

**CORNERSTONE COMMUNITY
OUTREACH**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**(Including Reports Required by
OMB's Uniform Guidance)**

For the Year Ended December 31, 2025

CORNERSTONE COMMUNITY OUTREACH

Table of Contents

SECTION I

Independent Auditor's Report.....	1 – 3
Financial Statements	
Statement of Financial Position	4
Statement of Activities.....	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements.....	8 – 16
Supplementary Information	
Schedule of Expenses by Program.....	17

SECTION II

Reports Required by OMB's Uniform Guidance	
Schedule of Expenditures of Federal Awards.....	18
Notes to the Schedule of Expenditures of Federal Awards	19
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20 – 21
Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by The Uniform Guidance.....	22 – 24
Schedule of Findings and Questioned Costs.....	25 – 26



Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditor's Report

To the Board of Directors
Cornerstone Community Outreach
Chicago, IL

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Cornerstone Community Outreach (a nonprofit organization), which comprise the statement of financial position as of December 31, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Cornerstone Community Outreach 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 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 Cornerstone Community Outreach and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Substantial Doubt about the Organization's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 8 to the financial statements, the Organization faces cash flow concerns due to rising costs of wages due to increases in minimum wage base not matched by current funding. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 8. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Cornerstone Community Outreach'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cornerstone Community Outreach's ability to continue as a going concern for a reasonable period of time.

Auditor's Responsibilities for the Audit of the Financial Statements (cont.)

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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenses by program and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2026 on our consideration of the Cornerstone Community Outreach's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Cornerstone Community Outreach'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 Cornerstone Community Outreach's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Cornerstone Community Outreach's December 31, 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 24, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Desmond & Allen, Ltd

September 17, 2026
Chicago, IL

CORNERSTONE COMMUNITY OUTREACH
STATEMENT OF FINANCIAL POSITION
As of December 31, 2025 (with comparative totals for 2024)

	2025	2024
<u>Assets</u>		
Current Assets		
Restricted cash - mortgage reserve	\$ 42,518	\$ 57,922
Government grants receivable	659,670	585,383
Contributions receivable	26,419	26,640
Other receivables	16,950	207,498
Security deposits	18,943	3,753
Total current assets	<u>764,500</u>	<u>881,196</u>
Property and Equipment		
Land	232,947	232,947
Buildings and improvements	4,107,707	3,873,450
Construction in progress	652,195	652,195
Furniture and equipment	626,264	623,856
Vehicles	53,415	53,415
Total property and equipment	<u>5,672,528</u>	<u>5,435,863</u>
Less accumulated depreciation	<u>(3,956,192)</u>	<u>(3,813,430)</u>
Net property and equipment	<u>1,716,336</u>	<u>1,622,433</u>
Total Assets	<u>\$ 2,480,836</u>	<u>\$ 2,503,629</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Current maturities of long-term debt	\$ 70,288	\$ 67,200
Accounts payable	649,380	298,183
Accrued payroll and related expenses	63,955	44,105
Related party loan	400,000	200,000
Refundable advances	48,049	65,014
Total current liabilities	<u>1,231,672</u>	<u>674,502</u>
Long-Term Debt		
Long-term debt, net of current portion	<u>2,231,548</u>	<u>2,314,190</u>
Total liabilities	<u>3,463,220</u>	<u>2,988,692</u>
Net Assets		
Without donor restrictions	(999,325)	(502,004)
With donor restrictions	16,941	16,941
Total net assets	<u>(982,384)</u>	<u>(485,063)</u>
Total Liabilities and Net Assets	<u>\$ 2,480,836</u>	<u>\$ 2,503,629</u>

See independent auditor's report and notes to financial statements.

