

**CORNERSTONE COMMUNITY
OUTREACH**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

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

For the Year Ended December 31, 2022

CORNERSTONE COMMUNITY OUTREACH

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Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditor's Report

To the Board of Directors
Cornerstone Community Outreach
Chicago, IL

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, 2022, 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, 2022, 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.

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.

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.

Supplementary Information (cont.)

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 June 27, 2023 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, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 6, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Desmond & Akers, Ltd

June 27, 2023
Chicago, IL

CORNERSTONE COMMUNITY OUTREACH
STATEMENT OF FINANCIAL POSITION
As of December 31, 2022 (with comparative totals for 2021)

	<u>2022</u>	<u>2021</u>
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	\$ 241,278	\$ 544,594
Restricted cash - mortgage reserve, current	61,427	58,729
Government grants receivable	382,362	443,128
Contributions receivable	10,300	7,520
Other receivables	1,246,475	31,048
Deposits	253	253
Total current assets	<u>1,942,095</u>	<u>1,085,272</u>
Property and Equipment		
Land	232,947	232,947
Buildings and improvements	3,855,600	3,855,600
Construction in progress	652,195	645,499
Furniture and equipment	604,863	595,227
Vehicles	53,415	53,415
Total property and equipment	<u>5,399,020</u>	<u>5,382,688</u>
Less accumulated depreciation	<u>(3,505,942)</u>	<u>(3,351,837)</u>
Net property and equipment	<u>1,893,078</u>	<u>2,030,851</u>
Other Assets		
Restricted cash - mortgage reserve, long-term	54,371	56,416
Prepaid maintenance agreement	22,104	22,104
Total Assets	<u><u>\$ 3,911,648</u></u>	<u><u>\$ 3,194,643</u></u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Current maturities of long-term debt	\$ 61,427	\$ 58,729
Accounts payable	35,461	37,695
Accrued payroll and related expenses	1,487	5,365
Related party loan	270,000	-
Refundable advances	26,237	26,237
Total current liabilities	<u>394,612</u>	<u>128,026</u>
Long-Term Debt		
Long-term debt, net of current portion	<u>2,503,960</u>	<u>2,589,872</u>
Total liabilities	<u>2,898,572</u>	<u>2,717,898</u>
Net Assets		
Without donor restrictions	996,135	459,804
With donor restrictions	16,941	16,941
Total net assets	<u>1,013,076</u>	<u>476,745</u>
Total Liabilities and Net Assets	<u><u>\$ 3,911,648</u></u>	<u><u>\$ 3,194,643</u></u>

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

**CORNERSTONE COMMUNITY OUTREACH
STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2022 (with summarized comparative totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
<u>Public Support and Revenue</u>				
Chicago Department of Family and Support Services	\$ 2,394,587	\$ -	\$ 2,394,587	\$ 2,554,544
Illinois State Board of Education	400,455	-	400,455	336,559
Illinois Department of Human Services	15,000	-	15,000	20,000
United Way of Metro Chicago	601,149	-	601,149	38,893
Government grants - other	945,900	-	945,900	486,180
Contributions	432,843	-	432,843	413,370
Donated food	298,059	-	298,059	384,877
Interest income	654	-	654	1,023
Miscellaneous	27,022	-	27,022	22,209
Release of restrictions - Satisfaction of purpose restrictions	-	-	-	-
Total public support and revenue	<u>5,115,669</u>	<u>-</u>	<u>5,115,669</u>	<u>4,257,655</u>
<u>Expenses</u>				
Program Services				
Hannah Interim Housing	914,777	-	914,777	718,563
Naomi Interim Housing	1,867,259	-	1,867,259	1,674,186
Sylvia Interim Housing	1,406,736	-	1,406,736	1,348,796
Other	49,164	-	49,164	35,665
Total program services	<u>4,237,936</u>	<u>-</u>	<u>4,237,936</u>	<u>3,777,210</u>
Management and general	256,520	-	256,520	269,527
Fundraising	84,882	-	84,882	8,470
Total expenses	<u>4,579,338</u>	<u>-</u>	<u>4,579,338</u>	<u>4,055,207</u>
Change in net assets	536,331	-	536,331	202,448
Net assets, beginning of year	459,804	16,941	476,745	274,297
Net assets end of year	<u>\$ 996,135</u>	<u>\$ 16,941</u>	<u>\$ 1,013,076</u>	<u>\$ 476,745</u>

