CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2025
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR
THE YEAR ENDED DECEMBER 31, 2024)**

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CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2024)

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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 consolidated financial statements of Cornerstone Family Programs and Subsidiary (the Organization), a New Jersey nonprofit organization, which comprise the consolidated statement of financial position as of December 31, 2025, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2025, and the changes in its net assets and its cash flows for the year 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 the Organization 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.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 within one year after the date that 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 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. 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 25-12 and is not a required part 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 May 8, 2026, 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.

Report on Summarized, Comparative Totals

We have previously audited the Organization’s 2024 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report, dated June 18, 2025. In our opinion, the summarized, comparative totals presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Livingston, New Jersey
May 8, 2026

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2024)

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash	$ 654,929	$ 896,557
Investments, at Fair Value	6,062,636	5,694,369
Grants Receivable	165,277	269,739
Accounts Receivable, Net	83,421	78,145
Contributions Receivable	35,858	32,439
Prepaid Expenses	58,028	57,020
Total Current Assets	7,060,149	7,028,269
OPERATING RIGHT-OF-USE ASSET	78,722	108,144
OTHER ASSETS		
Beneficial Interest in Remainder Trust	56,165	55,190
Property and Equipment, Net	3,800,826	3,562,937
Security Deposits	-	750
Total Other Assets	3,856,991	3,618,877
Total Assets	$ 10,995,862	$ 10,755,290
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 242,285	$ 258,273
Deferred Revenue	22,500	-
Refundable Advance	248,238	226,132
Mortgage Payable, Current	55,427	47,378
Lease Liability - Operating, Current	23,977	29,422
Total Current Liabilities	592,427	561,205
LONG-TERM LIABILITIES		
Mortgage Payable, Net of Current Portion	1,477,818	1,508,871
Long-Term Lease Liability - Operating, Net of Current	54,745	78,722
Total Long-Term Liabilities	1,532,563	1,587,593
Total Liabilities	2,124,990	2,148,798
NET ASSETS		
Without Donor Restrictions	8,718,604	8,480,767
With Donor Restrictions	152,268	125,725
Total Net Assets	8,870,872	8,606,492
Total Liabilities and Net Assets	$ 10,995,862	$ 10,755,290

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, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2024)

	Without Donor Restrictions	With Donor Restrictions	Totals 2025	Totals 2024
REVENUE AND SUPPORT				
Earned Revenue and Support:				
County Grants and Contracts	$ 419,087	$ -	$ 419,087	$ 453,688
Child Care State Reimbursement	1,790,415	-	1,790,415	1,834,405
Federal and State Grants	2,443,994	-	2,443,994	2,392,310
Program Fees	873,297	-	873,297	869,336
Contributions, Grants, and Bequests	1,064,605	30,000	1,094,605	972,817
In-Kind Contributions	204,315	-	204,315	126,401
Special Events Gross Revenue	372,502	-	372,502	430,266
Miscellaneous	626	-	626	2
Other Revenue:				
Investment Income, Net	138,520	2,552	141,072	144,437
Net Realized and Unrealized Gain on Investments	576,995	9,341	586,336	539,530
Change in Value of Split-Interest Agreements	-	975	975	3,392
Net Assets Released from Restrictions	16,325	(16,325)	-	-
Total Revenue and Support	7,900,681	26,543	7,927,224	7,766,584
OPERATING EXPENSES				
Community Services	6,662,663	-	6,662,663	6,559,697
Management and General	545,150	-	545,150	595,239
Development	455,031	-	455,031	413,298
Total Operating Expenses	7,662,844	-	7,662,844	7,568,234
CHANGES IN NET ASSETS	237,837	26,543	264,380	198,350
Net Assets - Beginning of Year	8,480,767	125,725	8,606,492	8,408,142
NET ASSETS - END OF YEAR	$ 8,718,604	$ 152,268	$ 8,870,872	$ 8,606,492

See accompanying Notes to Consolidated Financial Statements.

