

# **CORNERSTONE FAMILY PROGRAMS**

CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2016 AND 2015



**SOBEL & CO. LLC**

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

# **CORNERSTONE FAMILY PROGRAMS**

**DECEMBER 31, 2016 AND 2015**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Cornerstone Family Programs  
Morristown, New Jersey

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Cornerstone Family Programs ("Cornerstone"), a New Jersey nonprofit organization, which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to Cornerstone's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Cornerstone's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cornerstone Family Programs as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal and state 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* and New Jersey Office of Management and Budget Circular Letter 15-08, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated 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 April 25, 2017, on our consideration of Cornerstone's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cornerstone's internal control over financial reporting and compliance.

## ***Report on Summarized Comparative Information***

We have previously audited Cornerstone's 2015 consolidated financial statements, and we expressed an unmodified audit opinion on those consolidated audited financial statements in our report dated April 26, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the consolidated audited financial statements from which it has been derived.

  
Certified Public Accountants

Livingston, New Jersey  
April 25, 2017

**CORNERSTONE FAMILY PROGRAMS**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 157,860	\$ 198,156
Investments, at fair value	2,194,115	2,108,440
Grants receivable	292,207	270,266
Accounts receivable, net of allowance for doubtful accounts of \$5,080 in 2016 and \$4,309 in 2015	185,137	71,465
Prepaid expenses	37,376	41,516
Total Current Assets	<u>2,866,695</u>	<u>2,689,843</u>
OTHER ASSETS:		
Beneficial interest in remainder trust	46,429	42,642
Property and equipment, net	7,644,068	7,897,870
	<u>\$ 10,557,192</u>	<u>\$ 10,630,355</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 324,702	\$ 349,756
Security deposit payable	3,225	5,825
Cash held on behalf of others	-	352
Deferred revenue	5,680	1,273
Unemployment trust fund	-	13,209
Mortgage payable, current	20,757	19,848
Total Current Liabilities	<u>354,364</u>	<u>390,263</u>
LONG-TERM LIABILITIES:		
Mortgage payable, net of current portion	734,069	754,825
Total Liabilities	<u>1,088,433</u>	<u>1,145,088</u>
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted - operations	7,247,840	7,278,417
Unrestricted - board-designated	1,836,991	1,836,991
Total Unrestricted Net Assets	<u>9,084,831</u>	<u>9,115,408</u>
Temporarily restricted	375,423	361,354
Permanently restricted	8,505	8,505
Total Net Assets	<u>9,468,759</u>	<u>9,485,267</u>
	<u>\$ 10,557,192</u>	<u>\$ 10,630,355</u>

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

**CORNERSTONE FAMILY PROGRAMS**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2016**  
(With Summarized Comparative Totals for the Year Ended December 31, 2015)

	2016			Total	2015
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>EARNED REVENUE AND SUPPORT:</b>					
County grants and contracts	\$ 896,306	\$ -	\$ -	\$ 896,306	\$ 898,688
Federal and state financial assistance	1,393,023	-	-	1,393,023	1,384,271
Program fees	1,263,413	-	-	1,263,413	1,249,445
Contributions, grants and bequests	1,135,076	100	-	1,135,176	952,726
Special events revenue, net of expenses of \$154,346 and \$109,830 for 2016 and 2015, respectively	387,585	-	-	387,585	280,060
United Way	155,706	-	-	155,706	254,607
Miscellaneous	55,855	-	-	55,855	33,528
<b>OTHER REVENUE:</b>					
Investment income, net	41,356	4,032	-	45,388	53,714
Net realized and unrealized gain (loss) on investments	129,768	25,725	-	155,493	(144,541)
Change in value of split-interest agreements	-	3,787	-	3,787	(6,388)
<b>Total Revenue and Support</b>	<b>5,458,088</b>	<b>33,644</b>	<b>-</b>	<b>5,491,732</b>	<b>4,956,110</b>
Net Assets Released from Restrictions	19,575	(19,575)	-	-	-
<b>OPERATING EXPENSES:</b>					
Counseling and community services	4,423,632	-	-	4,423,632	4,795,198
Management and general	613,135	-	-	613,135	463,967
Development/community relations	471,473	-	-	471,473	537,586
<b>Total Operating Expenses</b>	<b>5,508,240</b>	<b>-</b>	<b>-</b>	<b>5,508,240</b>	<b>5,796,751</b>
<b>CHANGES IN NET ASSETS BEFORE GAIN ON DISPOSAL OF ASSETS</b>	<b>(30,577)</b>	<b>14,069</b>	<b>-</b>	<b>(16,508)</b>	<b>(840,641)</b>
<b>GAIN FROM DISPOSAL OF ASSETS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,811</b>
<b>CHANGES IN NET ASSETS</b>	<b>(30,577)</b>	<b>14,069</b>	<b>-</b>	<b>(16,508)</b>	<b>(835,830)</b>
<b>NET ASSETS - Beginning of year</b>	<b>9,115,408</b>	<b>361,354</b>	<b>8,505</b>	<b>9,485,267</b>	<b>10,321,097</b>
<b>NET ASSETS - End of year</b>	<b>\$ 9,084,831</b>	<b>\$ 375,423</b>	<b>\$ 8,505</b>	<b>\$ 9,468,759</b>	<b>\$ 9,485,267</b>