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

CORNERSTONE COMMUNITY OUTREACH**STATEMENT OF FUNCTIONAL EXPENSES****For the Year Ended December 31, 2022 (with summarized comparative totals for 2021)**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2022 Total</u>	<u>2021 Total</u>
<u>Functional Expenses</u>					
Salaries and wages	\$ 2,401,362	\$ 116,720	\$ 63,901	\$ 2,581,983	\$ 2,144,839
Fringe benefits and related taxes	589,876	54,437	6,493	650,806	554,722
Professional fees	30,010	16,188	3,231	49,429	43,114
Food and beverage	317,488	190	-	317,678	395,874
Client assistance	95,908	46	-	95,954	71,084
Supplies and small equipment purchases	145,483	8,419	2,333	156,235	120,072
Travel	16,023	1,439	91	17,553	12,685
Conferences and education	230	342	-	572	3,404
Postage and shipping	10	634	44	688	1,133
Printing and publications	-	196	7,136	7,332	7,985
Dues and subscriptions	350	9,026	298	9,674	3,476
Telephone	20,856	164	-	21,020	24,432
Occupancy	140,253	558	-	140,811	139,286
Repairs and maintenance	94,882	498	-	95,380	97,361
Insurance	129,660	1,027	-	130,687	118,145
Interest	96,188	3,067	1,355	100,610	115,635
Bank fees, fines and penalties	-	31,672	-	31,672	19,469
Miscellaneous	6,447	10,701	-	17,148	28,697
Depreciation	152,910	1,196	-	154,106	153,794
Total Expenses	\$ 4,237,936	\$ 256,520	\$ 84,882	\$ 4,579,338	\$ 4,055,207

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

CORNERSTONE COMMUNITY OUTREACH
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2022 (with comparative totals for 2021)

	<u>2022</u>	<u>2021</u>
<u>Cash Flows from Operating Activities</u>		
Change in net assets	\$ 536,331	\$ 202,448
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	154,106	153,794
(Increase) decrease in assets		
Government grants receivable	60,766	(227,286)
Contributions and other receivable	(1,218,207)	273,425
Deposits	-	1,922
Prepaid maintenance agreement	-	1,867
Increase (decrease) in liabilities		
Accounts payable	(2,234)	(23,100)
Accrued payroll and related expenses	(3,878)	199
Refundable advance	-	-
Net cash (used in) provided by operating activities	<u>(473,116)</u>	<u>383,269</u>
<u>Cash Flows from Investing Activities</u>		
Purchase of property and equipment	<u>(16,333)</u>	<u>(59,596)</u>
Net cash used in investing activities	<u>(16,333)</u>	<u>(59,596)</u>
<u>Cash Flows from Financing Activities</u>		
Payments on debt	(83,214)	(64,120)
Proceeds on related party loan	<u>270,000</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>186,786</u>	<u>(64,120)</u>
Net increase in cash	(302,663)	259,553
Cash and cash equivalents, beginning of year	<u>659,739</u>	<u>400,186</u>
Cash and cash equivalents, end of year	<u>\$ 357,076</u>	<u>\$ 659,739</u>
<u>Cash and Cash Equivalents</u>		
Cash and cash equivalents	\$ 241,278	\$ 544,594
Restricted cash - mortgage reserve, current	61,427	58,729
Restricted cash - mortgage reserve, long-term	54,371	56,416
	<u>\$ 357,076</u>	<u>\$ 659,739</u>
<u>Supplemental Cash Flow Information</u>		
Interest paid	<u>\$ 100,610</u>	<u>\$ 115,635</u>
Taxes	<u>\$ -</u>	<u>\$ -</u>
<u>Supplemental Disclosure of Non-Cash Information</u>		
Forgiveness of PPP loan recorded as refundable advance	<u>\$ -</u>	<u>\$ 486,180</u>

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

**CORNERSTONE COMMUNITY OUTREACH
NOTES TO FINANCIAL STATEMENTS
December 31, 2022**

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.

The programs that address the individual needs and different stages towards permanent housing are:

Interim Housing for Families and Single Adults

These programs provide shelter, nutritious meals, clothing, group and individual counseling, individualized case management, nursing, as needed mental health assessments, life-skills training, substance abuse counseling, money management, job assessment, job readiness, job referral, computer training classes, housing relocation assistance, and afterschool programs for kids. These programs operate year-round and include:

Hannah Interim Housing – shelters 55 women with children, including a small number of couples with children. This program is handicap accessible. As the Organization’s longest running shelter program for over 20 years, it has enabled hundreds of families to move from homelessness to stable housing.

Naomi Interim Housing – serves 72 single women and men and provides 24 hour shelter and casework services including the other services mentioned above.

Sylvia Interim Housing – serves over 130 women with children, men with children and couples with children and has been welcoming homeless families since 2001. This program supports these family groups and gives them much needed shelter and services.

