

**CORNERSTONE COMMUNITY  
OUTREACH**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
(Including Reports Required by  
OMB Circular A-133)**

**For Year Ended December 31, 2013**

# CORNERSTONE COMMUNITY OUTREACH

## Annual Financial Report

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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

We have audited the accompanying financial statements of Cornerstone Community Outreach (a non-profit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. The prior-year summarized information has been derived from the Organization's 2012 financial statements, and, in our report dated January 10, 2014, we expressed an unqualified opinion on those financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 the entity'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 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 financial statements referred to above present fairly, in all material respects, the financial position of Cornerstone Community Outreach as of December 31, 2013, 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.

***Other Matters***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as listed in the accompanying table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. In addition, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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 *Governmental Auditing Standards*, we have also issued a report dated September 19, 2014 on our consideration of Cornerstone Community Outreach's internal control over financial reporting and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering Cornerstone Community Outreach's internal control over financial reporting and compliance.

*Desmond S. Akers, Ltd*

September 19, 2014  
Chicago, IL

**CORNERSTONE COMMUNITY OUTREACH**  
**STATEMENT OF FINANCIAL POSITION**  
**As of December 31, 2013 (with comparative totals for 2012)**

	<u>2013</u>	<u>2012</u>
<b><u>Assets</u></b>		
Current Assets		
Cash	\$ 31,907	\$ 126,017
Government contributions receivable	399,201	288,551
Contributions receivable	119,079	117,942
Other receivables	189	189
Deposits	18,811	522
Total current assets	<u>569,187</u>	<u>533,221</u>
Property and Equipment		
Land	355,947	355,947
Buildings and improvements	4,707,817	4,665,317
Construction in progress	532,698	571,148
Furniture and equipment	355,609	324,364
Vehicles	30,206	30,206
	<u>5,982,277</u>	<u>5,946,982</u>
Less accumulated depreciation	<u>(2,660,921)</u>	<u>(2,496,134)</u>
Net property and equipment	<u>3,321,356</u>	<u>3,450,848</u>
Other Assets		
Prepaid maintenance agreement	89,731	21,731
Debt issue costs	26,700	15,982
<b>Total Assets</b>	<u><u>\$ 4,006,974</u></u>	<u><u>\$ 4,021,782</u></u>
<b><u>Liabilities and Net Assets</u></b>		
Current Liabilities		
Current maturities of long-term debt	\$ 18,304	\$ 343,760
Accounts payable	270,134	175,850
Accrued payroll and related expenses	308,830	172,895
Refundable advances	37,289	26,240
Line of credit and bank overdraft	-	500,000
Accrued interest	-	70,124
Total current liabilities	<u>634,557</u>	<u>1,288,869</u>
Long-Term Debt		
Long-term debt, net of current portion	3,243,274	2,392,765
Employees and individual supporters	46,234	-
Total liabilities	<u>3,924,065</u>	<u>3,681,634</u>
Net Assets		
Unrestricted	36,176	289,848
Temporarily restricted	46,733	50,300
	<u>82,909</u>	<u>340,148</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 4,006,974</u></u>	<u><u>\$ 4,021,782</u></u>

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

**CORNERSTONE COMMUNITY OUTREACH**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2013 (with comparative totals for 2012)**

	Unrestricted	Temporarily Restricted	2013 Total	2012 Total
<b><u>Public Support and Revenue</u></b>				
Chicago Department of Family and Support Services	\$ 1,514,951	\$ -	\$ 1,514,951	\$ 1,501,035
Chicago Department of Community Development	93,168	-	93,168	93,168
U.S. Dept. of Housing and Urban Development	258,790	-	258,790	248,404
Illinois State Board of Education	91,902	-	91,902	203,080
Contributions	499,332	5,000	504,332	874,194
Client fees	55,175	-	55,175	46,685
Donated food	857,264	-	857,264	762,378
Other	366	-	366	1,334
Net assets released from restrictions - satisfaction of program restrictions	8,567	(8,567)	-	-
Total public support and revenue	<u>3,379,515</u>	<u>(3,567)</u>	<u>3,375,948</u>	<u>3,730,278</u>
<b><u>Expenses</u></b>				
Program Services				
Leland Permanent Housing	277,076	-	277,076	291,340
Chronic Homeless Initiative	37,817	-	37,817	38,337
Hannah Interim Housing	593,768	-	593,768	642,877
Naomi Interim Housing	1,335,161	-	1,335,161	1,416,226
Sylvia Interim Housing	979,671	-	979,671	1,089,112
Computer and life skills	114,159	-	114,159	115,064
Other	65,600	-	65,600	111,738
Total program services	<u>3,403,252</u>	<u>-</u>	<u>3,403,252</u>	<u>3,704,694</u>
Management and general	213,173	-	213,173	198,733
Fundraising	16,762	-	16,762	11,502
Total expenses	<u>3,633,187</u>	<u>-</u>	<u>3,633,187</u>	<u>3,914,929</u>
<b>Change in net assets</b>	(253,672)	(3,567)	(257,239)	(184,651)
<b>Net assets, beginning of year</b>	<u>289,848</u>	<u>50,300</u>	<u>340,148</u>	<u>524,799</u>
<b>Net assets, end of year</b>	<u>\$ 36,176</u>	<u>\$ 46,733</u>	<u>\$ 82,909</u>	<u>\$ 340,148</u>