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

## CORNERSTONE FAMILY PROGRAMS

### CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2016 (With Summarized Comparative Totals for the Year Ended December 31, 2015)

	2016					Total 2016	Total 2015
	Counseling and Community Services	Supporting Services			Total		
		Management and General	Development Community Relations				
Salaries and Fringe Benefits:							
Salaries	\$ 2,618,067	\$ 291,469	\$ 316,556	\$ 608,025	\$ 3,226,092	\$ 3,403,193	
Benefits	279,218	90,896	27,130	118,026	397,244	471,493	
Payroll taxes and workers' compensation insurance	266,770	82,470	29,631	112,101	378,871	382,508	
Total Salaries and Fringe Benefits	3,164,055	464,835	373,317	838,152	4,002,207	4,257,194	
Operational Expense:							
Professional fees	172,695	63,992	24,655	88,647	261,342	203,972	
Office supplies	12,129	4,874	3,440	8,314	20,443	15,433	
Equipment rental and maintenance	28,693	1,206	4,594	5,800	34,493	36,291	
Telephone	22,356	4,995	4,401	9,396	31,752	28,652	
Postage	2,255	1,536	3,616	5,152	7,407	7,687	
Rent	3,250	-	-	-	3,250	41,900	
Utilities	64,470	7,273	5,340	12,613	77,083	88,125	
Repairs and maintenance	87,454	8,931	5,997	14,928	102,382	100,524	
Insurance	89,590	13,259	8,951	22,210	111,800	105,063	
Total Operational Expense	482,892	106,066	60,994	167,060	649,952	627,647	
Program expense	413,646	-	-	-	413,646	455,693	
Scholarships	57,080	-	-	-	57,080	57,700	
Financing and bank fees	43,776	4,271	5,339	9,610	53,386	50,790	
Education and travel	38,979	16,204	3,974	20,178	59,157	38,269	
Other	179	-	651	651	830	39,841	
Total Expenses Before Depreciation	1,036,552	126,541	70,958	197,499	1,234,051	1,269,940	
Depreciation	223,025	21,759	27,198	48,957	271,982	269,617	
Total Expenses	\$ 4,423,632	\$ 613,135	\$ 471,473	\$ 1,084,608	\$ 5,508,240	\$ 5,796,751	

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

**CORNERSTONE FAMILY PROGRAMS**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

CASH FLOWS (USED FOR) PROVIDED BY:	Year Ended December 31,	
	2016	2015
<u>OPERATING ACTIVITIES:</u>		
Changes in net assets	\$ (16,508)	\$ (835,830)
Adjustments to reconcile changes in net assets to net cash used for operating activities:		
Depreciation	271,982	269,617
Gain on disposal of assets	-	(4,811)
Bad debt expense	-	(1,803)
Unrealized (gains) losses on investments	(91,641)	293,549
Realized gains on investments	(63,852)	(149,008)
Changes in certain assets and liabilities:		
Accounts receivable	(113,672)	(3,648)
Grants receivable	(21,941)	3,909
Prepaid expenses	4,140	35,305
Unemployment trust fund assets	(13,209)	(48,729)
Beneficial interest in remainder trust	(3,787)	6,388
Accounts payable and accrued expenses	(25,054)	73,508
Security deposit payable	(2,600)	1,645
Cash held for others	(352)	-
Deferred revenue	4,407	(38,450)
Net Cash Used for Operating Activities	<u>(72,087)</u>	<u>(398,358)</u>
<u>INVESTING ACTIVITIES:</u>		
Purchase of equipment	(18,180)	(18,680)
Proceeds from sale of assets	-	4,811
Proceeds from sale of investments	502,520	777,984
Purchase of investments	(432,702)	(373,772)
Net Cash Provided by Investing Activities	<u>51,638</u>	<u>390,343</u>
<u>FINANCING ACTIVITIES:</u>		
Draws on line of credit	325,000	115,000
Payments on line of credit	(325,000)	(215,000)
Principal payments on mortgage payable	(19,847)	(19,145)
Net Cash Used for Financing Activities	<u>(19,847)</u>	<u>(119,145)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(40,296)	(127,160)
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>198,156</u>	<u>325,316</u>
End of year	<u>\$ 157,860</u>	<u>\$ 198,156</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:</u>		
Cash paid during the year for interest	<u>\$ 33,756</u>	<u>\$ 40,412</u>

