

**CORNERSTONE COMMUNITY
OUTREACH**

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

For Year Ended December 31, 2009

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 statement of financial position of Cornerstone Community Outreach (a non-profit organization) as of December 31, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from the Organization's 2008 financial statements, in which we expressed an unqualified opinion on those financial statements.

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. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 7, 2011 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 *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information, as listed in the accompanying table of contents, is presented for the purpose of additional analysis and is not a required part of the basic 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 are not a required part of the basic statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Desmond & Ahern, Ltd.

January 7, 2011
Chicago, IL

CORNERSTONE COMMUNITY OUTREACH
STATEMENT OF FINANCIAL POSITION
As of December 31, 2009 (with comparative totals for 2008)

	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Current Assets		
Cash	\$ 270	\$ 104,019
Government contributions receivable	379,473	304,393
Contributions receivable	150,263	32,221
Other receivables	407	16,489
Total current assets	<u>530,413</u>	<u>457,122</u>
Property and Equipment		
Land	355,947	355,947
Buildings and improvements	4,603,658	4,603,658
Construction in progress	324,725	324,725
Furniture and equipment	300,161	273,884
Vehicles	30,206	34,206
	<u>5,614,697</u>	<u>5,592,420</u>
Less accumulated depreciation	<u>(1,967,562)</u>	<u>(1,821,802)</u>
Net property and equipment	<u>3,647,135</u>	<u>3,770,618</u>
Other Assets		
Deposits	4,490	39,276
Debt issue costs, net of amortization of \$4,100	19,525	20,706
Total Assets	<u><u>\$ 4,201,563</u></u>	<u><u>\$ 4,287,722</u></u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Current maturities of long-term debt	\$ 100,212	\$ 94,071
Bank overdrafts	22,163	-
Accounts payable	278,314	298,193
Accrued payroll and related expenses	236,584	133,083
Accrued interest	60,306	-
Refundable advances	14,736	14,736
Total current liabilities	<u>712,315</u>	<u>540,083</u>
Long-Term Debt		
Long-term debt, net of current portion	2,805,740	2,859,404
Forgivable long-term debt	-	809,565
Total long-term debt	<u>2,805,740</u>	<u>3,668,969</u>
Total liabilities	<u>3,518,055</u>	<u>4,209,052</u>
Net Assets		
Unrestricted	596,145	37,662
Temporarily restricted	87,363	41,008
	<u>683,508</u>	<u>78,670</u>
Total Liabilities and Net Assets	<u><u>\$ 4,201,563</u></u>	<u><u>\$ 4,287,722</u></u>

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

CORNERSTONE COMMUNITY OUTREACH
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2009 (with comparative totals for 2008)

	Unrestricted	Temporarily Restricted	2009 Total	2008 Total
<u>Public Support and Revenue</u>				
Chicago Department of Family and Support Services	\$ 806,926	\$ -	\$ 806,926	\$ 906,844
Chicago Department of Housing	908,794	-	908,794	171,741
U.S. Dept. of Housing and Urban Development	176,049	-	176,049	228,692
InnerVoice	667,894	-	667,894	279,330
Illinois State Board of Education	111,341	-	111,341	88,142
Contributions	710,079	65,487	775,566	904,172
Client fees	52,628	-	52,628	45,811
Donated food	65,010	-	65,010	33,793
Donated vehicle	-	-	-	6,025
Other	3,208	-	3,208	54
Net assets released from restrictions - satisfaction of program restrictions	19,132	(19,132)	-	-
Total public support and revenue	<u>3,521,061</u>	<u>46,355</u>	<u>3,567,416</u>	<u>2,664,604</u>
<u>Expenses</u>				
Program Services				
Permanent Housing	278,924	-	278,924	277,158
Hannah Interim Housing	510,612	-	510,612	616,015
Naomi Interim Housing	360,510	-	360,510	400,417
Sylvia Interim Housing	444,161	-	444,161	493,875
Harper Interim Housing	123,473	-	123,473	-
Warming Center	116,039	-	116,039	52,817
Sylvia Emergency Response	312,304	-	312,304	327,267
Epworth Men's Emergency Response	223,381	-	223,381	-
Jireh House	186,942	-	186,942	-
Computer and life skills	111,426	-	111,426	105,739
Other	50,151	-	50,151	167,326
Total program services	<u>2,717,923</u>	<u>-</u>	<u>2,717,923</u>	<u>2,440,614</u>
Management and general	235,153	-	235,153	207,168
Fundraising	9,502	-	9,502	13,343
Total expenses	<u>2,962,578</u>	<u>-</u>	<u>2,962,578</u>	<u>2,661,125</u>
Change in net assets	558,483	46,355	604,838	3,479
Net assets, beginning of year	<u>37,662</u>	<u>41,008</u>	<u>78,670</u>	<u>75,191</u>
Net assets, end of year	<u>\$ 596,145</u>	<u>\$ 87,363</u>	<u>\$ 683,508</u>	<u>\$ 78,670</u>