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

**CORNERSTONE COMMUNITY OUTREACH**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2013 (with comparative totals for 2012)**

	Program Services	Management and General	Fundraising	2013 Total	2012 Total
<b><u>Functional Expenses</u></b>					
Salaries and wages	\$ 1,203,843	\$ 89,301	\$ -	\$ 1,293,144	\$ 1,377,183
Fringe benefits and related taxes	420,338	48,784	-	469,122	586,119
Professional fees	14,941	21,905	-	36,846	40,447
Donated food	857,264	-	-	857,264	762,378
Food	28,935	598	128	29,661	81,445
Client assistance	88,364	-	-	88,364	87,598
Supplies and small equipment purchases	97,032	2,562	12,574	112,168	152,241
Travel	18,014	566	480	19,060	32,813
Conferences and education	34	70	-	104	153
Postage and shipping	1,011	46	1,651	2,708	2,379
Printing and publications	53	-	1,438	1,491	4,094
Dues and subscriptions	197	1,485	100	1,782	875
Telephone	33,257	129	-	33,386	27,582
Occupancy	158,862	1,473	-	160,335	173,932
Repairs and maintenance	69,932	1,397	-	71,329	73,326
Insurance	112,064	639	-	112,703	98,798
Interest	100,815	7,148	-	107,963	213,500
Bank fees, fines and penalties	67	29,998	-	30,065	9,031
Miscellaneous	840	5,480	391	6,711	11,248
Depreciation and amortization	197,389	1,592	-	198,981	179,787
<b>Total Expenses</b>	<b>\$ 3,403,252</b>	<b>\$ 213,173</b>	<b>\$ 16,762</b>	<b>\$ 3,633,187</b>	<b>\$ 3,914,929</b>

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

**CORNERSTONE COMMUNITY OUTREACH**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2013 (with comparative totals for 2012)**

	<u>2013</u>	<u>2012</u>
<b><u>Cash Flows from Operating Activities</u></b>		
Cash received - funding agencies	\$ 2,362,405	\$ 3,064,834
Cash received - client fees	55,175	46,685
Cash received - other	366	1,334
Payments for interest	(178,087)	(172,482)
Payments for wages and other operating expenses	<u>(2,325,049)</u>	<u>(2,682,578)</u>
Net cash provided (used) by operating activities	<u>(85,190)</u>	<u>257,793</u>
<b><u>Cash Flows from Investing Activities</u></b>		
Purchase of property and equipment	<u>(53,507)</u>	<u>(55,710)</u>
Net cash used by investing activities	<u>(53,507)</u>	<u>(55,710)</u>
<b><u>Cash Flows from Financing Activities</u></b>		
Reduction of long-term debt	(3,236,525)	(78,794)
Net change in short-term borrowings	3,261,578	-
Increase in debt issuance costs	(26,700)	-
Increase in related party debt	<u>46,234</u>	<u>-</u>
Net cash provided (used) by financing activities	<u>44,587</u>	<u>(78,794)</u>
<b>Net increase (decrease) in cash</b>	(94,110)	123,289
<b>Cash, beginning of year</b>	<u>126,017</u>	<u>2,728</u>
<b>Cash, end of year</b>	<u>\$ 31,907</u>	<u>\$ 126,017</u>
<b><u>Reconciliation of Change in Net Assets to Net Cash</u></b>		
<b><u>Provided by Operating Activities</u></b>		
Change in net assets	\$ (257,239)	\$ (184,651)
Depreciation	182,999	178,606
Amortization	15,982	1,181
Decrease (increase) in assets		
Government contributions receivable	(110,650)	179,387
Contributions and other receivables	(1,137)	(18,778)
Deposits	(18,289)	10,364
Long term asset	(68,000)	-
Increase (decrease) in liabilities		
Accounts payable	94,284	(11,287)
Refundable advances	11,049	9,367
Bank overdrafts	-	(3,255)
Accrued payroll and related expenses	135,935	55,841
Accrued interest	<u>(70,124)</u>	<u>41,018</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (85,190)</u>	<u>\$ 257,793</u>

