

**CORNERSTONE ASSISTANCE NETWORK, INC.  
AND AFFILIATE**

Fort Worth, Texas

Consolidated Financial Statements

Year Ended December 31, 2017

# CORNERSTONE ASSISTANCE NETWORK, INC. AND AFFILIATE

Consolidated Financial Statements

Year Ended December 31, 2017

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Cornerstone Assistance Network, Inc.

We have audited the accompanying consolidated financial statements of Cornerstone Assistance Network, Inc., and Affiliate (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cornerstone Assistance Network, Inc. and Affiliate as of December 31, 2017, 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.

***Report on Summarized Comparative Information***

We have previously audited Cornerstone Assistance Network, Inc.'s 2016 consolidated financial statements, and our report dated June 16, 2017 expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

PSK LLP

Arlington, Texas  
April 9, 2018

**CORNERSTONE ASSISTANCE NETWORK, INC. AND AFFILIATE**

Consolidated Statement of Financial Position

December 31, 2017

(with comparative totals for December 31, 2016)

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Current Assets		
Cash	\$ 559,283	\$ 257,496
Investments - marketable securities	9,071	-
Grants receivable	24,722	40,464
Gift receivable	-	80,186
Miscellaneous receivable	597	626
Other program assets	-	9,673
	<u>593,673</u>	<u>388,445</u>
Total current assets		
Physical Properties		
Land	252,100	252,100
Buildings and improvements	4,634,150	4,728,738
Vehicles	192,054	183,627
Furniture and fixtures	693,409	660,409
Accumulated depreciation	<u>(2,199,909)</u>	<u>(1,973,422)</u>
	<u>3,571,804</u>	<u>3,851,452</u>
Total physical properties		
Endowment Assets		
Notes receivable	181,977	125,995
Investments	<u>244,844</u>	<u>326,566</u>
	<u>426,821</u>	<u>452,561</u>
Total endowment assets		
Total Assets	<u>\$ 4,592,298</u>	<u>\$ 4,692,458</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 19,762	\$ 28,456
Deferred revenue	-	25,000
Note payable	<u>-</u>	<u>916,412</u>
	<u>19,762</u>	<u>969,868</u>
Total current liabilities		
Net Assets		
Unrestricted	3,978,259	3,266,539
Temporarily restricted	186,063	50,737
Permanently restricted	<u>408,214</u>	<u>405,314</u>
	<u>4,572,536</u>	<u>3,722,590</u>
Total net assets		
Total Liabilities and Net Assets	<u>\$ 4,592,298</u>	<u>\$ 4,692,458</u>

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

**CORNERSTONE ASSISTANCE NETWORK, INC. AND AFFILIATE**

## Consolidated Statement of Activities

Year Ended December 31, 2017

(with comparative totals for the Year Ended December 31, 2016)