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

CORNERSTONE COMMUNITY OUTREACH
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2009 (with comparative totals for 2008)

	Program Services	Management and General	Fundraising	2009 Total	2008 Total
Functional Expenses					
Salaries and wages	\$ 1,187,956	\$ 79,985	\$ -	\$ 1,267,941	\$ 1,090,429
Fringe benefits and related taxes	528,726	50,758	-	579,484	484,923
Professional fees	22,272	17,501	-	39,773	46,026
Donated food	65,010	-	-	65,010	33,793
Food	34,370	-	-	34,370	34,575
Client assistance	53,933	-	-	53,933	35,355
Supplies and small equipment purchases	77,719	354	680	78,753	99,804
Travel	14,922	277	-	15,199	19,698
Conferences and education	334	66	-	400	1,683
Postage and shipping	187	602	1,316	2,105	4,557
Printing and publications	-	-	7,357	7,357	8,768
Dues and subscriptions	147	7,599	99	7,845	5,879
Telephone	14,421	10	-	14,431	33,490
Occupancy	167,639	10,343	-	177,982	140,469
Repairs and maintenance	82,446	213	-	82,659	97,376
Equipment rental	2,068	120	-	2,188	5,237
Insurance	76,838	4,706	-	81,544	71,699
Interest	219,692	11,293	-	230,985	257,182
Bank fees, fines and penalties	-	43,297	-	43,297	8,462
Miscellaneous	2,228	4,599	50	6,877	11,354
Depreciation and amortization	167,015	3,430	-	170,445	170,366
Total Expenses	\$ 2,717,923	\$ 235,153	\$ 9,502	\$ 2,962,578	\$ 2,661,125

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

**CORNERSTONE COMMUNITY OUTREACH
STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2009 (with comparative totals for 2008)

	<u>2009</u>	<u>2008</u>
<u>Cash Flows from Operating Activities</u>		
Cash received - funding agencies	\$ 2,459,965	\$ 2,534,994
Cash received - client fees	52,628	45,811
Cash received - other	3,208	54
Payments for interest	(170,679)	(196,920)
Payments for wages and other operating expenses	<u>(2,355,567)</u>	<u>(2,197,686)</u>
Net cash (used) provided by operating activities	<u>(10,445)</u>	<u>186,253</u>
<u>Cash Flows from Investing Activities</u>		
Purchase of property and equipment	<u>(45,781)</u>	<u>(55,861)</u>
Net cash used by investing activities	<u>(45,781)</u>	<u>(55,861)</u>
<u>Cash Flows from Financing Activities</u>		
Reduction on long-term debt	<u>(47,523)</u>	<u>(80,580)</u>
Net cash used by financing activities	<u>(47,523)</u>	<u>(80,580)</u>
Net (decrease) increase in cash	(103,749)	49,812
Cash, beginning of year	<u>104,019</u>	<u>54,207</u>
Cash, end of year	<u><u>\$ 270</u></u>	<u><u>\$ 104,019</u></u>
<u>Reconciliation of Change in Net Assets to Net Cash (Used) Provided by Operating Activities</u>		
Change in net assets	\$ 604,838	\$ 3,479
Depreciation	169,264	169,185
Amortization	1,181	1,181
Forgiveness of debt	(809,565)	-
Donated vehicle	-	(6,025)
Decrease (increase) in assets		
Government contributions receivable	(75,080)	8,656
Contributions and other receivables	(101,960)	12,182
Deposits	34,786	(3,279)
Increase (decrease) in liabilities		
Accounts payable	(19,879)	80,398
Bank overdrafts	22,163	-
Accrued payroll and related expenses	103,501	(75,021)
Accrued interest	<u>60,306</u>	<u>(4,503)</u>
Net Cash (Used) Provided by Operating Activities	<u><u>\$ (10,445)</u></u>	<u><u>\$ 186,253</u></u>

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

**CORNERSTONE COMMUNITY OUTREACH
NOTES TO FINANCIAL STATEMENTS
December 31, 2009**

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:

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.