CORNERSTONE COMMUNITY OUTREACH
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2025 (with summarized comparative totals for 2024)

	Without Donor Restrictions	With Donor Restrictions	2025 Total	2024 Total
<u>Public Support and Revenue</u>				
Chicago Department of				
Family and Support Services	\$ 2,924,494	\$ -	\$ 2,924,494	\$ 2,749,203
Housing	91,211	-	91,211	94,315
Planning and Development	32,787	-	32,787	-
Illinois State Board of Education	147,645	-	147,645	70,513
Illinois Department of Human Services	75,000	-	75,000	110,107
Illinois Environmental Protection Agency	21,300	-	21,300	-
United Way of Metro Chicago	-	-	-	36,300
Government grants - employee retention credit	57,055	-	57,055	-
Contributions	934,283	-	934,283	547,156
Donated food	359,761	-	359,761	376,381
Donated services	-	-	-	79,735
Interest income	2,246	-	2,246	2,415
Miscellaneous	27,277	-	27,277	21,818
Total public support and revenue	4,673,059	-	4,673,059	4,087,943
<u>Expenses</u>				
Program Services				
Hannah Interim Housing	1,057,387	-	1,057,387	1,116,565
Naomi Interim Housing	1,849,268	-	1,849,268	1,651,379
Sylvia Interim Housing	1,687,715	-	1,687,715	1,674,278
Other	237,664	-	237,664	59,319
Total program services	4,832,034	-	4,832,034	4,501,541
Management and general	207,768	-	207,768	252,820
Fundraising	130,578	-	130,578	51,240
Total expenses	5,170,380	-	5,170,380	4,805,601
Change in net assets	(497,321)	-	(497,321)	(717,658)
Net assets, beginning of year (deficit)	(502,004)	16,941	(485,063)	232,595
Net assets end of year (deficit)	<u>\$ (999,325)</u>	<u>\$ 16,941</u>	<u>\$ (982,384)</u>	<u>\$ (485,063)</u>

See independent auditor's report and notes to financial statements.

CORNERSTONE COMMUNITY OUTREACH
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2025 (with summarized comparative totals for 2024)

	Program Services	Management and General	Fundraising	2025 Total	2024 Total
<u>Functional Expenses</u>					
Salaries and wages	\$ 2,580,698	\$ 12,381	\$ 39,250	\$ 2,632,329	\$ 2,557,702
Fringe benefits and related taxes	604,693	44,219	3,912	652,824	692,571
Professional fees	210,566	32,919	70,750	314,235	153,287
Food and beverage	412,461	252	-	412,713	391,546
Client assistance	92,982	1,225	-	94,207	83,875
Supplies and small equipment purchases	82,014	3,406	609	86,029	87,694
Travel	16,489	6,217	-	22,706	20,494
Conferences and education	1,115	-	-	1,115	1,580
Postage and shipping	-	1,940	1,108	3,048	134
Printing and publications	-	-	9,466	9,466	28,524
Dues and subscriptions	1,600	22,563	4,333	28,496	10,040
Telephone	23,854	485	-	24,339	22,325
Occupancy	223,509	857	-	224,366	162,923
Repairs and maintenance	102,604	477	-	103,081	106,539
Insurance	197,045	3,158	-	200,203	170,728
Interest	139,200	1,114	1,150	141,464	94,768
Bank fees, fines and penalties	1,236	68,498	-	69,734	52,924
Miscellaneous	795	6,468	-	7,263	15,409
Depreciation	141,173	1,589	-	142,762	152,538
Total Expenses	\$ 4,832,034	\$ 207,768	\$ 130,578	\$ 5,170,380	\$ 4,805,601

See independent auditor's report and notes to financial statements.

CORNERSTONE COMMUNITY OUTREACH
STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2025 (with summarized comparative totals for 2024)