**CORNERSTONE FAMILY PROGRAMS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

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**NOTE 1 - NATURE OF ORGANIZATION:**

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Cornerstone Family Programs is a private, not-for-profit organization dedicated to strengthening communities by helping people build better lives. Founded in Morristown in 1813, Cornerstone Family Programs now provides programs that: give young children the best start in life by improving their health, social development, and school performance; guide teens to successful adulthood by encouraging smart social, academic, and career choices; support adults by improving their health, education, employment, recreation, parenting, and communications skills; improve military families' and veterans' well-being as they integrate back into families and society; keep seniors independent and in their homes; and engage neighbors to build strong communities. These programs are provided to over 10,000 children, families and seniors at 12 locations throughout Morris and Warren counties in New Jersey.

The Board of Directors sets direction and develops resources to support the programs of Cornerstone Family Programs while professional staff and volunteers carry out such programs. Funding for the support of Cornerstone Family Programs is primarily generated through public grants and contracts, client service fee revenue and contributions from individuals, corporations, and foundations.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

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***Principles of Consolidation:***

The consolidated financial statements include the accounts of Cornerstone Family Programs, Madison Day Care Center, Inc. ("MDCC"), and Morristown Neighborhood House Association, Inc. ("MNHA"), (collectively, "Cornerstone"). Intercompany transactions and balances have been eliminated upon consolidation. Cornerstone ceased operation of MDCC as of December 1, 2014, and MDCC was legally dissolved on April 7, 2015.

***Basis of Accounting:***

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

***Financial Statement Presentation:***

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Cornerstone and changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets not subject to donor-imposed stipulations and available for use by Cornerstone's Board of Directors.

**CORNERSTONE FAMILY PROGRAMS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

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

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***Financial Statement Presentation: (Continued)***

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Cornerstone and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period as the donations are reported as unrestricted net assets.

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that they be maintained permanently by Cornerstone. Generally, the donors of these assets permit Cornerstone to use all or part of the income earned on any related investments for general or specific purposes.

***Cash Equivalents:***

For financial statement purposes, certificates of deposit and money market funds with an original maturity of three months or less are considered to be cash equivalents.

***Accounts and Pledges Receivable:***

Accounts and pledges receivable are stated at the amount management expects to collect from outstanding balances. Cornerstone charges uncollectible receivables to operations when determined to be uncollectible. The allowance for uncollectible receivables has been reviewed by management and it has been determined to be adequate based on historical collection trends.

***Fair Value:***

Fair value measurements are defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are three defined hierarchical levels based on the quality of inputs used that directly relate to the amount of subjectivity associated with the determination of fair value. The fair value hierarchy defines the three levels as follows:

- Level 1:** Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2:** Valuations based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from, or corroborated by, observable market data.
- Level 3:** Valuations based on unobservable inputs when little or no market is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

**CORNERSTONE FAMILY PROGRAMS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

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

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***Fair Value: (Continued)***

The fair value of investments is summarized as follows:

Mutual funds – valued at the net asset value of shares held by Cornerstone at year-end.

Fixed income funds – valued at closing price reported in the active or inactive market in which the bond or fund is traded.

Certificates of deposit – estimated using rates currently offered for deposits of similar remaining maturities.

Equity securities – shares in companies traded on national securities exchanges are valued at the closing price reported in the active market in which the individual securities are traded.

***Investments:***

Interest and dividend income is presented net of investment advisory/management fees and is reflected as investment income in the accompanying consolidated statements of activities and changes in net assets. Investment advisory/management fees amounted to \$17,758 and \$21,184 for the years ended December 31, 2016 and 2015, respectively. All investment income is credited directly to unrestricted net assets unless otherwise restricted by the donor. All capital appreciation/depreciation earned on investments is reported as a change in unrestricted net assets unless otherwise restricted by the donor. All investments are carried at fair value with the related gains and losses included in the consolidated statements of activities and changes in net assets.