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2024)

	Community Services				Supporting Services			Totals	
	Child and Adolescent	Senior Services	Adult Services	Total	Management and General	Development	Total	2025	2024
Salaries and Fringe Benefits:									
Salaries	$ 3,502,878	$ 426,777	$ 52,124	$ 3,981,779	$ 345,537	$ 291,490	$ 637,027	$ 4,618,806	$ 4,719,250
Benefits	341,949	47,250	3,914	393,113	35,240	33,883	69,123	462,236	413,215
Payroll Taxes and Workers' Compensation Insurance	477,025	65,436	6,445	548,906	41,222	32,951	74,173	623,079	591,779
Total Salaries and Fringe Benefits	4,321,852	539,463	62,483	4,923,798	421,999	358,324	780,323	5,704,121	5,724,244
Operational Expense:									
Professional Fees	110,664	15,934	1,404	128,002	12,764	5,234	17,998	146,000	188,177
Office Supplies	29,301	781	341	30,423	4,129	2,985	7,114	37,537	36,768
Licensing, Dues, and Marketing	7,362	1,089	460	8,911	549	14,940	15,489	24,400	13,864
Information Technology	148,776	10,553	1,274	160,603	8,928	8,403	17,331	177,934	170,378
Postage	2,486	202	36	2,724	273	499	772	3,496	3,498
Rent	3,227	406	56	3,689	297	214	511	4,200	4,200
Utilities	71,114	-	816	71,930	8,078	6,038	14,116	86,046	61,236
Repairs and Maintenance	116,926	-	1,202	118,128	14,494	10,290	24,784	142,912	168,858
Insurance	93,448	21,315	1,803	116,566	8,740	6,477	15,217	131,783	116,094
Total Operational Expense	583,304	50,280	7,392	640,976	58,252	55,080	113,332	754,308	763,073
Program Expense	399,630	163,817	7,890	571,337	6,555	10,027	16,582	587,919	593,025
Financing and Bank Fees	101,926	6,878	963	109,767	28,443	10,355	38,798	148,565	97,426
Education and Travel	2,531	-	2	2,533	7,308	4,839	12,147	14,680	13,873
In-Kind Expenses	204,110	-	205	204,315	-	-	-	204,315	126,401
Other Expenses	2,742	402	2	3,146	323	7	330	3,476	13,413
Total Expenses Before Depreciation and Special Events	1,294,243	221,377	16,454	1,532,074	100,881	80,308	181,189	1,713,263	1,607,211
Depreciation	145,623	3,642	1,748	151,013	17,779	13,179	30,958	181,971	166,312
Special Events	48,847	6,105	826	55,778	4,491	3,220	7,711	63,489	70,467
Total Expenses by Function	$ 5,810,565	$ 770,587	$ 81,511	$ 6,662,663	$ 545,150	$ 455,031	$ 1,000,181	$ 7,662,844	$ 7,568,234

See accompanying Notes to Consolidated Financial Statements.

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2024)

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	$ 264,380	$ 198,350
Adjustments to Reconcile Changes in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	181,971	166,312
Unrealized Gain on Investments	(383,286)	(618,247)
Realized Loss on Investments	(203,050)	78,717
Credit Loss Expense	516	9,658
Beneficial Interest in Remainder Trust	(975)	(3,392)
Changes in Operating Assets and Liabilities:		
Grants Receivable	104,462	(72,269)
Accounts Receivable	(5,792)	70,614
Contributions Receivable	(3,419)	421
Security Deposit	750	(250)
Prepaid Expenses	(1,008)	(31,511)
Accounts Payable and Accrued Expenses	(15,988)	(23,547)
Deferred Revenue	22,500	(10,000)
Grant Advance	22,106	226,132
Net Cash Used by Operating Activities	(16,833)	(9,012)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment	(419,860)	(1,120,028)
Proceeds from Sale of Investments	218,070	2,122,890
Purchase of Investments	-	(1,518,556)
Net Cash Used by Investing Activities	(201,790)	(515,694)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance on New Debt	27,228	1,000,000
Draw Down on Line of Credit	300,000	200,000
Payments on Line of Credit	(300,000)	(200,000)
Principal Payments on Mortgage Payable	(50,233)	(34,229)
Net Cash Provided (Used) by Financing Activities	(23,005)	965,771
NET CHANGE IN CASH	(241,628)	441,065
Cash - Beginning of Year	896,557	455,492
CASH - END OF YEAR	$ 654,929	$ 896,557
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	$ 107,448	$ 66,971
Right-of-Use Asset - Operating	$ -	$ 8,221

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Cornerstone Family Programs and Subsidiary (the Organization) 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. 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 Financial 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, 2024, 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)

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 available for use in general operations and not subject to donor (or certain grantor) restrictions. The board of directors has designated, from net assets without donor restrictions, net assets for board-approved future initiatives and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities 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

We report certain assets and liabilities at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value (Continued)

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk.