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



**CORNERSTONE COMMUNITY OUTREACH  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies**

Organization

Cornerstone Community Outreach 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:

***Permanent Housing***

*Leland Permanent Housing with Supportive Services* - located a few blocks from Cornerstone Community Outreach offices, this site offers permanent housing to 18 families comprised primarily of women with children. These families live in 2 or 3 bedroom apartments and receive support services. This program supports families whose needs continue beyond affordable housing, and provides these mothers with both affordable housing and tools to build a more stable future for themselves and their children.

*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.

***Interim Housing for Families and Single Adults***

These shelters provide approximately 120 days of housing, 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 145 single women and men. Providing 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.

**CORNERSTONE COMMUNITY OUTREACH  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013**

***Supportive Services***

In addition to the housing services, individual support services are offered including:

*Computer and Life Skills* offering life-skills training, substance abuse counseling, money management, job assessment and referral, computer classes, and housing relocation assistance.

***Other Programs***

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

*Childcare Program* provides tutoring and recreation for *Hannah* and *Sylvia House* kids, ages five through ten, Tuesday through Friday from 2:30 to 4:30 p.m. Activities include team-building games, strategy and learning board games, outings, art projects, sports, and onsite summer camps.

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

*Community Support Advisory Council* assists ex-offenders in their transition back into society.

*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.

**Income Tax Status**

Cornerstone Community Outreach was granted an exemption from federal income taxes by 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 for the statutory period. Tax returns are open for examination by the Internal Revenue Service for three years after filing. Thus, returns for the years 2010 through 2013 remain open.

**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.

**CORNERSTONE COMMUNITY OUTREACH  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013**

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets, as required by Generally Accepted Accounting Principles (GAAP).

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

Cash consists of bank deposits in federally insured accounts. At December 31, 2013, the Organization's cash accounts were within federally insured limits.

Property and Equipment

Expenditures for property and equipment and items, which substantially increase the useful lives of existing assets, are capitalized at cost. 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 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, temporarily restricted net assets are reclassified to unrestricted net assets 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 unrestricted.

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.

**CORNERSTONE COMMUNITY OUTREACH  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013**

Government Contributions

Support funded by government contracts, which qualify as conditional promises to give, are recognized when the condition of performing the contracted services is met. Revenue is therefore recognized as earned as the condition of eligible expenses are incurred. These expenditures are subject to audit and acceptance by the granting Organization and, as a result of such audit, adjustments could be required.

Concentration of Risk

During the year ended December 31, 2013, the Organization received approximately 73% of its funding from various government agencies and 15% from Jesus People USA. Additionally, donated food represented 25% of public support and revenue. Following is a breakdown by funding agency of the portion of the Organization's revenue from government agencies for the year ending December 31, 2013 and the grants receivable at December 31, 2013:

	<u>% of Total Revenue</u>	<u>Government Contributions Receivable</u>
Chicago Department of Family and Supportive Services	45%	84%
Chicago Department of Community Development	3%	0%
U.S. Department of Housing and Urban Development	8%	11%
Illinois State Board of Education	3%	5%
	<u>59%</u>	<u>100%</u>

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 during the year ended December 31, 2013.

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, 2013, these volunteer hours exceeded 87,000.

In-Kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind contributions from various donors. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase donation revenues by a like amount. For the year ended December 31, 2013, this amounted to \$857,264 in donated food received and distributed.

**CORNERSTONE COMMUNITY OUTREACH**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

Compensated Absences

Employees of the Organization are entitled to paid vacation, sick and personal days off, depending on job classification, length of service and other factors. The Organization's policy is to recognize the costs of compensated absences when actually paid to employees. The estimated liability is not material at December 31, 2013, and therefore, no accrual has been recorded in the accompanying financial statements.