***Property and Equipment:***

Purchased property and equipment is capitalized at cost. The costs of additions and betterments are capitalized when they exceed \$1,000 and have a useful life of over three years. Donated assets are capitalized at fair value at time of receipt. A passenger van valued at approximately \$18,000 was donated during 2016. No donated assets were received in 2015. Property and equipment are depreciated using the straight-line method over the estimated useful lives ranging from 3 to 15 years. Building and improvements are depreciated over 10 to 40 years. In the absence of donor-imposed restrictions on the use of an asset, gifts or long-lived assets are reported as unrestricted support.

***Deferred Revenue:***

Deferred revenue consists of amounts received in advance of services being performed which will be recognized as income in future periods when the services are performed. At December 31, 2016 and 2015, deferred revenue amounted to \$5,680 and \$1,273, respectively.

**CORNERSTONE FAMILY PROGRAMS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

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

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***Revenue Recognition:***

Funds received from various state and local agencies, as well as other donors, represent grants awarded to Cornerstone to provide program services. Revenue with respect to these awards is recognized to the extent of expenses incurred under the award terms. Upon completion or expiration of a grant, unexpended funds are not available to Cornerstone and must be returned to the awarding agency or the grant must be modified in accordance with the terms of the grant or grantor.

***Contributions:***

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions. Contributions with restrictions that are met in the same reporting period as they are received are reported as unrestricted support.

***Income Taxes:***

Cornerstone is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not liable for federal and state income taxes.

Cornerstone follows standards that provide clarification on accounting for uncertainty in income taxes recognized in Cornerstone's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken, or expected to be taken, in a tax return, and also provides guidance on derecognition, classification, interest and penalties, disclosure and transition. Cornerstone's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense. No interest and penalties were recorded during 2016 and 2015. At December 31, 2016 and 2015, there are no significant income tax uncertainties.

***Functional Allocation of Expenses:***

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of Cornerstone.

**CORNERSTONE FAMILY PROGRAMS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

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

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***Use of Estimates:***

In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Comparative Information:***

The consolidated financial statements include certain prior-year, summarized, comparative information in total but not by net asset class or by functional expense category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Cornerstone's consolidated financial statements for the year ended December 31, 2016, from which the summarized information was derived.

***Subsequent Events:***

Cornerstone has evaluated its subsequent events and transactions occurring after December 31, 2016 through April 25, 2017, the date that the consolidated financial statements were available to be issued.

***Reclassifications:***

Certain amounts have been reclassified in the 2015 financial statements to conform to the 2016 presentation. This has no effect on the change in net assets.

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**NOTE 3 - PROPERTY AND EQUIPMENT:**

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Property and equipment is as follows:

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
Land	\$ 1,316,352	\$ 1,316,352
Building and improvements	7,979,176	7,979,176
Equipment	680,234	662,052
Furniture and fixtures	439,572	439,572
	<hr/> 10,415,334	<hr/> 10,397,152
Less: Accumulated depreciation	(2,771,266)	(2,499,282)
Property and Equipment, Net	<hr/> \$ 7,644,068	<hr/> \$ 7,897,870

**CORNERSTONE FAMILY PROGRAMS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

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**NOTE 4 - BENEFICIAL INTEREST IN REMAINDER TRUST:**

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A grantor established a charitable remainder trust in August 2013, naming Cornerstone as one of its beneficiaries. Under the split-interest agreement, when the trust is terminated at the grantor's death, the remaining trust assets will be distributed to Cornerstone. The present value of future benefits expected to be received by Cornerstone was calculated over the grantor's life expectancy as of the date of the gift. The change in the present value from the date of the gift for the year ended December 31, 2016, increased by \$3,787. The change in the present value from the date of the gift for the year ended December 31, 2015, decreased by \$6,388. Both of these are shown as the change in the value of split-interest agreements on the accompanying consolidated statements of activities and changes in net assets. The beneficial interest in remainder trust is \$46,429 and \$42,642 as of December 31, 2016 and 2015, respectively, as shown on the accompanying consolidated statements of financial position.