	Unrestricted	Temporarily	Permanently	Total	
		Restricted	Restricted	2017	2016
<b>Support and revenues</b>					
Contributions	\$ 1,626,461	\$ 60,497	\$ 2,900	\$1,689,858	\$ 864,756
Special events income	314,067	-	-	314,067	161,930
Grant income	761,808	718,115	-	1,479,923	1,543,126
Interest income	860	12,360	-	13,220	7,806
Rent income	129,791	-	-	129,791	143,895
Thrift Store sales	186,154	-	-	186,154	216,762
Medical clinic income	138,066	-	-	138,066	72,987
Miscellaneous income	206,689	-	-	206,689	222,127
Donated services	89,411	-	-	89,411	100,383
Unrealized gain on investments	486	-	-	486	1,369
Gain (loss) on disposal of physical properties	34,572	-	-	34,572	(11,816)
Net assets released from restrictions	655,646	(655,646)	-	-	-
<b>Total support and revenues</b>	<b>4,144,011</b>	<b>135,326</b>	<b>2,900</b>	<b>4,282,237</b>	<b>3,323,325</b>
<b>Program expenses</b>					
Community Services	76,744	-	-	76,744	37,648
Emergency Financial Services	46,722	-	-	46,722	63,233
Thrift Store	346,835	-	-	346,835	345,937
Cornerstone Comprehensive Care	56,713	-	-	56,713	319,126
Spanish Gardens	177,761	-	-	177,761	149,048
Permanent Housing	224,707	-	-	224,707	185,599
Re-entry Services	178,964	-	-	178,964	420,279
Workforce Development	3,201	-	-	3,201	3,887
Intermediary Services	208,667	-	-	208,667	252,104
Medical Clinic	491,625	-	-	491,625	428,848
Christ Chapel Benevolence	103,672	-	-	103,672	56,955
Community Housing Development	60,050	-	-	60,050	91,954
Multi-Purpose Room & CAN Catering	138,501	-	-	138,501	126,905
VISTA	89,413	-	-	89,413	82,867
CAN VISTA	286,698	-	-	286,698	323,618
RSVP	132,298	-	-	132,298	120,542
Morningside Family Services	87,000	-	-	87,000	-
Tarrant County Re-Entry Coalition	-	-	-	-	13,245
<b>Total program expenses</b>	<b>2,709,571</b>	<b>-</b>	<b>-</b>	<b>2,709,571</b>	<b>3,021,795</b>
<b>Supporting services</b>					
Fundraising	193,898	-	-	193,898	182,647
Facilities	82,293	-	-	82,293	74,985
Administration	446,529	-	-	446,529	404,206
<b>Total supporting services</b>	<b>722,720</b>	<b>-</b>	<b>-</b>	<b>722,720</b>	<b>661,838</b>
<b>Total expenses</b>	<b>3,432,291</b>	<b>-</b>	<b>-</b>	<b>3,432,291</b>	<b>3,683,633</b>
Change in net assets	711,720	135,326	2,900	849,946	(360,308)
Net assets at beginning of year	3,266,539	50,737	405,314	3,722,590	4,082,898
Net assets at end of year	<u>\$ 3,978,259</u>	<u>\$ 186,063</u>	<u>\$ 408,214</u>	<u>\$4,572,536</u>	<u>\$3,722,590</u>

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

**CORNERSTONE ASSISTANCE NETWORK, INC. AND AFFILIATE**Consolidated Statement of Functional Expenses  
Year Ended December 31, 2017

	<u>Community Services</u>	<u>Emergency Financial Services</u>	<u>Thrift Store</u>	<u>Cornerstone Comprehensive Care</u>	<u>Spanish Gardens</u>
Payroll, benefits and contract labor	\$ 67,058	\$ 39,232	\$ 282,960	\$ 19,051	\$ 18,541
Outreach	2,329	1,847	13	30,770	1,033
Other program expenses	228	324	1,926	1,426	91,627
Donated services and supplies	-	-	-	-	-
Professional fees	1,543	36	3,092	3,160	1,533
Special events and advertising	-	-	1,401	-	-
Office and facilities expenses	5,586	5,283	57,443	2,306	35,088
Depreciation expense	-	-	-	-	29,939
Totals	<u>\$ 76,744</u>	<u>\$ 46,722</u>	<u>\$ 346,835</u>	<u>\$ 56,713</u>	<u>\$ 177,761</u>

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

**CORNERSTONE ASSISTANCE NETWORK, INC. AND AFFILIATE**

Consolidated Statement of Functional Expenses (continued)

Year Ended December 31, 2017

	<u>Permanent Housing</u>	<u>Re-entry Services</u>	<u>Workforce Development</u>	<u>Intermediary Services</u>
Payroll, benefits and contract labor	\$ 139,831	\$ 81,991	\$ 2,052	\$ 1,146
Outreach	32,106	11,158	-	182,418
Other program expenses	1,529	2,017	-	16,451
Donated services and supplies	-	-	-	-
Professional fees	4,599	53,912	-	1,943
Special events and advertising	254	-	-	249
Office and facilities expenses	46,388	29,886	1,149	6,460
Depreciation expense	-	-	-	-
Totals	<u>\$ 224,707</u>	<u>\$ 178,964</u>	<u>\$ 3,201</u>	<u>\$ 208,667</u>

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



**CORNERSTONE ASSISTANCE NETWORK, INC. AND AFFILIATE**

Consolidated Statement of Functional Expenses (continued)

Year Ended December 31, 2017

	<u>Medical Clinic</u>	<u>Christ Chapel Benevolence</u>	<u>Community Housing Development</u>	<u>Multi-Purpose Room &amp; CAN Catering</u>
Payroll, benefits and contract labor	\$ 182,620	\$ 51,992	\$ 49,663	\$ 72,854
Outreach	5,766	50,282	-	413
Other program expenses	11,581	63	5,140	39,230
Donated services and supplies	216,267	-	-	-
Professional fees	2,053	-	2,283	2,183
Special events and advertising	-	-	-	-
Office and facilities expenses	14,877	1,335	2,964	23,821
Depreciation expense	<u>58,461</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 491,625</u>	<u>\$ 103,672</u>	<u>\$ 60,050</u>	<u>\$ 138,501</u>