	<u>2025</u>	<u>2024</u>
<u>Cash Flows from Operating Activities</u>		
Change in net assets	\$ (497,321)	\$ (717,658)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	142,762	152,538
(Increase) decrease in assets		
Government grants receivable	(74,287)	34,969
Contributions and other receivable	190,769	(25,640)
Security deposits	(15,190)	46,500
Increase (decrease) in liabilities		
Accounts payable	351,197	212,792
Accrued payroll and related expenses	19,850	44,105
Refundable advance	(16,965)	38,777
Net cash provided by (used in) provided by operating activities	<u>100,815</u>	<u>(213,617)</u>
<u>Cash Flows from Investing Activities</u>		
Purchase of property and equipment	(236,665)	-
Net cash (used in) investing activities	<u>(236,665)</u>	<u>-</u>
<u>Cash Flows from Financing Activities</u>		
Payments on debt	(79,554)	(93,523)
Proceeds from related party loan	200,000	-
Net cash provided by (used in) financing activities	<u>120,446</u>	<u>(93,523)</u>
Net decrease in cash	(15,404)	(307,140)
Cash and cash equivalents, beginning of year	57,922	365,062
Cash and cash equivalents, end of year	<u>\$ 42,518</u>	<u>\$ 57,922</u>
<u>Cash and Cash Equivalents</u>		
Cash and cash equivalents	\$ -	\$ -
Restricted cash - mortgage reserve, current	42,518	57,922
Restricted cash - mortgage reserve, long-term	-	-
	<u>\$ 42,518</u>	<u>\$ 57,922</u>
<u>Supplemental Cash Flow Information</u>		
Cash paid for interest	\$ 141,464	\$ 94,768
Cash paid for taxes	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report and notes to financial statements.

CORNERSTONE COMMUNITY OUTREACH
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

Note 1 – Nature of Operations

Organization

Cornerstone Community Outreach (the “Organization”) is a not-for-profit Illinois corporation exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. The Organization is not considered to be a private foundation. The Organization was formed in 1990 to operate a charitable community development program that improves the quality of life for disadvantaged, displaced, and under-privileged people in the Uptown neighborhood of Chicago.

Cornerstone Community Outreach operates programs designed to meet the diverse needs of individuals and families at different stages of their journey towards permanent housing. These include:

Interim Housing for Families and Single Adults

Cornerstone’s shelters provide temporary housing along with essential wrap-around support to help each person achieve independence and find a home. In addition to temporary housing, the wrap-around services include nutritious meals, clothing, group and individual counseling, personalized case management, on-site medical and behavioral healthcare, life-skills training, substance abuse counseling, financial literacy, job assessment, job readiness, employment referrals, computer training, housing relocation assistance, after-school programs for children, and more as needs arise. Each family or individual can call Cornerstone home 24/7 until they move.

These programs operate year-round and include:

- **Hannah Interim Housing:** Serves up to 55 individuals (approximately 13 families), including women with children and couples with children. As the longest-running program (over 35 years), it has helped hundreds of families transition from homelessness to stable housing. This facility is ADA-compliant.
- **Naomi Interim Housing:** Accommodates up to 72 single adults, offering individualized casework services along with the supportive services mentioned above.
- **Sylvia Interim Housing:** Provides housing for up to 130 people (approximately 30 families), including women with children, men with children, and couples with children. Operating since 2001, this program offers essential support to homeless families.

Other Programs

- **The Food Pantry:** Offers free nutritious groceries to approximately 100 individuals and families, helping to alleviate hunger and support community well-being.
- **The Free Store:** Provides individuals with household items and clothing at no cost. The items are sourced from various contributors, with the majority coming from generous donations made by individuals in the community.

CORNERSTONE COMMUNITY OUTREACH
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

Note 2 – Summary of Significant Accounting Policies

Income Tax Status

Cornerstone Community Outreach maintains an exemption from federal income taxes with the Internal Revenue Service pursuant to the provisions of Internal Revenue Code Section 501(c)(3). The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1). The tax-exempt purpose of the Organization and the nature in which it operates is described above. The Organization continues to operate in compliance with its tax-exempt purpose.

The Organization's annual information and income tax returns filed with the federal and state governments are subject to examination by the IRS, generally for three years after they have been filed.

The Organization has adopted the requirements for accounting for uncertain tax positions and management has determined that the Organization was not required to record a liability related to uncertain tax positions as of December 31, 2025.

Basis of Accounting

The accounts and financial statements are maintained on the accrual basis of accounting and accordingly, reflect all significant accounts receivable, payable, and other liabilities in accordance with the accounting principles generally accepted in the United State of America ("GAAP").

Basis of Presentation

The Organization is required to report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions, as required by Generally Accepted Accounting Principles. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Items that affect this net asset category principally consist of gifts without restrictions, including those designated by the Board, fees for service and related expenses associated with the core activities of the Organization.