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 65 women with children and 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 – a 24-hour shelter for over 90 single women

Sylvia Interim Housing – serves over 160 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.

Harper Interim Housing – a 24-hour shelter for single men who are elderly and/or physically challenged. The men in this program are given an opportunity to rest and heal while working alongside staff to stabilize their future.

CORNERSTONE COMMUNITY OUTREACH
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

Emergency Response for Families and Single Adults

These shelters are available for immediate response to homelessness, providing 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 after school programs for kids. These programs operate year round and include:

Warming Center - accommodates approximately 35 single adults.

Sylvia Emergency Response - accommodates families, with a capacity of approximately 70 people.

Epworth Men's Shelter – a supervised overnight shelter for 65 single men ages 18 and above. The shelter is located one mile north of the main building at Epworth United Methodist Church. The men are offered a nutritious breakfast, bathroom facilities and showers.

Jireh House – a daytime location for single men to receive case management, classes, two meals a day, showers and laundry vouchers.

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.

Brothas & Sistas United (BSU) youth clubs and “big buddy” program provide at-risk youth with alternatives to street culture. BSU provides after-school tutoring, homework assistance, recreation, weekend activities, annual camps, and day trips. BSU annually works with over 100 kids in grades five through twelve (ages 10 – 18). Approximately 20 of these kids are current or former *Hannah* or *Sylvia House* Residents.

CORNERSTONE COMMUNITY OUTREACH
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

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.

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.

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.

**CORNERSTONE COMMUNITY OUTREACH
NOTES TO FINANCIAL STATEMENTS
December 31, 2009**

Cash

Cash consists of bank deposits in federally insured accounts. At December 31, 2009, 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. The Organization did not receive any long-lived assets during the year ended December 31, 2009.

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.

CORNERSTONE COMMUNITY OUTREACH
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

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. For the year ending December 31, 2009, the Organization did not receive any donated services meeting these criteria.

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, 2009, these volunteer hours exceeded 121,000.

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 market 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, 2009, this amounted to \$65,010 in donated food received and distributed.

Compensated Absences

Employees of the Organization are entitled to paid vacation, sick and personal days off, depending on job classification, length of service and other factors. 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, 2009, 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, 2008, from which the summarized information was derived.

CORNERSTONE COMMUNITY OUTREACH
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

Concentration of Risk

During the year ended December 31, 2009, the Organization received approximately 75% of its funding from various government agencies and 15% from Jesus People USA. Following is a breakdown by funding agency of the portion of the Organization's revenue from government agencies for the year ending December 31, 2009 and the grants receivable at December 31, 2009:

	<u>% of Total Revenue</u>	<u>Government Contributions Receivable</u>
Chicago Department of Family and Supportive Services	23%	66%
Chicago Department of Housing, including \$809,565 forgiveness of	25%	0%
U.S. Department of Housing and Urban Development	5%	0%
Inner Voice	19%	32%
Illinois State Board of Education	3%	2%
	<u>75%</u>	<u>100%</u>

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, 2009:

	<u>Term</u>	<u>Grant Amount</u>	<u>Advanced, Forfeited or Earned as of 12/31/2009</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	3/1/09 to	\$ 132,224	\$ (110,188)	\$ 22,036
Supportive Housing Program - Life Skills	2/28/10	79,017	(65,846)	13,171
Illinois State Board of Education - Child and Adult Family Care Program receipts	10/1/09 to 9/30/10	212,784	(24,616)	188,168
		<u>\$ 424,025</u>	<u>\$ (200,650)</u>	<u>\$ 223,375</u>

CORNERSTONE COMMUNITY OUTREACH
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

Note 3 - Line of Credit

The Organization has a line of credit with National Covenant Properties, dated December 22, 2009, with a maximum limit of \$500,000, and a maturity date specified as being within 60 days of notice which had not occurred as of the report date of January 7, 2011. At December 31, 2009, no funds had been drawn on this line of credit. Interest accrues at a variable rate of prime plus 1%, but not less than 4%. The line of credit is secured by a third mortgage on 4628 and 4615 N. Clifton and 4654 N. Malden Street, Chicago, Illinois.