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

**CORNERSTONE ASSISTANCE NETWORK, INC. AND AFFILIATE**

Consolidated Statement of Functional Expenses (continued)

Year Ended December 31, 2017

	<u>VISTA</u>	<u>CAN VISTA</u>	<u>RSVP</u>	<u>Morningside Family Services</u>
Payroll, benefits and contract labor	\$ 80,565	\$ 254,999	\$ 120,345	\$ 41,614
Outreach	-	-	-	37,587
Other program expenses	1,678	26,369	4,353	1,903
Donated services and supplies	-	-	-	-
Professional fees	1,533	5,330	236	1,559
Special events and advertising	186	-	2,757	-
Office and facilities expenses	5,451	-	4,607	4,337
Depreciation expense	-	-	-	-
Totals	<u>\$ 89,413</u>	<u>\$ 286,698</u>	<u>\$ 132,298</u>	<u>\$ 87,000</u>

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

**CORNERSTONE ASSISTANCE NETWORK, INC. AND AFFILIATE**

Consolidated Statement of Functional Expenses (continued)

Year Ended December 31, 2017

	<u>Fundraising</u>	<u>Facilities</u>	<u>Administration</u>	<u>Total</u>
Payroll, benefits and contract labor	\$ 96,088	\$ 32,410	\$ 153,464	\$ 1,788,476
Outreach	204	-	319	356,245
Other program expenses	5,039	-	7,205	218,089
Donated services and supplies	-	-	-	216,267
Professional fees	24,979	1,505	20,691	132,170
Special events and advertising	41,568	-	785	47,200
Office and facilities expenses	26,020	48,378	69,935	391,314
Depreciation expense	-	-	194,130	282,530
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Totals	<u>\$ 193,898</u>	<u>\$ 82,293</u>	<u>\$ 446,529</u>	<u>\$ 3,432,291</u>

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

**CORNERSTONE ASSISTANCE NETWORK, INC. AND AFFILIATE**

Consolidated Statement of Cash Flows

Year Ended December 31, 2017

(with comparative totals for the Year Ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 849,946	\$ (360,308)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	282,530	288,400
(Gain) loss on disposal of physical properties	(34,572)	11,816
Endowment contributions	(2,900)	(3,950)
Unrealized gain on investments	(486)	(1,369)
(Increases) decreases in assets:		
Grants receivable	15,742	19,310
Gift receivable	80,186	(80,186)
Miscellaneous receivable	29	(358)
Other program assets	9,673	-
Increases (decreases) in liabilities:		
Accounts payable	(8,694)	18,021
Deferred revenue	(25,000)	25,000
Net cash provided by (used in) operating activities	<u>1,166,454</u>	<u>(83,624)</u>
Cash Flows from Investing Activities		
Proceeds from sale of marketable securities	-	10,977
Purchases of marketable securities	(8,585)	-
Proceeds from sale of endowment investments	100,000	-
Purchases of endowment investments	(18,278)	(17,777)
Payments received on notes receivable	3,018	2,943
Proceeds from sale of physical properties	61,871	-
Purchases of physical properties	(89,181)	(94,918)
Net cash provided by (used in) investing activities	<u>48,845</u>	<u>(98,775)</u>
Cash Flows from Financing Activities		
Endowment contributions	2,900	3,950
Payments on note payable	(916,412)	(46,774)
Net cash used in financing activities	<u>(913,512)</u>	<u>(42,824)</u>
Net change in cash	301,787	(225,223)
Cash balance at beginning of the year	<u>257,496</u>	<u>482,719</u>
Cash balance at end of the year	<u>\$ 559,283</u>	<u>\$ 257,496</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	<u>\$ 25,060</u>	<u>\$ 48,026</u>
Noncash investing and financing activity:		
Program asset exchanged for endowment note receivable	<u>\$ 59,000</u>	<u>\$ -</u>

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

**CORNERSTONE ASSISTANCE NETWORK, INC. AND AFFILIATE**

## Notes to Consolidated Financial Statements

**1 - Historical Background**

Cornerstone Assistance Network, Inc. of Fort Worth, Texas (“CAN”) is incorporated in the state of Texas as a nonprofit corporation. It is exempt from federal income tax under Internal Revenue Code section 501(c)(3) and certain state and federal employment taxes. CAN assists homeless individuals, single parents, low income families, and individuals previously incarcerated in obtaining food, shelter, clothing, employment, childcare, transportation, and financial and medical assistance. CAN extends its assistance through an affiliated 501(c)(3) entity, Cornerstone Assistance Network Housing Development Corporation (“CHDO”), which acquires and remodels homes and provides them to low income families. The financial statements of CHDO are consolidated into the financial statements of CAN (collectively, the “Organization”). All inter-affiliate transactions have been eliminated.