With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met, endowment gifts, pledges, and investment returns on endowment funds. Expirations of restrictions on net assets with donor restrictions, including reclassification of restricted gifts and grants for buildings and equipment when the associated long-lived asset is placed in service, are reported as net assets released from restrictions.

CORNERSTONE COMMUNITY OUTREACH
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

Note 2 – Summary of Significant Accounting Policies (cont.)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash consists of bank deposits in federally insured accounts. At times, such balances may be in excess of the Federal Deposit Insurance Corporation (“FDIC”) insurance limit. For purposes of the statement of cash flows, the Organization considers all highly liquid investments and debt instruments, if any, purchased with an original maturity of three months or less to be cash equivalents.

Restricted Cash

Restricted cash represents escrow accounts held by National Covenant Properties pursuant to terms of the mortgage payable (see Note 4 – Long Term Debt).

Contributions, Government Grants, and Other Receivables

Contributions, government grants, and other receivables consist of both unconditional and conditional promises to give by donors and amounts due from governmental agencies for services. Unconditional promises to give are recorded in the year the promises are made, either unrestricted, or restricted for the subsequent period. Amounts due from governmental agencies are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions and other receivables are carried net of an allowance for doubtful accounts. The Organization records an allowance for doubtful accounts based on specifically identified amounts that are not certain to be collected. Management has deemed no allowance for doubtful accounts to be necessary as of December 31, 2025.

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Amortization of the discounts on long-term receivables is included in contribution revenue. No discount on long-term receivables was necessary as of December 31, 2025.

The Organization has been evaluated under ASC 326, Financial Instruments – Credit Losses and has determined no allowance for credit losses was necessary at December 31, 2025.

CORNERSTONE COMMUNITY OUTREACH
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

Note 2 – Summary of Significant Accounting Policies (cont.)

Property and Equipment

Expenditures for property and equipment and items, which substantially increase the useful lives of existing assets, are capitalized at cost. The Organization capitalizes assets with a cost of \$1,000 or more. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which are:

Building and improvements	7 - 30 years
Furniture and equipment	5 - 7 years
Vehicles	3 - 5 years

Support and Revenue

The Organization recognizes 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 met. The Organization reports gifts of cash and other assets as restricted support 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 purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as net assets without donor restrictions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. During the year ended December 30, 2025 no such gifts of land, buildings, or equipment were received.

The Organization recognizes contract revenue at an amount that reflects consideration to which the Organization expects to be entitled to in exchange for transferring goods or services to a customer. The Organization is not currently engaged in this type of contract. Due to the nature and varying performance obligations of these contracts, the timing and methods of recognizing revenue from these contracts will vary.

CORNERSTONE COMMUNITY OUTREACH
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

Note 2 – Summary of Significant Accounting Policies (cont.)

Support and Revenue (cont.)

For performance reporting contracts, a customer pays the agreed upon amounts after the completion and submission of specified deliverables in the contract. For these contracts, the Organization will allocate the transaction price of the contract to the specific performance obligations based on the contract. The Organization recognizes revenue when the performance obligations are met and delivered to the customer. The Organization had no contracts during 2025 that were performance reporting contracts. There are no contract assets or liabilities.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state 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 the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization has \$48,049 in refundable advances from government agencies at December 31, 2025.

Concentration of Risk

During the year ended December 31, 2025, the Organization received approximately 65% of its funding from the City of Chicago. These sources also represented approximately 58% of all receivables at December 31, 2025.

Donated Services

Contributions of services are required to be recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Organization did not receive any donated services required to be recognized during the year ended December 31, 2025.

There are, however, a substantial number of volunteers who donate their time toward the activities and success of the Organization, the value of which is not recognized under generally accepted accounting principles. During the year ending December 31, 2025, these volunteer hours exceeded 6,000.

In-Kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind contributions from various donors. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense in its financial statements and similarly increase donation revenues by a like amount. For the year ended December 31, 2025, this amounted to \$359,761 in donated food received and distributed valued at the approximate wholesale costs of similar foods at time of donation.

CORNERSTONE COMMUNITY OUTREACH
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

Note 2 – Summary of Significant Accounting Policies (cont.)