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 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.

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 $31,000 for each of the years ended December 31, 2025 and 2024, 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 and Contributions Receivable

Grants and contributions receivable are stated at the amount management expects to collect from outstanding balances. The Organization charges uncollectible grants and contributions receivable to operations when determined to be uncollectible. There was no allowance for uncollectible grants and contributions receivable as of December 31, 2025 and 2024.

Accounts Receivable and Allowance for Credit Losses

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. The reserves are based on combination of historical experience, current economic conditions, management's evaluation of outstanding receivables, and forward-looking information. The allowance for credit losses was $779 and $652 for the years ended December 31, 2025 and 2024, respectively.

Receivables from contracts with customers are reported as accounts receivable, net in the accompanying consolidated statement of financial position. Contract liabilities are reported as deferred revenue in the accompanying consolidated statement of financial position.

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.

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

We review the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2025 and 2024.

Beneficial Interests in Charitable Remainder Trust Held by Others

We have been named as an irrevocable beneficiary of a charitable remainder trust held and administered by independent trustees. The trust was created independently by a donor and is administered by outside agents designated by the donor. Therefore, we have neither possession nor control over the assets of the trusts. At the date we receive notice of a beneficial interest, a contribution with donor restrictions is recorded in the consolidated statement of activities and changes in net assets, and a beneficial interest in charitable remainder trust held by others is recorded in the consolidated statement of financial position at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the expected distributions to be received under the agreement. Thereafter, beneficial interests in the trusts are reported at fair value in the consolidated statement of financial position, with changes in fair value recognized in the consolidated statement of activities and changes in net assets.

Upon receipt of trust distributions or expenditures, or both, in satisfaction of the donor-restricted purpose, if any, net assets with donor-imposed time or purpose restrictions are released to net assets without donor restrictions. Trust distributions with donor-imposed restrictions that are perpetual in nature are transferred to the endowment, in which case, net assets with donor-restrictions are not released.

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; amounts received in advance are deferred to the applicable period. 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.

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government Grants and Contributions

A portion of our revenue is derived from cost-reimbursable federal, state, and county contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when we have incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statement of financial position. We received cost-reimbursable grants of $248,238 and $226,132 that have not been recognized at December 31, 2025 and 2024, respectively, because qualifying expenditures have not yet been incurred.

We recognize contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

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 statement 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 statement of financial position.

The Organization has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

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.

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services and In-Kind Contributions

Contributed nonfinancial assets include donated professional services, donated equipment, and other in-kind contributions which are recorded at the respective fair values of the goods or services received (Note 12). We do not sell donated gifts-in-kind. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

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 2025 and 2024. At December 31, 2025 and 2024, there were no significant income tax uncertainties.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Subsequent Events

The Organization has evaluated its subsequent events through May 8, 2026, the date the consolidated financial statements were available to be issued.

NOTE 2 FAIR VALUE MEASUREMENTS AND DISCLOSURES

The following table presents assets measured at fair value on a recurring basis, except those measured at cost or by using NAV per share as a practical expedient as identified in the following, at December 31, 2025*:*

	Level 1	Level 2	Level 3	Investments Measured at NAV	Total
Board-Approved Future Initiative Investments:					
Cash and Money Market Funds (at Cost)	$ 227,724	$ -	$ -	$ -	$ 227,724
Mutual Funds	1,331,684	-	-	-	1,331,684
Exchange-Traded Funds	1,779,767	-	-	-	1,779,767
Equities	10,698	-	-	-	10,698
Hedge Funds	-	-	-	595,687	595,687
Total	3,339,175	-	-	595,687	3,945,560
Board-Designated Endowment Investments:					
Cash and Money Market Funds (at Cost)	111,187	-	-	-	111,187
Mutual Funds	637,316	-	-	-	637,316
Exchange-Traded Funds	942,631	-	-	-	942,631
Equities	35,630	-	-	-	35,630
Hedge Funds	-	-	-	307,882	307,882
Total	1,726,764	-	-	307,882	2,034,646
Scholarship Endowment Investments:					
Mutual Funds	82,430	-	-	-	82,430
Total	82,430	-	-	-	82,430
Total Investments	$ 5,148,369	$ -	$ -	$ 903,569	$ 6,062,636
Beneficial Interests in:					
Charitable Remainder Trust Held by Others	$ -	$ -	$ 56,165	$ -	$ 56,165