**NOTE 5 - INVESTMENTS:**

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Investments are valued as follows:

**FAIR VALUE MEASUREMENTS**  
**AS OF DECEMBER 31, 2016**

	<b>LEVEL 1</b>	<b>LEVEL 2</b>	<b>LEVEL 3</b>	<b>TOTAL</b>
Mutual funds	\$ 1,017,856	\$ -	\$ -	\$ 1,017,856
Fixed income funds	208,702	56,156	-	264,858
Equities	882,846	-	-	882,846
Certificates of deposit	-	28,555	-	28,555
	<b>\$ 2,109,404</b>	<b>\$ 84,711</b>	<b>\$ -</b>	<b>\$ 2,194,115</b>

**FAIR VALUE MEASUREMENTS**  
**AS OF DECEMBER 31, 2015**

	<b>LEVEL 1</b>	<b>LEVEL 2</b>	<b>LEVEL 3</b>	<b>TOTAL</b>
Mutual funds	\$ 962,383	\$ -	\$ -	\$ 962,383
Fixed income funds	183,387	81,448	-	264,835
Equities	854,681	-	-	854,681
Certificates of deposit	-	26,541	-	26,541
	<b>\$ 2,000,451</b>	<b>\$ 107,989</b>	<b>\$ -</b>	<b>\$ 2,108,440</b>

**CORNERSTONE FAMILY PROGRAMS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

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**NOTE 5 - INVESTMENTS: (Continued)**

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The following schedule summarizes the mutual funds and equities by strategy as of December 31, 2016:

Mutual Funds:		Equities:	
Inflation-protected bonds	9%	Healthcare	11%
Global short-term bonds	18%	Technology	18%
Opportunistic bonds	18%	Energy	9%
U.S. small cap	5%	Financial	17%
International small cap	10%	Basic materials	5%
Emerging markets	16%	Industrial goods	7%
Global large cap	15%	Consumer goods	12%
Infrastructure	6%	Utilities	6%
Other	3%	Other	15%
Total Mutual Funds	<u>100%</u>	Total Equities	<u>100%</u>

The following schedule summarizes the mutual funds and equities by strategy as of December 31, 2015:

Mutual Funds:		Equities:	
Inflation-protected bonds	7%	Healthcare	12%
Global short-term bonds	18%	Technology	19%
Opportunistic bonds	21%	Energy	8%
U.S. small cap	5%	Financial	18%
International small cap	11%	Basic materials	5%
Emerging markets	17%	Industrial goods	8%
Global large cap	13%	Consumer goods	11%
Infrastructure	6%	Utilities	4%
Other	2%	Telecommunication	1%
Total Mutual Funds	<u>100%</u>	Other	14%
		Total Equities	<u>100%</u>

**CORNERSTONE FAMILY PROGRAMS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

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**NOTE 6 - OPERATING LEASES:**

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Cornerstone leases certain space relative to its operations and office equipment under operating leases expiring at various times through 2022. Cornerstone is obligated for future minimum lease payments under all leases, as follows:

<b>Year Ended</b>	<b>Amount</b>
2017	\$ 126,630
2018	42,878
2019	41,648
2020	40,104
2021	40,104
Thereafter	6,684
	<u>\$ 298,048</u>

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**NOTE 7 - ENDOWMENT FUNDS:**

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***Donor-restricted Endowment:***

Cornerstone's permanently restricted net assets consist of three separate funds. These funds include donor-restricted funds functioning as endowment funds. Net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions. Cornerstone's permanently restricted net assets are restricted for the following purposes:

Income earned on the investment held in the scholarship account is restricted for the purpose of granting scholarships by Cornerstone. As specified by the donor, a minimum balance of \$5,955 is to be maintained in perpetuity. At December 31, 2016 and 2015, the fair market value of the investment which includes net appreciation and income reinvested was \$27,801 and \$25,787, respectively.

Income earned on the investment held in the Doane Memorial account is restricted for the purpose of purchasing books for use by Cornerstone. As specified by the donor, a minimum balance of \$750 is to be maintained in perpetuity. At December 31, 2016 and 2015, the fair market value of the investment was \$754.

Income earned on the investment held in the Fritschman Memorial account is restricted for the purpose of sponsoring the "Plays for Living" series in the community once a year. As specified by the donor, a minimum balance of \$1,800 is to be maintained in perpetuity. At December 31, 2016 and 2015, the fair market value of the investment which includes net appreciation and income reinvested was \$19,512 and \$17,577, respectively.