Compensated Absences

Employees of the Organization are entitled to paid vacation, sick and personal days off, depending on job classification, length of service and other factors. The Organization's policy is to recognize the costs of compensated absences when actually paid to employees. The estimated liability is not material at December 31, 2025, and therefore, no accrual has been recorded in the accompanying financial statements.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based on time analysis, space utilization, and unit consumption.

The financial statements report certain categories of expenses that are attributable to one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses include salaries and benefits which are allocated on the basis of estimates of time analysis, space utilization, and unit consumption.

Subsequent Events

Accounting principles generally accepted in the United States of America establish general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued or available to be issued. The Organization has evaluated subsequent events through September 17, 2026, which is the date the financial statements were available to be issued. See Note 8 – Going Concern. No other subsequent events have been identified that are required to be disclosed as of that date.

Note 3 – Financial Assets and Liquidity Resources

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures. The Organization's cash flows have seasonal variations during the year attributable to timing of voucher reimbursements from government funding sources. The Organization considers contributions without donor restrictions for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general operating purposes. To manage liquidity, the Organization defers expenses to the extent practicable and obtains short-term operating loans from various related parties.

CORNERSTONE COMMUNITY OUTREACH
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

Note 3 – Financial Assets and Liquidity Resources (cont.)

As of December 31, 2025, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses and current debt obligations, were as follows:

Financial assets, at year-end:	
Cash and cash equivalents	\$ 42,518
Government grants, contributions, and other receivables	703,039
Total financial assets, at year-end	<u>745,557</u>
Less amount unavailable to be used within one year:	
Restricted cash - mortgage reserve	(42,518)
Restricted by donor - purpose	<u>(16,941)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 686,098</u>

The Organization manages its liquidity and reserves by adhering to the following principles: operating within a stable and balanced budget, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves beyond near-term to provide reasonable assurance that programming is continued, and obligations will be adequately discharged in the future. In addition to financial assets available to meet general expenditures over the next 12 months, the Organization anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted sources. See Note 8 for further disclosure.

Note 4 – Long-Term Debt

The Organization maintains a mortgage note on properties located at 4628 and 4615 N. Clifton, with a combined book value of \$809,050 as of December 31, 2025 payable to the National Covenant Properties in monthly installments of \$14,790 through November 30, 2033, including fixed interest at 3.875%, payable monthly.

Long-term debt is reflected in the statement of financial position as follows at December 31, 2025:

Total outstanding debt	\$ 2,301,836
Less current portion	<u>(70,288)</u>
Net long-term debt	<u>\$ 2,231,548</u>

CORNERSTONE COMMUNITY OUTREACH
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

Note 4 – Long-Term Debt (cont.)

The future maturities of long-term debt are as follows:

<u>Years Ended December 31,</u>	<u>Amount</u>
2026	\$ 70,288
2027	73,517
2028	76,894
2029	80,426
2030	84,121
Thereafter	1,916,590
Total outstanding debt	<u>\$ 2,301,836</u>

Pursuant to the terms of the note, the Organization is required to maintain two escrow accounts with National Covenant Properties: 1) a mortgage escrow account to cover 6 months of mortgage payments and 2) a construction escrow account to fund unexpected major repairs or maintenance costs. The accounts have since been combined and have a restricted cash balance of \$42,518 as of December 31, 2025 on the Statement of Financial Position.

Note 5 – Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2025 are available for the following purposes:

Elevator project	\$ 11,941
Purchase of tables and chairs	5,000
Total restricted net assets	<u>\$ 16,941</u>

Note 6 – Related Party Transactions

Jesus People USA Evangelical Covenant Church (JPUSA) founded Cornerstone Community Outreach (CCO). As of December 31, 2025, of the seven members of the Board of Directors, two are members of JPUSA. In addition, the Organization employs two members of JPUSA. During 2022, the Organization was loaned \$270,000 from a related party, JPUSA. There is no stated interest rate and payments on the outstanding balance are to be made as available by the Organization. During 2023, the related party forgave \$70,000 of the outstanding amount. During 2025, the related party loaned an additional \$200,000 to be used for development costs. As of December 31, 2025, the balance is \$400,000.