Note 4 - Long-Term Debt

Long-term debt at December 31, 2009, consists of the following:

First mortgage note (on 4628 and 4615 N. Clifton building, with a book value of \$2,601,548 as of December 31, 2009) payable to the National Covenant Properties in monthly installments of \$13,888 through April 30, 2025, including interest at 6.25%	\$ 1,706,657
First mortgage note (on 1311 W. Leland, with a book value of \$973,288 as of December 31, 2009) payable to National Covenant Properties in monthly installments of \$9,321 through May 2027, including interest of 6.5%	1,199,295
	<u>2,905,952</u>
Less current principle installments	<u>(100,212)</u>
Net long-term debt	<u><u>\$ 2,805,740</u></u>

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

<u>Years ended December 31,</u>	<u>Amount</u>
2010	\$ 100,212
2011	106,754
2012	113,724
2013	121,148
2014	129,058
Thereafter	2,335,056
	<u><u>\$ 2,905,952</u></u>

**CORNERSTONE COMMUNITY OUTREACH
NOTES TO FINANCIAL STATEMENTS
December 31, 2009**

Note 5 - Debt Issued Costs

Loan origination fees and other fees associated with the issuance of long-term debt amounted to \$23,625 and is being amortized on the straight-line method over twenty years, the term of the associated debt. Amortization expense amounted to \$1,181 for the year ended December 31, 2009. Accumulated amortization was \$4,100 at December 31, 2009.

Note 6 - Forgiveness of Long-Term Debt

The Organization's forgivable non-interest bearing loan of \$809,565 secured by the property from the City of Chicago, Department of Housing, for the rehabilitation of the Clifton Building was forgiven during the year ending December 31, 2009 and is shown as part of the Chicago Department of Housing revenue in the statement of activities.

Note 7 - Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2009 are available for the following purposes:

Elevator project	\$ 60,357
Roof and masonry repair	10,000
Fryers and filtration system	10,000
Fire Alarm Repair	5,500
Direct assistance to people in crisis or transition	1,221
Dressers for Hannah Interim Housing	285
	<u>\$ 87,363</u>

Note 8 - 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, 2009, JPUSA provided CCO with \$525,451 in contributions, including \$134,694 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 9 - Subsequent Event

For the fiscal year ended December 31, 2009, the Organization's management has evaluated subsequent events through January 7, 2011, 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, 2009**