**CORNERSTONE FAMILY PROGRAMS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

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**NOTE 7 - ENDOWMENT FUNDS: (Continued)**

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***Donor-restricted Endowment: (Continued)***

The endowment accounts have been specified by the donors to hold a specified minimum balance in perpetuity, however, from time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. There were no deficits for the years ended December 31, 2016 and 2015. The deficit results from borrowing from the endowment funds and unfavorable market conditions.

The Board of Directors' interpretation requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this, Cornerstone classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Cornerstone.

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

- (1) The duration and preservation of the programs
- (2) The purposes of Cornerstone and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of Cornerstone
- (7) The investment policies of Cornerstone

**CORNERSTONE FAMILY PROGRAMS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

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**NOTE 7 - ENDOWMENT FUNDS: (Continued)**

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***Board-designated Endowment:***

The Board of Directors has designated two separate investment accounts as endowment funds. The Board of Directors' primary objective is to add value and minimize risk in managing the assets of the fund while providing a hedge against inflation into the future. It is the intent of the Board of Directors to maintain the endowment and utilize the total return (income plus capital change) to further the mission of Cornerstone. In recognition of the prudence required of fiduciaries, reasonable diversification of quality investment securities will be sought where possible, knowing that fluctuating rates of return are a characteristic of the investment market and performance cycles cannot be accurately predicted. The funds may be held in individual securities or mutual funds, may be comprised of domestic and international securities, and will be further diversified into asset classes by their market capitalization.

Cornerstone may distribute up to 5% of the endowment investment portfolio value each year, as approved by the Finance Committee. In 2015, the finance committee approved additional distributions of \$200,000 from the endowment investment portfolio. Distributions will be paid and performance will be measured on the basis of average endowment values at the start of each year for the previous five years. The base on which the payouts are calculated will add the most recent year-end valuation and delete the earliest year-end valuation so that a five-year rolling average is maintained.

Endowment Net Asset Composition by Type of Fund as of December 31, 2016:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 39,559	\$ 8,505	\$ 48,064
Board-designated endowment funds	1,879,476	-	-	1,879,476
	<u>\$ 1,879,476</u>	<u>\$ 39,559</u>	<u>\$ 8,505</u>	<u>\$ 1,927,540</u>

**CORNERSTONE FAMILY PROGRAMS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 7 - ENDOWMENT FUNDS: (Continued)**

***Board-designated Endowment: (Continued)***

Changes in Endowment Net Assets, including Board-designated Funds, for the year ended December 31, 2016:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment Net Assets, Beginning of year	\$ 1,836,991	\$ 35,609	\$ 8,505	\$ 1,881,105
Investment Return:				
Investment income	26,569	1,644	-	28,213
Net appreciation (realized and unrealized)	136,139	2,306	-	138,445
Total Investment Return	162,708	3,950	-	166,658
Contributions	-	-	-	-
Appropriation for expenditure	(120,223)	-	-	(120,223)
Endowment Net Assets, End of year	\$ 1,879,476	\$ 39,559	\$ 8,505	\$ 1,927,540

Endowment Net Asset Composition by Type of Fund as of December 31, 2015:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 35,609	\$ 8,505	\$ 44,114
Board-designated endowment funds	1,836,991	-	-	1,836,991
	\$ 1,836,991	\$ 35,609	\$ 8,505	\$ 1,881,105

**CORNERSTONE FAMILY PROGRAMS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 7 - ENDOWMENT FUNDS: (Continued)**

***Board-designated Endowment: (Continued)***

Changes in Endowment Net Assets, including Board-designated Funds, for the year ended December 31, 2015:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment Net Assets, Beginning of year	\$ 2,404,595	\$ 47,702	\$ 258,505	\$ 2,460,802
Investment Return:				
Investment income	31,599	1,841	-	33,440
Net appreciation (realized and unrealized)	(119,318)	(2,934)	-	(122,252)
Net Investment Return	(87,719)	(1,093)	-	(88,812)
Contributions	19,750	-	-	19,750
Appropriation for expenditure	(499,635)	(11,000)	-	(510,635)
Endowment Net Assets, End of year	\$ 1,836,991	\$ 35,609	\$ 8,505	\$ 1,881,105

**NOTE 8 - LINE OF CREDIT:**

Cornerstone has a \$300,000 line of credit, which was renewed on August 31, 2016, and expires on September 30, 2017. Bank advances on the credit line are payable on demand and carry an interest rate equal to Valley National Bank's prime rate (5.125% and 4.5% at December 31, 2016 and 2015, respectively). There was no balance outstanding on the line of credit as of December 31, 2016 or 2015. The line of credit is secured by all assets at 12 Flagler St., Morristown, New Jersey, with a net book value of \$2,446,250.