Other Programs

Chronic Homeless Initiative - this program is permanent housing with supportive services for the chronically homeless. It provides rent subsidies, additional supportive services and direct client assistance dollars as needed on a case by case basis.

Dinner Guest Program serves 175 - 250 nutritious free meals one day per week to anyone in need.

**CORNERSTONE COMMUNITY OUTREACH
NOTES TO FINANCIAL STATEMENTS
December 31, 2022**

Note 1 – Nature of Operations (cont.)

Food Bag Program hands out more than 200 food bags each week to those in need in the area.

The Free Store allows individuals walking through the doors to receive household items and clothing. The items in the *Free Store* are from many sources, but mostly from the kindness of individuals who want to donate what they have.

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, 2022.

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.

**CORNERSTONE COMMUNITY OUTREACH
NOTES TO FINANCIAL STATEMENTS
December 31, 2022**

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

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.

Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Organization, including gifts and pledges wherein donors stipulate that the corpus of the gift be held in perpetuity and that only the income be made available for program operations.

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 purpose 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 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 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, 2022.

Contributions receivable that are expected to be collected within one year are recorded at net realizable value.

**CORNERSTONE COMMUNITY OUTREACH
NOTES TO FINANCIAL STATEMENTS
December 31, 2022**

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

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, 2022.

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 ending December 30, 2022 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 currently engaged in this type of contract from various government entities, which is based on performance reporting. Due to the nature and varying performance obligations of these contracts, the timing and methods of recognizing revenue from these contracts will vary. All contracts recognize revenue in accordance with ASU No. 2014-09.

**CORNERSTONE COMMUNITY OUTREACH
NOTES TO FINANCIAL STATEMENTS
December 31, 2022**

Note 2 – Summary of Significant Accounting Policies (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 2022 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 \$26,237 in refundable advances from government agencies at December 31, 2022.

Concentration of Risk

During the year ended December 31, 2022, the Organization received approximately 60% of its funding from Chicago Department of Family and Supportive Services and 12% from United Way of Metro Chicago. These sources also represented 87% of the all receivables at December 31, 2022.

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, 2022.

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, 2022, these volunteer hours exceeded 6,100.

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, 2022, this amounted to \$298,059 in donated food received and distributed.

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.

**CORNERSTONE COMMUNITY OUTREACH
NOTES TO FINANCIAL STATEMENTS
December 31, 2022**

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

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, 2022, 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 June 27, 2023, which is the date the financial statements were available to be issued. No subsequent events have been identified that are required to be disclosed as of that date.

Adoption of New Accounting Standard

The Organization has adopted the new lease accounting standard, ASU 842, effective January 1, 2022. The Organization has determined that its leases are all short-term or immaterial, and as such, has elected to account for them using the practical expedient. The impact of the adoption of ASU 842 on the financial statements was not material.

Note 3 – Financial Assets and Liquidity Resources

The Organization regularly monitors the available 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, 2022**

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

As of December 31, 2022, 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	\$ 357,076
Government grants, contributions, and other receivables	1,639,137
Total financial assets, at year-end	<u>1,996,213</u>
Less amount unavailable to be used within one year:	
Restricted cash - mortgage reserve	(115,798)
Restricted by donor - purpose	(16,941)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,863,474</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 obligation 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.

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 \$888,829 as of December 31, 2022 payable to the National Covenant Properties in monthly installments of \$14,790 through November 30, 2033, including variable interest at 4.5%, payable monthly.

Long-term debt is reflected in the statement of financial position as follows at December 31, 2022:

Total outstanding debt	\$ 2,565,387
Less current portion	(61,427)
Net long-term debt	<u>\$ 2,503,960</u>

**CORNERSTONE COMMUNITY OUTREACH
NOTES TO FINANCIAL STATEMENTS
December 31, 2022**

Note 4 – Long-Term Debt (cont.)

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

<u>Years Ended December 31,</u>	<u>Amount</u>
2023	\$ 61,427
2024	64,249
2025	67,200
2026	70,288
2027	73,517
Thereafter	<u>2,228,706</u>
	<u>\$ 2,565,387</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 two accounts have since been combined and have a restricted cash balance of \$115,798 as of December 31, 2022 on the Statement of Financial Position.

Note 5 – Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2022 are available for the following purposes:

Elevator project	\$ 11,941
Purchase of tables and chairs	<u>5,000</u>
	<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, 2022, the Board of Directors of the Organization consists predominantly of all JPUSA members. In addition, the Organization employs four members of JPUSA. Furthermore, the Executive Director’s spouse is a paid employee of the Organization.

During 2022, the Organization was loaned \$270,000 from a related party. There is not stated interest rate and payments on the outstanding balance are to made as available by the Organization. As of December 31, 2022 the balance remains \$270,000.