Functional Expenses - Allocation of Joint Costs

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.

Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class, which does not provide sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such prior year information should be read in conjunction with the Organization's audited financial statements for the year ended December 31, 2012, from which the summarized information was derived.

**Note 2 – Conditional Promises to Give**

The Organization has received the following conditional promises to give which are not recognized as assets in the statement of financial position as of December 31, 2013:

	<u>Term</u>	<u>Grant Amount</u>	<u>Advanced, Forfeited or Earned as of 12/31/2013</u>	<u>Funding Available</u>
Conditional Promises to Give Upon Expenditure of Funds:				
U. S. Department of Housing and Urban Development				
Supportive Housing Program				
Leland	3/1/13 to 2/28/14	\$ 134,520	\$ (116,750)	\$ 17,770
Transitional Housing	3/1/13 to 2/28/14	80,551	(73,511)	7,040
Chronic Homless Initiative Program	9/1/13 to 8/31/14	45,201	(15,004)	30,197
		<u>\$ 260,272</u>	<u>\$ (205,265)</u>	<u>\$ 55,007</u>

**CORNERSTONE COMMUNITY OUTREACH  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013**

**Note 3 – Long-Term Debt**

Long-term debt at December 31, 2013, consists of the following:

First mortgage note (on properties located at 4626-46 and 4615 N. Clifton, 4654 N. Malden and 1311-15 W. Leland buildings, with a combined book value of \$2,720,594 as of December 31, 2013) payable to the National Covenant Properties in monthly installments of \$22,522 through November 30, 2033, including variable interest at 4.5%, payable monthly.	\$ 3,261,578
Less current principle installments	<u>(18,304)</u>
Net long-term debt	<u><u>\$ 3,243,274</u></u>

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

<u>Years ended December 31,</u>	<u>Amount</u>
2014	\$ 18,304
2015	113,213
2016	117,978
2017	123,834
2018	129,523
Thereafter	<u>2,758,726</u>
	<u><u>\$ 3,261,578</u></u>

**Note 4 – Related Party Debt**

Loans payable to parties related to the Organization at December 31, 2013 are comprised of the following:

Sandra Ramsey, interest free	\$ 45,234
Andrew Winter, interest free	<u>1,000</u>
Total loans from related parties	<u><u>\$ 46,234</u></u>

These loans payable are not due on demand and therefore have not been shown as current on the Statement of Financial Position. Principal payments are to be made as funds are available.

**Note 5 – Debt Issued Costs**

Loan origination fees associated with the December 2013 refinancing of long-term debt amounted to \$26,700 and will be amortized on the straight-line method over twenty years, the term of the associated debt. Amortization expense amounted to \$15,982 for the year ended December 31, 2013, representing loan fees incurred in prior years which were not fully amortized.

**CORNERSTONE COMMUNITY OUTREACH  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013**

**Note 6 – Temporarily Restricted Net Assets**

Temporarily restricted net assets at December 31, 2013 are available for the following purposes:

Elevator project	\$ 21,572
Facility improvement	10,000
Glenn Palmberg projects	5,183
Fire alarm repair	2,240
Roof and masonry repair	2,453
Dressers for Hannah Interim Housing	285
Purchase of tables and chairs	5,000
	<u>\$ 46,733</u>

**Note 7 – Related Party Transactions**

Jesus People USA Evangelical Covenant Church (JPUSA) founded Cornerstone Community Outreach (CCO). JPUSA continues to share a common board with CCO and CCO is operated predominately by full-time JPUSA members. During the year ended December 31, 2013, JPUSA provided CCO with \$257,000 in contributions, including \$95,419 of unconditional promises to give that are included in contributions receivable.

Furthermore, the Executive Director, Board President, Board Secretary, and Board Treasurer, have spouses that are paid employees of the Organization.

**Note 8 – Subsequent Event**

For the fiscal year ended December 31, 2013, the Organization's management has evaluated subsequent events through September 19, 2014, which is the date the financial statements were available to be issued. No subsequent events have been identified that are required to be disclosed through that date.