**CORNERSTONE FAMILY PROGRAMS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

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**NOTE 9 - PENSION PLAN:**

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Cornerstone maintains a 403(b) thrift plan (classified as a defined contribution plan). For the year ended December 31, 2015, Cornerstone's discretionary contribution was equal to 3% of the salaries of eligible employees. The employer contribution to the plan for the years ended December 31, 2016 and 2015, was \$-0- and \$70,952 respectively.

**NOTE 10 - DONATED SERVICES:**

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The Board of Directors makes contributions of time relative to general management and operations of Cornerstone. Additionally, a significant number of unpaid volunteers have made contributions of their time to the programs sponsored by Cornerstone. The value of this contributed time is not reflected in these consolidated financial statements as it does not meet the requirements of recognition under accounting principles generally accepted in the United States of America.

**NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS:**

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The following temporarily restricted net assets are available for the following purposes:

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
"Plays for Living" series	\$ 17,712	\$ 15,777
Scholarships	311,278	302,931
Split-interest agreement	46,429	42,642
Other	4	4
Total Temporarily Restricted Net Assets	<u>\$ 375,423</u>	<u>\$ 361,354</u>

Net assets released from time and use restrictions for the years ended December 31, 2016 and 2015, amounted to \$19,575 and \$86,313, respectively, and are reflected on the accompanying consolidated statements of activities and changes in net assets.

**CORNERSTONE FAMILY PROGRAMS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

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**NOTE 12 - MORTGAGES PAYABLE:**

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On July 22, 2014, Cornerstone acquired a term loan of \$800,000 secured by real property of MNHA. Under the agreement, the loan is to be repaid over 25 years with monthly payments of \$4,249, including principal and interest at 4.00%. The interest rate can be adjusted on August 1, 2019, 2024, 2029, and 2034, and will be determined by adding 2.125% to the current index (weekly average yield on United States Treasury Securities adjusted to a constant maturity of five years, as made available by the Federal Reserve Board).

Principal amounts due under the above obligation mature as follows:

<b><u>Year Ending</u></b> <b><u>December 31,</u></b>	
2017	\$ 20,757
2018	21,614
2019	22,507
2020	23,359
2021	24,402
Thereafter	642,187
	<u>754,826</u>
Less: Short-term maturities	(20,757)
Long-term maturities	<u>\$734,069</u>

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**NOTE 13 - UNITED AFFILIATES COMPENSATION FUND/UNEMPLOYMENT SERVICES TRUST:**

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Cornerstone entered into an agreement with the Unemployment Services Trust (“UST”) to administer the unemployment insurance program. Cornerstone is required to make quarterly contributions based on estimated unemployment claims. This contribution will be adjusted periodically by UST to reflect changes in Cornerstone’s unemployment claims history.

For the years ended December 31, 2016 and 2015, contributions made were \$52,749 and \$120,000, respectively, and unemployment claims paid were \$32,717 and \$57,040, respectively. A resulting balance of \$1,214 and a liability of \$13,209 were recorded in the accompanying consolidated statements of financial position as of December 31, 2016 and 2015, respectively, based on the difference between contributions made and interest earned, net of claims and expenses paid.

The plan was terminated effective June 30, 2016, and Cornerstone joined the state unemployment plan.

**CORNERSTONE FAMILY PROGRAMS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

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**NOTE 14 - CONCENTRATIONS OF CREDIT RISK:**

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Cornerstone receives a large portion of its funding from various federal, state and local governmental agencies. The operations of Cornerstone are subject to the administrative directives, rules and regulations of state and local regulatory agencies. Such administrative directives, rules and regulations are subject to changes that may occur because of inadequate funding with little notice to pay for the related costs, including the additional administrative burden, to comply with a change.

Cornerstone is subject to audits by certain federal and state awarding agencies which may result in findings based on various issues. Anticipation of potential audit results is currently not determinable. Accordingly, no accruals have been recorded in the consolidated financial statements for any adjustments that might be required based on such audits.

Cornerstone maintains cash balances at several financial institutions. At times, cumulative balances may exceed the insured limits.