	Permanent Housing	Hannah Interim Housing	Naomi Interim Housing	Sylvia Interim Housing	Harper Interim Housing	Warming Center	Sylvia Emergency Response	Epworth Men's Emergency Response	Jereh House	Computer and Life Skills	Other Programs	Total Program
Expenditures												
Salaries and wages	\$ 72,366	\$ 206,459	\$ 168,027	\$ 213,097	\$ 48,239	\$ 66,256	\$ 140,656	\$ 89,734	\$ 91,341	\$ 71,948	\$ 19,833	\$ 1,187,956
Fringe benefits and related taxes	50,376	111,994	75,932	75,359	24,116	15,492	65,510	37,994	37,671	26,070	8,212	528,726
Professional fees	3,930	2,120	313	3,182	-	6,685	192	2,221	1,938	-	1,691	22,272
Donated food	462	12,196	10,571	15,771	5,688	1,352	11,383	3,524	4,063	-	-	65,010
Food	993	6,060	5,242	7,823	2,950	634	5,648	2,733	2,107	-	180	34,370
Client assistance	14	4,734	4,685	6,878	2,726	1,636	5,703	13,458	3,557	-	10,542	53,933
Supplies and small equipment purchases	5,647	10,037	20,697	12,651	5,112	1,220	10,796	7,561	3,735	-	263	77,719
Travel	447	2,099	1,820	2,719	986	553	1,958	950	1,455	-	1,935	14,922
Conferences and education	-	102	-	-	-	-	-	-	-	-	232	334
Postage and shipping	13	140	7	9	4	1	7	3	3	-	-	187
Dues and subscriptions	46	19	16	25	9	3	17	5	7	-	-	147
Telephone	2,026	2,833	1,397	1,974	904	313	1,434	1,835	912	47	746	14,421
Occupancy	13,819	39,427	13,714	23,408	7,517	4,370	13,924	41,556	8,822	760	322	167,639
Repairs and maintenance	24,514	12,613	8,517	13,270	4,772	1,432	9,159	4,092	3,966	89	22	82,446
Equipment rental	164	274	237	353	260	31	256	401	92	-	-	2,068
Insurance	10,298	18,679	9,565	13,775	4,897	2,399	9,681	1,885	5,206	323	130	76,838
Interest	54,068	30,114	24,467	31,996	7,528	9,409	20,703	13,175	13,175	11,293	3,764	219,692
Miscellaneous	213	35	-	-	-	-	-	130	-	-	1,850	2,228
Depreciation and amortization	39,528	50,677	15,303	21,871	7,765	4,253	15,277	2,124	8,892	896	429	167,015
Total Expenses	\$ 278,924	\$ 510,612	\$ 360,510	\$ 444,161	\$ 123,473	\$ 116,039	\$ 312,304	\$ 223,381	\$ 186,942	\$ 111,426	\$ 50,151	\$ 2,717,923

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, 2009**

<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>
U.S. Department of Housing and Urban Development			
Supportive Housing Program (Leland 3/1/09-2/28/10)	14.235	IL0158B5T100801	\$ 110,188
Supportive Housing Program (Life Skills-3/1/08-2/28/09)	14.235	IL01B710084	15
Supportive Housing Program (Life Skills-3/1/09-2/28/10)	14.235	IL0106B5T100801	65,846
Passed through the Chicago Low-Income Housing Trust Fund			
Supportive Housing Program (9/1/08-8/31/09)	14.235	IL01G710011	8,874
Supportive Housing Program (9/1/09-8/31/10)	14.235	IL01062B5T100801	2,098
			<u>10,972</u>
			<u>187,021</u>
Passed through The Inner Voice, Inc.			
Emergency Shelter Grants Program - Families	14.231	N/A	266,000
Emergency Shelter Grants Program - Epworth	14.231	N/A	172,406
Emergency Shelter Grants Program - Senior Men	14.231	N/A	92,162
Emergency Shelter Grants Program - Single Women	14.231	N/A	65,442
Passed through the Chicago Department of Family and Support Services			
Emergency Shelter Grants Program	14.231	18337-6	68,165
			<u>664,175</u> (1)
Community Development Block Grants			
Naomi Interim Housing	14.218	18337-2	121,680
Sylvia Center Interim Housing	14.218	18337-4	195,787
Passed through The Inner Voice, Inc.			
Emergency Shelter - Drop in - ARRA	14.218	N/A	33,000
			<u>350,467</u> (1)
Total U.S. Department of Housing and Urban Development			<u>1,201,663</u>
U.S. Department of Agriculture			
Passed through the Illinois State Board of Education			
Child and Adult Care Food Program (10/1/08-9/30/09)	10.558	14-016-675P-00	86,725
Child and Adult Care Food Program (10/1/09-9/30/10)	10.558	14-016-675P-00	24,616
			<u>111,341</u>
Passed through the Greater Chicago Food Depository			
Emergency Food Assistance Program	10.569	Not available	65,010
Total U.S. Department of Agriculture			<u>176,351</u>
U.S. Department of Health and Human Services			
Passed through the Chicago Department of Family and Support Services			
Community Services Block Grant	93.569	18837-1	311,256
Community Services Block Grant	93.569	18837-7	50,000
Total U.S. Department of Health and Human Services			<u>361,256</u> (1)
Total Expenditures of Federal Awards			<u>\$ 1,739,270</u>

(1) Major Programs

See accompanying notes to schedule of federal awards.

CORNERSTONE COMMUNITY OUTREACH
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2009

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of Cornerstone Community Outreach and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*.