Note 7 – Employee Retention Credit

The CARES Act provides an employee retention credit (“CARES Employee Retention Credit”), which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The Organization qualified for the tax credit under the CARES Act under both provisions. During the year ended December 31, 2025 the Organization received \$57,055 from the CARES Employee Retention Credit.

CORNERSTONE COMMUNITY OUTREACH
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

Note 7 – Employee Retention Credit (cont.)

As of December 31, 2025, the Organization has recorded \$16,950 as other receivables for additional amounts outstanding related to the CARES Employee Retention Credit on the Statement of Financial Position.

Note 8 – Going Concern

As of December 31, 2025, the Organization experienced conditions and events that raised substantial doubt about its ability to continue as a going concern. These conditions primarily resulted from increases in operating and personnel costs, including increases associated with the City of Chicago minimum wage, that were not fully offset by corresponding increases in operating funding. The Organization has also experienced liquidity and cash flow pressures resulting from the timing of governmental reimbursements, which may be received several months after eligible expenditures are incurred and submitted for reimbursement.

During 2025 and subsequent to year-end, management has taken significant measures to address these conditions, reduce the Organization's operating deficit, strengthen liquidity, and improve long-term financial sustainability. These actions include:

- Seeking and securing increases in governmental and private funding to better support the cost of current programs and services;
- Expanding private fundraising efforts and developing new philanthropic funding sources;
- Pursuing additional credit and other financing resources to bridge the timing difference between program expenditures and receipt of governmental reimbursements;
- Reviewing program expenses, staffing, facilities, and other operating costs and developing a multi-year plan to align operations with sustainable funding levels;
- Evaluating selected assets and other organizational resources as potential sources of additional liquidity, if necessary; and
- Continuing to develop additional sustainable sources of program revenue and support.

At the same time, the Organization has continued to receive significant public investment in its long-term service infrastructure. The City of Chicago and the State of Illinois have made substantial capital investments in facilities operated by the Organization. These investments include the conveyance of the Haven on Lincoln facility, with an approximate value of \$16,078,000, and approximately \$24,919,000 in capital funding for the redevelopment of the Sylvia Center. These investments expand and improve the facilities through which the Organization provides shelter and supportive services and demonstrate continued public-sector investment in the Organization's role within Chicago's homelessness response system. These capital resources are generally restricted to their respective projects and therefore do not directly resolve the Organization's operating liquidity needs.

Management believes these actions strengthen the Organization's financial and operational position and are intended to reduce its operating deficit, improve liquidity, and better align ongoing operations with available funding. Management will continue to monitor cash flow, operating results, reimbursement timing, funding commitments, and progress on its financial sustainability plan and will adjust operations as necessary to meet its short- and long-term obligations.

SUPPLEMENTARY INFORMATION

CORNERSTONE COMMUNITY OUTREACH
SCHEDULE OF EXPENSES BY PROGRAM
For the Year Ended December 31, 2025

	Hannah Interim Housing	Naomi Interim Housing	Sylvia Interim Housing	Other Programs	Total Program
<u>Expenditures</u>					
Salaries and wages	\$ 595,361	\$ 1,061,897	\$ 920,350	\$ 3,090	\$ 2,580,698
Fringe benefits and related taxes	138,341	283,766	182,265	321	604,693
Professional fees	5,856	7,665	13,844	183,201	210,566
Food and beverage	86,646	116,123	209,538	154	412,461
Client assistance	7,271	38,822	37,085	9,804	92,982
Supplies and small equipment purchases	13,753	20,979	36,281	11,001	82,014
Travel	1,619	4,595	4,001	6,274	16,489
Conferences and education	180	510	425	-	1,115
Dues and subscriptions	-	-	300	1,300	1,600
Telephone	7,165	7,643	8,367	679	23,854
Occupancy	42,780	122,924	42,438	15,367	223,509
Repairs and maintenance	31,940	24,549	43,035	3,080	102,604
Insurance	54,945	57,696	83,448	956	197,045
Interest	28,857	53,202	57,048	93	139,200
Bank fees, fines and penalties	-	-	-	1,236	1,236
Miscellaneous	22	151	138	484	795
Depreciation and amortization	42,651	48,746	49,152	624	141,173
Total Expenses	\$ 1,057,387	\$ 1,849,268	\$ 1,687,715	\$ 237,664	\$ 4,832,034

See independent auditor's report and notes to financial statements.