## **SUPPLEMENTARY INFORMATION**



**CORNERSTONE COMMUNITY OUTREACH**  
**SCHEDULE OF EXPENSES BY PROGRAM**  
**For the Year Ended December 31, 2013**

	Leland Permanent Housing	Chronic Homeless Initiative	Hannah Interim Housing	Naomi Interim Housing	Sylvia Interim Housing	Computer and Life Skills	Other Programs	Total Program
<b><u>Expenditures</u></b>								
Salaries and wages	\$ 104,393	\$ 5,367	\$ 192,943	\$ 467,329	\$ 350,188	\$ 76,776	\$ 6,847	\$ 1,203,843
Fringe benefits and related taxes	58,362	412	67,696	151,962	109,194	29,758	2,954	420,338
Professional fees	1,301	-	961	4,418	780	-	7,481	14,941
Donated food	-	-	146,335	385,683	319,159	-	6,087	857,264
Food	-	3,800	4,076	11,060	8,878	-	1,121	28,935
Client assistance	2,050	28,088	3,601	32,718	9,049	-	12,858	88,364
Supplies and small equipment purchases	8,862	150	27,722	25,378	23,023	143	11,754	97,032
Travel	548	-	2,762	7,770	5,997	-	937	18,014
Conferences and education	-	-	5	16	13	-	-	34
Postage and shipping	15	-	168	443	367	-	18	1,011
Printing and publications	-	-	9	24	20	-	-	53
Dues and subscriptions	-	-	9	104	84	-	-	197
Telephone	6,564	-	7,444	11,126	7,748	75	300	33,257
Occupancy	10,525	-	31,165	87,624	27,585	408	1,555	158,862
Repairs and maintenance	10,707	-	8,722	21,852	17,157	47	11,447	69,932
Insurance	19,948	-	22,971	37,503	30,855	239	548	112,064
Interest	15,031	-	15,319	36,765	27,573	6,127	-	100,815
Bank fees, fines and penalties	-	-	-	-	-	-	67	67
Miscellaneous	41	-	46	14	12	-	727	840
Depreciation and amortization	38,729	-	61,814	53,372	41,989	586	899	197,389
<b>Total Expenses</b>	<b>\$ 277,076</b>	<b>\$ 37,817</b>	<b>\$ 593,768</b>	<b>\$ 1,335,161</b>	<b>\$ 979,671</b>	<b>\$ 114,159</b>	<b>\$ 65,600</b>	<b>\$ 3,403,252</b>

See independent auditor's report.

**REPORTS REQUIRED BY  
OMB CIRCULAR A-133**

**CORNERSTONE COMMUNITY OUTREACH  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2013**

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Contract Number</u>	<u>Disbursements or Expenditures</u>
<b>U.S. Department of Housing and Urban Development</b>			
Supportive Housing Program			
March 1, 2012 to February 28, 2013	14.235	IL0158B5T101104	\$ 22,036
March 1, 2013 to February 28, 2014	14.235	IL0158L5T101205	112,100
Chronic Homeless			
September 1, 2012 to August 31, 2013	14.235	IL0391B5T101103	29,358
September 1, 2013 to August 31, 2014	14.235	IL0391L5T101204	15,004
Life Skills			
March 1, 2012 to February 28, 2013	14.235	IL0106B5T101104	13,169
March 1, 2013 to February 28, 2014	14.235	IL0106L5T101205	67,121
			<u>258,788</u>
Passed through the Chicago Department of Family and Support Services			
Community Development Block Grants			
Naomi Interim Housing			
January 1, 2013 to December 31, 2013	14.218	27128-08	497,152
Sylvia Center Interim Housing			
January 1, 2013 to December 31, 2013	14.218	27128-02	286,805
			<u>783,957</u> (1)
Total U.S. Department of Housing and Urban Development			<u>1,042,745</u>
<b>U.S. Department of Agriculture</b>			
Passed through the Illinois State Board of Education			
Child and Adult Care Food Program			
October 1, 2012 to September 30, 2013	10.558	15-016-675P-00	91,902
Passed through the Greater Chicago Food Depository			
Emergency Food Assistance Program			
	10.569	Not available	<u>122,673</u>
Total U.S. Department of Agriculture			<u>214,575</u>
<b>U.S. Department of Health and Human Services</b>			
Passed through the Chicago Department of Family and Support Services			
Community Services Block Grant			
January 1, 2013 to December 31, 2013	93.569	27128-09,10	91,784 (1)
Total U.S. Department of Health and Human Services			<u>91,784</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 1,349,104</u>

See accompanying notes to schedule of federal awards.