Note 2 – Sub-Recipients

Cornerstone Community Outreach did not provide any Federal awards to sub-recipients during the year ended December 31, 2009.

Note 3 – Non-Cash Awards

Cornerstone Community Outreach did not have any outstanding Federal loans or loan guarantees at December 31, 2009, and did not receive any insurance assistance for reimbursement losses during the year ended December 31, 2009. The Organization received \$65,010 in Federal non-cash awards during the year ended December 31, 2009.



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 the financial statements of Cornerstone Community Outreach as of and for the year ended December 31, 2009 and have issued our report thereon dated January 7, 2011. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Cornerstone Community Outreach's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express such an opinion on the effectiveness of Cornerstone Community Outreach's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting 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 09-01 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 responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Cornerstone Community Outreach's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Desmond & Ahern, Ltd.

January 7, 2011
Chicago, IL



Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditor's Report on
Compliance with Requirements Applicable to Each
Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Directors
Cornerstone Community Outreach
Chicago, IL

Compliance

We have audited the compliance of Cornerstone Community Outreach, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Cornerstone Community Outreach's management. Our responsibility is to express an opinion on Cornerstone Community Outreach's compliance based on our audit.

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. Our audit does not provide a legal determination on Cornerstone Community Outreach's compliance with those requirements.

In our opinion, Cornerstone Community Outreach, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control over Compliance

The management of Cornerstone Community Outreach is responsible for establishing and maintaining effective internal controls over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Cornerstone Community Outreach's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Desmond & Ahern, Ltd.

January 7, 2011
Chicago, IL

**CORNERSTONE COMMUNITY OUTREACH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2009**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weakness(es)? yes no

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

Unqualified – Emergency Shelter Program, 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 no

Certification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.231	Emergency Shelter Program
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 no

**CORNERSTONE COMMUNITY OUTREACH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2009**

Section II - Financial Statement Findings

Material Weaknesses

09-01 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, 2009. Some of the material entries included the allocation of interest expense by function, recording and allocation of depreciation expense and donated food, recording accrued penalties and interest, reclassification of held checks to accounts payable, accrued interest, and accrued payroll, and the analysis of release of temporarily restricted net assets.

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: CCO has obtained the services of a new staff member to address this issue. The new staff member has experience in the areas noted, and we believe will be able to suggest to the Board ways to correct this issue and implement as needed.

Section III - Federal Award Findings and Questioned Costs

None Noted

**CORNERSTONE COMMUNITY OUTREACH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2009**

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

Department of Housing and Urban Development

08-04 Community Development Block Grants and Community Service Block Grants – CFDA #'s 14.218 and 93.569 Grant period January 1, 2008 through December 31, 2008, passed through Chicago Department of Human Services Contracts #13554-7, 13554-8, 13554-9, and 13554-12

Condition: This finding was a significant deficiency stating the Organization is to assign project level cost centers to all expenditures within a program to identify which award they will be charged. However, there were several instances where expenditures had not been assigned a project level in the accounting software, although they were found to be in the program the award covers. It does not appear the Organization is using the accounting system to ensure costs are not charged twice to funders.

Recommendation: It was recommend that the Organization establish policies and procedures concerning the preparation and review of vouchers submitted for reimbursement to ensure that all costs are appropriately and adequately supported by reports generated from the accounting records.

Current Status: The recommendation was fully implemented. No similar finding reported in the current year.

08-05 All Federal Awards

Condition: This finding was a material weakness stating the audit noted an absence of monitoring in the preparation of financial statements that are fairly presented in conformity with generally accepted accounting principles. This absence of fiscal monitoring controls does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements in a timely manner.

Recommendation: It was recommend that the Organization establish more detailed written policies and procedures concerning the timely reconciliation of accounts, including monitoring that may help ensure these reconciliations are completed, correct, and agree to the general ledger. We further recommend that the current accounting infrastructure be analyzed and changes made to help ensure the detailed policies and procedures can be fully implemented. For instance, a consultant could be hired to review the reconciliation procedures and help train the accounting department personnel with the various requirements necessary for GAAP and federal compliance.

Current Status: The recommendation was fully implemented at the federal award level. No similar finding reported in the current year.