**CORNERSTONE FAMILY PROGRAMS**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**YEAR ENDED DECEMBER 31, 2016**

<b>Federal Grant or Program Title</b>	<b>Federal CFDA Number</b>	<b>Grant Number</b>	<b>Grant Amount</b>	<b>Grant Period</b>	<b>Current Year Disbursements/ Expenditures</b>
<b>FEDERAL AWARDS:</b>					
<b>U.S. Department of Agriculture</b>					
Passed through New Jersey State Department of Agriculture			Expense		
Child and Adult Care Food Program	10.558	16-27-223	Reimbursements	10/1/15 - 9/30/16	\$ 122,727
Child and Adult Care Food Program	10.558	17-27-223	Reimbursements	10/1/16 - 9/30/17	32,764
Total U.S. Department of Agriculture					<u>155,491</u>
<b>U.S. Department of Housing and Urban Development</b>					
Community & Behavioral Health Services, Office of Community Development: Community Development Block Grant, "School Age Child Care Scholarships for Low Income Children"	14.239	B-15-UC- 34-0105, 05/15- 1288	\$ 40,800	09/01/15 - 06/30/16	24,480
Community & Behavioral Health Services, Office of Community Development: Community Development Block Grant, "School Age Child Care Scholarships for Low Income Children"	14.239	B-15-UC- 34-0105, 05/16- 1323	40,000	09/01/16 - 06/30/17	14,998
Total U.S. Department of Housing and Urban Development					<u>39,478</u>
			<b>Total Federal Assistance</b>		<b><u>194,969</u></b>

**CORNERSTONE FAMILY PROGRAMS**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)**  
**YEAR ENDED DECEMBER 31, 2016**

State Grant or Program Title	Federal CFDA Number	Grant Number	Grant Amount	Grant Period	Current Year Disbursements/ Expenditures
<b>STATE AWARDS:</b>					
<b>Services</b>					
Friends of the Blind/Older Blind (SCILS)	N/A	16PG14N	25,739	01/01/16 - 12/31/16	25,738
Passed through Morris County Board of Chosen Freeholders					
K.O. Boxing and Fitness Program	N/A	JJ-1508	5,000	01/01/16 - 12/31/16	5,000
Social Recreation	N/A	JJ-1504	14,516	01/01/16 - 12/31/16	14,516
Rites of Passage	N/A	JJ-1509	27,380	01/01/16 - 12/31/16	27,380
					<u>46,896</u>
<b>State of New Jersey Department of Children and Families</b>					
Parents as Teachers (PAT) Warren	N/A	16MKPP	162,000	01/01/16 - 12/31/16	<u>160,060</u>
				<b>Total State Assistance</b>	<u><b>232,694</b></u>
				<b>Total Federal and State Assistance</b>	<u><b>\$ 427,663</b></u>

**CORNERSTONE FAMILY PROGRAMS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND**  
**STATE AWARDS**  
**DECEMBER 31, 2016**

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**NOTE 1 - BASIS OF PRESENTATION:**

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The accompanying schedule of expenditures of federal and state awards includes the state and federal grant activity of Cornerstone and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey Office of Management and Budget Circular Letter 15-08. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.

**NOTE 2 - SUBRECIPIENTS:**

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During the year ended December 31, 2016, Cornerstone did not provide any funds relating to their federal or state programs to subrecipients.

**NOTE 3 - INDIRECT COSTS:**

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

**NOTE 4 - LOAN AND LOAN GUARANTEE PROGRAMS:**

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As of December 31, 2016, Cornerstone did not have any federal or state loan or loan guarantee programs.



## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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To the Board of Directors  
Cornerstone Family Programs  
Morristown, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Cornerstone Family Programs (“Cornerstone”), a New Jersey nonprofit organization, which comprise the consolidated statements of financial position as of December 31, 2016, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 25, 2017.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Cornerstone’s internal control over financial reporting (“internal control”) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cornerstone’s internal control. Accordingly, we do not express an opinion on the effectiveness of Cornerstone’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Cornerstone’s consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Cornerstone’s consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Cornerstone’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cornerstone’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Sobel & Co., LLC*  
Certified Public Accountants

Livingston, New Jersey  
April 25, 2017

**CORNERSTONE FAMILY PROGRAMS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2016**

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**I. Summary of Auditors' Results**

**Schedule of Expenditures of Federal and State Awards**

The auditors' report issued on the Schedule of Expenditures of Federal and State Awards of Cornerstone Family Programs was an unmodified opinion.

Internal control over financial reporting:

- Material weaknesses identified?      \_\_\_\_\_ Yes        X   No
- Significant deficiencies identified?      \_\_\_\_\_ Yes        X   No

Noncompliance material to financial statements noted?      \_\_\_\_\_ Yes        X   No