NOTE 2 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

The following table presents assets measured at fair value on a recurring basis, except those measured at cost or by using NAV per share as a practical expedient as identified in the following, at December 31, 2024:

	Level 1	Level 2	Level 3	Investments Measured at NAV	Total
Board-Approved Future Initiative Investments:					
Cash and Money Market Funds (at Cost)	$ 31,066	$ -	$ -	$ -	$ 31,066
Mutual Funds	1,369,247	-	-	-	1,369,247
Exchange-Traded Funds	1,539,051	-	-	-	1,539,051
Hedge Funds	-	-	-	738,392	738,392
Total	2,939,364	-	-	738,392	3,677,756
Board-Designated Endowment Investments:					
Cash and Money Market Funds (at Cost)	38,014	-	-	-	38,014
Mutual Funds	600,688	-	-	-	600,688
Exchange-Traded Funds	711,698	-	-	-	711,698
Equities	220,076	-	-	-	220,076
Hedge Funds	-	-	-	375,599	375,599
Total	1,570,476	-	-	375,599	1,946,075
Scholarship Endowment Investments:					
Mutual Funds	70,538	-	-	-	70,538
Total	70,538	-	-	-	70,538
Total Investments	$ 4,580,378	$ -	$ -	$ 1,113,991	$ 5,694,369
Beneficial Interests in:					
Charitable Remainder Trust Held by Others	$ -	$ -	$ 55,190	$ -	$ 55,190

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31:

	Fair Value Measurements at Report Date Using Significant Unobservable Inputs (Level 3)
	Beneficial Interests
	Charitable Remainder Trust Held by Others
Year Ended December 31, 2025	
Balance - Beginning of Year	$ 55,190
Purchases/Contributions of Investments	-
Investment Return, Net	975
Distributions	-
Balance - End of Year	$ 56,165
Year Ended December 31, 2024	
Balance - Beginning of Year	51,798
Purchases/Contributions of Investments	-
Investment Return, Net	3,392
Distributions	-
Balance - End of Year	$ 55,190

NOTE 2 FAIR VALUE MEASUREMENTS AND DISCLOSURES (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
December 31, 2025					
Hedge Funds	4	$ 903,569	$ -	Semi-Annually	100 Days
December 31, 2024					
Hedge Funds	4	$ 1,113,991	$ -	Semi-Annually	100 Days

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:

	2025	2024
Governmental Grants	$ 149,158	$ 263,620
Private Grants	16,119	6,119
Total Grants Receivable	$ 165,277	$ 269,739

NOTE 4 REVENUE FROM CONTRACTS WITH CUSTOMERS

Receivables from contracts with customers are reported as accounts receivable, net in the accompanying consolidated statement of financial position. Contract liabilities are reported as deferred revenue in the accompanying consolidated statement of financial position. The beginning and ending balances for accounts receivable and deferred revenue were as follows:

	2025	
	January 1	December 31
Accounts Receivable, Net of Allowance for Credit Losses	$ 78,145	$ 83,421
Deferred Revenue	-	22,500

	2024	
	January 1	December 31
Accounts Receivable, Net of Allowance for Credit Losses	$ 158,417	$ 78,145
Deferred Revenue	10,000	-

NOTE 4 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

The following table provides information about significant changes in deferred revenue:

	2025	2024
Deferred Revenue - Beginning of Year	$ -	$ 10,000
Revenue Recognized that was Included in Deferred Revenue at the Beginning of Year	-	10,000
Increases in Deferred Revenue Due to Cash Received During the Year	22,500	-
Deferred Revenue - End of Year	$ 22,500	$ -

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment is as follows:

	2025	2024
Land	$ 250,000	$ 250,000
Building and Improvements	5,010,311	4,807,350
Equipment	587,575	373,106
Furniture and Fixtures	125,476	123,046
Total	5,973,362	5,553,502
Less: Accumulated Depreciation	(2,172,536)	(1,990,565)
Property and Equipment, Net	$ 3,800,826	$ 3,562,937

NOTE 6 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). The new interest rate is 6.5% with the monthly payments of $5,013.48 effective August 1, 2024. The outstanding loan is $540,235 and $564,765 at December 31, 2025 and 2024, respectively.

On June 28, 2024, the Organization obtained a term loan of $1,000,000 secured by real property of MNHA. Under the agreement, the loan is to be repaid over 20 years with monthly payments of $7,968, including principal and interest at 7.25%. The interest rate can be adjusted on August 1, 2029, 2034, and 2039, and will be determined by either the greater of 6.5% or 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) plus margin. The outstanding loan is $967,966 and $991,484 at December 31, 2025 and 2024, respectively.