**REPORTS REQUIRED BY
OMB'S UNIFORM GUIDANCE**

CORNERSTONE COMMUNITY OUTREACH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2025

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-through Contract Number</u>	<u>Passed Through to Subrecipients</u>	<u>Disbursements or Expenditures</u>
U.S. Department of Housing and Urban Development				
Passed through the Chicago Department of Family and Support Services				
Community Development Block Grants/ Entitlement Grants				
Naomi Interim Housing	14.218	174580/ 174581	\$ -	\$ 709,684
Sylvia Center Interim Housing	14.218	174580/ 174581	-	630,325
Total U.S. Department of Housing and Urban Development and				
Community Development Block Grants/ Entitlement Grants Cluster			- (1)	1,340,009
U.S. Department of Agriculture				
Passed through the Illinois State Board of Education				
Child and Adult Care Food Program	10.558	15-016-675P-00	-	147,645
Total U.S. Department of Agriculture			-	147,645
U.S. Department of Health and Human Services				
Passed through the Chicago Department of Family and Support Services				
Community Services Block Grant	93.569	174527	-	337,625
Total U.S. Department of Health and Human Services			-	337,625
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 1,825,279</u>

(1) Major Program

See independent auditor's report and notes to financial statements.

CORNERSTONE COMMUNITY OUTREACH
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2025

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of Cornerstone Community Outreach (the “Organization”) under programs of the federal government for the year ended December 31, 2025. The information in this schedule is presented in accordance with the requirements of *Title 2 US. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the schedule presents only a selected portion of the operations of Cornerstone Community Outreach, it is not intended to and does not present the financial position, changes in net assets or cash flows of Cornerstone Community Outreach.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein, certain types of expenditures are not allowable or are limited as to the reimbursement. Negative amounts shown on the SEFA represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Organization has elected to use the 15-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 – Sub-recipients

The Organization did not provide any federal awards to sub-recipients during the year ended December 31, 2025.

Note 4 – Other Matters

Amount of non-cash assistance	None
Amount of insurance	None
Amount of loans	None
Amount of loan guarantees	None



Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**Independent Auditor's 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**

To the Board of Directors of
Cornerstone Community Outreach
Chicago, IL

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Cornerstone Community Outreach which comprise the statement of financial position as of December 31, 2025, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 17, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cornerstone Community Outreach'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 our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cornerstone Community Outreach's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cornerstone Community Outreach'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 Cornerstone Community Outreach's 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 the 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Desmond & Ahern, Ltd

September 17, 2026
Chicago, IL



Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**Independent Auditor's Report on Compliance for
Each Major Program and on Internal Control Over
Compliance Required by the Uniform Guidance**

To the Board of Directors
Cornerstone Community Outreach
Chicago, IL

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Cornerstone Community Outreach's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Cornerstone Community Outreach's major federal programs for the year ended December 31, 2025. Cornerstone Community Outreach's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Cornerstone Community Outreach complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2025.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Cornerstone Community Outreach's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance 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 on compliance about Cornerstone Community Outreach's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Cornerstone Community Outreach's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Cornerstone Community Outreach's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Cornerstone Community Outreach'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 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.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



September 17, 2026
Chicago, IL

**CORNERSTONE COMMUNITY OUTREACH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2025**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X no
- Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X no

Type of auditor’s report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported under 2 CFR section 200.516(a)? _____ yes X no

Certification of Major Programs

Assistance Listing

Number

14.218

Name of Federal Program or Cluster

Community Development Block Grant/ Entitlement Grants

Dollar threshold used to distinguish between type A and type B Programs: \$1,000,000

Auditee qualified as low-risk auditee? _____ yes X no

**CORNERSTONE COMMUNITY OUTREACH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2025**

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Financial Statement Findings – Prior Year

None

Section V – Federal Award Findings and Questioned Costs - Prior Year

None