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 tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020.

**CORNERSTONE COMMUNITY OUTREACH
NOTES TO FINANCIAL STATEMENTS
December 31, 2022**

Note 7 – Employee Retention Credit (cont.)

Additional relief provisions were passed by the United States government, which extend and slightly expand the qualified wage caps on these credits through December 31, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$10,000 of qualified wages per quarter.

The Organization qualified for the tax credit under the CARES Act under both provisions. During the year ended December 31, 2022, the Organization recorded \$945,900 related to the CARES Employee Retention credit in government grants – other on the Statement of Activities. As of December 31, 2022, the Organization has a \$945,900 receivable balance from the United States government related to the CARES Act, which is recorded on the Statement of Financial Position. The full amount was received subsequent to year end.

SUPPLEMENTARY INFORMATION

**CORNERSTONE COMMUNITY OUTREACH
SCHEDULE OF EXPENSES BY PROGRAM
For the Year Ended December 31, 2022**

	Hannah Interim Housing	Naomi Interim Housing	Sylvia Interim Housing	Other Programs	Total Program
<u>Expenditures</u>					
Salaries and wages	\$ 555,725	\$ 1,085,951	\$ 759,686	\$ -	\$ 2,401,362
Fringe benefits and related taxes	114,148	281,338	194,390	-	589,876
Professional fees	5,344	8,936	11,115	4,615	30,010
Food and beverage	54,589	137,403	125,489	7	317,488
Client assistance	3,656	45,844	35,304	11,104	95,908
Supplies and small equipment purchases	18,953	40,616	55,633	30,281	145,483
Travel	2,801	5,833	4,958	2,431	16,023
Conferences and education	47	72	111	-	230
Postage and shipping	-	-	-	10	10
Dues and subscriptions	75	98	177	-	350
Telephone	6,140	7,244	7,464	8	20,856
Occupancy	29,383	82,846	27,537	487	140,253
Repairs and maintenance	21,858	30,349	42,673	2	94,882
Insurance	35,989	40,758	52,913	-	129,660
Interest	19,911	40,252	36,025	-	96,188
Miscellaneous	1,166	1,917	3,145	219	6,447
Depreciation and amortization	44,992	57,802	50,116	-	152,910
Total Expenses	\$ 914,777	\$ 1,867,259	\$ 1,406,736	\$ 49,164	\$ 4,237,936

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, 2022**

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA 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				
January 1, 2022 to December 31, 2022	14.218	174580	\$ - (1)	\$ 707,850
Sylvia Center Interim Housing				
January 1, 2022 to December 31, 2022	14.218	174580	-	(1) 652,466
Total U.S. Department of Housing and Urban Development			-	1,360,316
U.S. Department of Agriculture				
Passed through the Illinois State Board of Education				
Child and Adult Care Food Program				
October 1, 2021 to September 30, 2022	10.558	15-016-675P-00	-	249,014
October 1, 2022 to September 30, 2023	10.558	15-016-675P-00	-	151,441
Total U.S. Department of Agriculture			-	400,455
U.S. Department of Health and Human Services				
Passed through the Chicago Department of Family and Support Services				
Community Services Block Grant				
January 1, 2022 to December 31, 2022	93.569	174527	-	335,227
January 1, 2022 to December 31, 2022	93.569	174527	-	11,600
Total U.S. Department of Health and Human Services			-	346,827
U.S. Department of Homeland Security				
Passed through the United Way of Metro Chicago				
Emergency Food and Shelter National Board Program				
January 1, 2022 to November 31, 2022	97.024	237800-099	-	601,149
Total U.S. Department of Homeland Security			-	601,149
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 2,708,747</u>

(1) Major Program

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

**CORNERSTONE COMMUNITY OUTREACH
NOTES TO FINANCIAL STATEMENTS
December 31, 2022**

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, 2022. 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 not elected to use the 10-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, 2022.

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 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, 2022, 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 June 27, 2023.

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) to determine the 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of 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

June 27, 2023
Chicago, IL



Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**Independent Auditor's Report on Compliance for
Each Major Federal Program and Report 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, 2022. 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, 2022.

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).^j 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.

Desmond & Akers, Ltd

June 27, 2023
Chicago, Illinois

**CORNERSTONE COMMUNITY OUTREACH
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended December 31, 2022**

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

CFDA Number

Name of Federal Program or Cluster

14.218

Community Development Block Grant/ Entitlement Grants

Dollar threshold used to distinguish between type A and type B Programs: \$750,000

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

**CORNERSTONE COMMUNITY OUTREACH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2022**

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

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

None