NOTE 6 MORTGAGES PAYABLE (CONTINUED)

On May 31, 2025, the Organization obtained a vehicle loan of $27,228. Under the agreement, the loan is to be repaid over five years with monthly payments of $575, including principal and interest at 9.59%. The outstanding loan is $25,044 at December 31, 2025. There was no such loan balance at December 31, 2024.

Principal amounts due under the above obligation mature as follows:

Year Ending December 31,	Amount
2026	$ 55,427
2027	59,549
2028	63,696
2029	68,727
2030	70,564
Thereafter	1,215,282
Total	1,533,245
Less: Short-Term Maturities	(55,427)
Long-Term Maturities	$ 1,477,818

NOTE 7 NET ASSETS

Net Assets Without Donor Restrictions

Net assets without donor restrictions comprise the following:

	2025	2024
Operations	$ 2,738,399	$ 2,356,937
Board-Designated:		
Endowment	2,034,646	2,096,075
Board-Approved Future Initiatives	3,945,559	4,027,755
Total Net Assets Without Donor Restrictions	$ 8,718,604	$ 8,480,767

The board approved distributions of $665,000 and $283,393 to support general expenditures during the years ended December 31, 2025 and 2024, respectively.

NOTE 7 NET ASSETS (CONTINUED)

Net Assets With Donor Restrictions

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

	2025	2024
Subject to Expenditure for Specified Purpose or Passage of Time:		
"Plays For Living" Series	$ 46,553	$ 37,392
Scholarships	28,120	25,388
Split-Interest Agreement	56,165	55,190
Kitchen Update	7,675	-
Cement Barries for Playground	6,000	-
Total	144,513	117,970
Restricted-In-Perpetuity Endowment	7,755	7,755
Total Net Assets With Donor Restrictions	$ 152,268	$ 125,725

There were releases of net assets with donor restrictions of $16,325 for the year ended December 31, 2025. There were no releases of net assets with donor restrictions for the year ended and 2024.

NOTE 8 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.

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, 2025 and 2024, the fair market value of the investment, which includes net appreciation and income reinvested, was $34,076 and $31,345, 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, 2025 and 2024, the fair market value of the investment, which includes net appreciation and income reinvested, was $48,354 and $39,193, respectively.

NOTE 8 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). 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, 2025 and 2024.

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.

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.

NOTE 8 ENDOWMENT FUNDS (CONTINUED)

Board-Designated Endowment (Continued)

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, 2025	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated Endowment Funds	$ 2,034,646	$ -	$ 2,034,646
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	-	74,672	74,672
Total	$ 2,034,646	$ 82,427	$ 2,117,073

December 31, 2024	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated Endowment Funds	$ 2,096,075	$ -	$ 2,096,075
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	-	62,780	62,780
Total	$ 2,096,075	$ 70,535	$ 2,166,610

NOTE 8 ENDOWMENT FUNDS (CONTINUED)

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

December 31, 2025	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	$ 2,096,075	$ 70,535	$ 2,166,610
Investment Return, Net	150,977	11,892	162,869
Appropriation of Endowment Assets Pursuant to Spending-Rate Policy	(212,406)	-	(212,406)
Endowment Net Assets - End of Year	$ 2,034,646	$ 82,427	$ 2,117,073
December 31, 2024			
Endowment Net Assets - Beginning of Year	$ 1,882,399	$ 66,394	$ 1,948,793
Investment Return, Net	225,005	4,141	229,146
Appropriation of Endowment Assets Pursuant to Spending-Rate Policy	(11,329)	-	(11,329)
Endowment Net Assets - End of Year	$ 2,096,075	$ 70,535	$ 2,166,610

NOTE 9 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 (7.000% and 9.625% at December 31, 2025 and 2024, respectively). There was no outstanding balance at December 31, 2025 or 2024. The line of credit is secured by all assets at 12 Flagler St., Morristown, New Jersey, with a net book value of approximately $3.8 million and $3.5 million as of December 31, 2025 and 2024, respectively.

NOTE 10 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, 2025 and 2024.

NOTE 11 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.