**CORNERSTONE COMMUNITY OUTREACH**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**December 31, 2013**

**Note 1 – Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the Federal grant activity of Cornerstone Community Outreach under programs of the federal government for the year ended December 31, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. 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 Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

**Note 3 – Sub-Recipients**

Cornerstone Community Outreach did not provide any Federal awards to sub-recipients during the year ended December 31, 2013.

**Note 4 – Non-Cash Awards**

Cornerstone Community Outreach did not have any outstanding Federal loans or loan guarantees at December 31, 2013, and did not receive any insurance assistance for reimbursement losses during the year ended December 31, 2013. The Organization received \$127,508 in Federal non-cash awards during the year ended December 31, 2013.



# 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, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 19, 2014.

***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 such an opinion on the effectiveness of Cornerstone Community Outreach's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as identified in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness.

*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 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2013-001 to be a material weakness.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Cornerstone Community Outreach's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, 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*.

### ***Cornerstone Community Outreach's Response to Findings***

Cornerstone Community Outreach's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Cornerstone Community Outreach's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### ***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 result 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 Cornerstone Community Outreach's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Desmond & Akers, Ltd*

September 19, 2014  
Chicago, IL



# Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**Independent Auditor's Report on Compliance For Each  
Major Program and Report on Internal Control Over  
Compliance Required by OMB Circular A-133**

To the Board of Directors  
Cornerstone Community Outreach  
Chicago, IL

***Report on Compliance for Each Major Federal Program***

We have audited Cornerstone Community Outreach's compliance with the types of compliance requirements described in the OMB Circular A-133 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, 2013. 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Cornerstone Community Outreach's major federal programs based on our audit of the types of compliance requirements referred to above. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cornerstone Community Outreach's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Cornerstone Community Outreach's compliance.

### ***Unmodified Opinion on Each of the Major Federal Programs***

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, 2013.

### ***Report on Internal Control over Compliance***

Management of Cornerstone Community Outreach is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Cornerstone Community Outreach's internal control over compliance with the type requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cornerstone Community Outreach's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



***Purpose of the Report***

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Desmond & Ahern, Ltd*

September 19, 2014  
Chicago, IL

**CORNERSTONE COMMUNITY OUTREACH  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended December 31, 2013**

**Section I – Summary of Auditor’s Results**

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified?   X   yes        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 – Community Development Block Grant, Community Services Block Grant

Any audit findings disclosed that are required to be reported in accordance with Section 501(a) of Circular A-133?        yes   X   no

**Certification of Major Programs**

CFDA Number

Name of Federal Program or Cluster

14.218

Community Development Block Grant

93.569

Community Services Block Grant

Dollar threshold used to distinguish between type A and type B Programs: \$300,000

Auditee qualified as low-risk auditee?        yes   X   no

**CORNERSTONE COMMUNITY OUTREACH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2013**

**Section II – Financial Statement Findings**

**Material Weaknesses**

2013-001 Preparation of Generally Accepted Accounting Principles (GAAP) Financial Statements

*Condition:* We noted an absence of monitoring and knowledge in the preparation of financial statements that are fairly presented in conformity with generally accepted accounting principles (GAAP).

*Criteria:* This absence of fiscal monitoring controls and knowledge does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements in a timely manner.

*Cause:* This material weakness is due to a combination of the accounting department needing additional training and a lack of monitoring which may have identified the additional journal entries required to present GAAP financial statements.

*Effect:* Several significant and material adjustments were required to prepare the financial statements in accordance with GAAP for the year ending December 31, 2013.

*Auditor's Recommendation* We recommend that someone independent of the report's preparation (who is knowledgeable of GAAP, including specific not for profit pronouncements) review the statements to ensure all transactions have been properly recorded.

*Grantee Response:* As of August 2014, Cornerstone Community Outreach has recruited a volunteer to review the statements and ensure that all transactions have been properly recorded in accordance with GAAP standards.

**Section III – Federal Award Findings and Questioned Costs**

None

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

12-02 Timely Submission of Data Collection Form and Reporting Package to the Federal Audit Clearinghouse.

The Organization did not submit the 2011 and 2012 data collection form and reporting packages within the required time period. The Organization was unable to analyze and process their complex accounting and funding transactions timely to allow the data collection form and reporting package to be submitted within the required time frame. The 2013 data collection form is scheduled to be submitted prior to the OMB prescribed deadline. As such, this finding is not repeated.