 - 12/31/23	$ 51,000
Passed through Morris County Board of Chosen Freeholders:					
Social Recreation	N/A	JJ-2309	33,976	01/01/23 - 12/31/23	33,976
Rites of Passage	N/A	JJ-2304	25,257	01/01/23 - 12/31/23	25,257
Total New Jersey Department of Health and Human Services					110,233
New Jersey Department of Education					
Passed through Morris School District:					
Preschool Expansion Aid	N/A	N/A	1,071,000	07/01/22 - 06/30/23	684,143
Preschool Expansion Aid	N/A	N/A	1,351,980	07/01/23 - 06/30/24	540,806
Passed through Dover School District:					
Preschool Expansion Aid	N/A	N/A	685,200	07/01/23 - 06/30/24	274,102
Total New Jersey Department of Education					1,499,051
Total State Assistance					$ 1,609,284

See accompanying Notes to Schedule of Expenditures of State Awards.

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY
NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2023

NOTE 1 BASIS OF PRESENTATION

The accompanying schedules of expenditures of state awards include the state grant activity of Cornerstone Family Programs and Subsidiary (the Organization) 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, 2023, the Organization did not provide any funds relating to its state programs to subrecipients.

NOTE 3 INDIRECT COSTS

The Organization 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, 2023, the Organization 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 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 (the Organization), which comprise the consolidated statements of financial position as of December 31, 2023, 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 April 30, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 the entity's 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 were not identified.

Board of Directors
Cornerstone Family Programs and Subsidiary

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from 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 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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Livingston, New Jersey
April 30, 2024

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 (the Organization) compliance with types of compliance requirements identified as subject to audit in the New Jersey Office of Management and Budget Circular Letter 15-08 (NJOMB) that could have a direct and material effect on each of the Organization's major programs for the year ended December 31, 2023. The Organization's major programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization 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, 2023.

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 the Organization 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 the Organization'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 the Organization'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 the Organization'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 the Organization'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 the Organization'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 the Organization'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 the Organization'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.

Board of Directors
Cornerstone Family Programs and Subsidiary

Report on Internal Control Over Compliance

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 in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

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 federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal 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 federal 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on Organization's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Livingston, New Jersey
April 30, 2024

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
   - Material weakness(es) identified? ____ yes __X__ no
   - Significant deficiency(ies) identified that are not considered to be material weakness(es)? ____ yes __X__ none reported
3. Noncompliance material to financial statements noted? ____ yes __X__ no

State Awards

1. Internal control over major programs:
   - Material weakness(es) identified? ____ yes __X__ no
   - Significant deficiency(ies) identified that are not considered to be material weakness(es)? __X__ yes ____ none reported
2. Type of auditors' report issued on compliance for major programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 15-08? ____ yes __X__ no

Identification of Major Programs

Assistance Listing Number(s)	Name of Program or Cluster
N/A	New Jersey Department of Education – Preschool Expansion Aid

Dollar threshold used to distinguish between Type A and Type B programs: $ 750,000

Auditee qualified as low-risk auditee? __X__ yes ____ no

Section II – Financial Statement Findings

None

Section III – Compliance Findings

2023-001

State Agency: Department of Education
State Program Name: Preschool Expansion Aid
Pass-through Agency: Morris School District
Award Period: July 1, 2023 through June 30, 2024

Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria or specific requirement: NJ OMB Circular 15-08 requires compliance with the provisions of allowable costs and allowable activities with respect to grant expenditures.

Condition and Context: During our cash disbursement testing, one of forty expenditures reviewed were identified as an unallowable cost and activity.

Questioned Costs: $129

Cause: Although procedures were in place for review of payment of the expense, there were inadequate internal controls to the prevent unallowable cost and activity from being submitted on quarterly grant report.

Effect: Grant expenditure was reported inaccurately on the quarterly report.

Repeat Finding: N/A

Recommendation: We recommend that the Organization establish and implement internal controls to ensure all expenditures reported in quarterly grant reports are allowable, including levels of review of individual expenditures as well as submitted reports.

View of Responsible Officials: There is no disagreement with the audit finding. The Organization has amended the quarterly report to remove the unallowable cost. To remedy and improve the internal control regarding state expenditure reporting, a line-by-line secondary review of the quarterly report by the senior accountant will be a standard operating procedure. Also delineating expenditure invoices, particularly food and beverage, on the g/l detail level for better identification of potential unallowed expenses.

Section IV – Prior Audit Findings

None