	2025	2024
Lease Cost:		
Operating Lease	$ 33,305	$ 37,188
Short-Term Lease	396	396
Total	$ 33,701	$ 37,584
Other Information:		
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:		
Operating Cash Flows from Operating Leases	$ 33,305	$ 37,188
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	$ -	$ 8,221
Weighted-Average Remaining Lease Term - Operating Leases	3.2 Years	4.0 Years
Weighted-Average Discount Rate - Operating Leases	4.09%	4.09%

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, 2025, is as follows:

Year Ending December 31,	Operating Leases
2026	$ 26,721
2027	24,526
2028	24,526
2029	8,468
Undiscounted Cash Flows	84,241
Less: Imputed Interest	(5,519)
Total Present Value	$ 78,722
Short-Term Lease Liabilities	$ 23,977
Long-Term Lease Liabilities	54,745
Total Lease Liabilities	$ 78,722

NOTE 12 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:

	2025	2024
Donated Goods	$ 204,315	$ 126,401

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 13 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.

We manage deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. Insured accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor, per insured bank, for each account ownership category. As of December 31, 2025 and 2024, the Organization had approximately $430,000 and $960,000, respectively, in excess of FDIC insurance limits.

NOTE 14 SPECIAL EVENTS

Revenue and expense from the Organization’s fundraising events are as follows:

	2025	2024
Revenue:		
Annual Gala	$ 303,936	$ 383,589
Other	68,566	46,677
Total	372,502	430,266
Expense:		
Annual Gala	53,311	61,275
Other	10,178	9,192
Total	63,489	70,467
Special Events, Net	$ 309,013	$ 359,799

NOTE 15 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.

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 16 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.

	2025	2024
Cash	$ 654,929	$ 896,557
Investments	6,062,636	5,694,369
Grants Receivable	165,277	269,739
Accounts Receivable	83,421	78,145
Contributions Receivable	35,858	32,439
Total Financial Assets	7,002,121	6,971,249
Less Amounts Not Available to be Used Within One Year:		
Board-Designated Net Assets	(5,980,205)	(6,123,830)
Net Assets With Donor Restrictions	(152,268)	(125,725)
Financial Assets Available to Meet General Expenditures Over the Next 12 Months	$ 869,648	$ 721,694

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, 2025

State Grant or Program Title	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)	2025-10 CFP	$ 25,500	01/01/25-06/30/25	$ 25,500
Friends of the Blind/Older Blind (SCILS)	2025-11 CFP	51,000	07/01/25-06/30/26	25,500
Passed through Morris County Board of Chosen Freeholders:				
Social Recreation	JJ-2504	25,261	01/01/25 - 12/31/25	25,161
Rites of Passage	JJ-2509	37,200	01/01/25 - 12/31/25	37,200
Total New Jersey Department of Health and Human Services				113,361
New Jersey Department of Education				
Passed through Morris School District:				
Preschool Expansion Aid	N/A	1,434,150	07/01/24 - 06/30/25	771,697
Preschool Expansion Aid	N/A	1,428,300	07/01/25 - 06/30/26	589,269
Passed through Dover School District:				
Preschool Expansion Aid	N/A	728,921	07/01/24 - 06/30/25	412,371
Preschool Expansion Aid	N/A	809,700	07/01/25 - 06/30/26	326,233
Total New Jersey Department of Education				2,099,570
New Jersey Department of Education				
Target Hardening Equipment	N/A	100,000	01/01/25-12/31/26	49,536
Total State Assistance				$ 2,262,467

See accompanying Notes to Schedule of Expenditures of State Awards.

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of state awards includes the state grant activity of Cornerstone Family Programs and Subsidiary (the Organization) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the New Jersey Office of Management and Budget Circular Letter 25-12. Therefore, some amounts presented in this schedule 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, 2025, 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, 2025, the Organization did not have any state loan or loan guarantee programs.

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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 (the Organization), which comprise the consolidated statement of financial position as of December 31, 2025, and the related consolidated statement 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 May 8, 2026.

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.

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 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 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
May 8, 2026

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY NEW JERSEY OMB CIRCULAR LETTER 25-12

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 25-12 (NJOMB) that could have a direct and material effect on each of the Organization's major programs for the year ended December 31, 2025. 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, 2025.

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.

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 state 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 state 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 state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control 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 were not identified.

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Livingston, New Jersey
May 8, 2026

CORNERSTONE FAMILY PROGRAMS AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2025

Section I – Summary of Auditors' Results

Consolidated 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)? ____ yes __X__ 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 25-12? ____ 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: $ 1,000,000

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

Section II – Financial Statement Findings

None

Section III – Compliance Findings

None