**2 - Summary of Significant Accounting Policies**

Basis of Accounting - The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the obligation is incurred. The consolidated financial statements of the Organization have been prepared using accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Basis of Consolidation - The consolidated financial statements include Cornerstone Assistance Network, Inc. and Cornerstone Assistance Network Housing Development Corporation. All material inter-affiliate transactions have been eliminated.

Basis of Presentation - As required by the Not-for-Profit Entities Classification of Net Assets topic of the Financial Accounting Standards Board *Accounting Standards Codification* (the “FASB ASC”), the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Comparative Totals - The consolidated statement of financial position and consolidated statement of cash flows include certain prior-year comparative information. The consolidated statement of activities also includes certain prior-year comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization’s consolidated financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Revenue Recognition - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Cash and Cash Equivalents - The Organization defines cash and cash equivalents to be all highly liquid investments with an original maturity of three months or less.

Investments - As required by the Not-for-Profit Entities Investments of Debt and Equity Securities topic of the FASB ASC, investments in marketable equity securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the consolidated statement of financial position. Unrealized gains and losses are included in the change in net assets.

**CORNERSTONE ASSISTANCE NETWORK, INC. AND AFFILIATE**

## Notes to Consolidated Financial Statements

**2 - Summary of Significant Accounting Policies (continued)**

Grants Receivable - Grants receivable represent grant funds uncollected at December 31, 2017. Based on past experience and analysis of current receivable collectability, management has determined that no allowance for doubtful accounts is necessary at December 31, 2017.

Other Program Assets - The Organization acquires homes in need of repair. The homes are renovated and sold to low income families. These homes are recorded at cost, if purchased, and fair market value at date of donation, if contributed.

Physical Properties - Property and equipment are recorded at cost, if purchased, and fair market value at date of donation, if contributed. Maintenance, repairs, and replacements which do not improve or extend the lives of the respective assets are charged to expense when incurred. Additions, improvements, and major renewals are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets as follows:

Buildings and improvements	15 - 25 years
Vehicles	5 years
Furniture and fixtures	3 - 10 years

Depreciation expense for the year ended December 31, 2017 was \$282,530.

Use of Estimates - Management used estimates and assumptions in preparing these consolidated financial statements in accordance with U.S. GAAP. Those estimates and assumptions affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Compensated Absences - Employees of the Organization are entitled to paid vacation depending upon length of service and other factors. The Organization cannot reasonably estimate the amount of compensation for future absences; accordingly, no liability has been recorded in the accompanying consolidated financial statements. The Organization's policy is to recognize the cost of compensated absences when paid to employees.

Donated Services - The Organization receives contributions of services from various sources. These contributions are recorded at the fair value of the services provided. Revenue is recognized as services are received, and the related expenses are reflected in the appropriate functional area that received the benefits of the services provided. During the year ended December 31, 2017, revenue of \$89,411 was recognized related to physician services that were contributed to the Organization's Medical Clinic. No amounts have been reflected in the consolidated financial statements for donated services of general volunteers. During the year ended December 31, 2017, general volunteers contributed a total of 13,800 hours of time to the Organization.

Donated Assets - Donated marketable equity securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation. Clothing, furniture, and other goods donated to the Organization's Thrift Store have not been reflected in the consolidated financial statements. During the year ended December 31, 2017, approximately \$96,601 of goods were donated to the needy and homeless.

Revenues and Support - Revenues and support for the Organization are primarily derived from restricted and unrestricted contributions, as well as from federal and private grants.

**CORNERSTONE ASSISTANCE NETWORK, INC. AND AFFILIATE**

## Notes to Consolidated Financial Statements

**2 - Summary of Significant Accounting Policies (continued)**

Programs - The Organization pursues its objectives through the execution of the following programs:

Community Services - Directs access to services and resources to people in the Tarrant County area. Services include medical, food, household items, tutoring, Bible studies, adult education opportunities, as well as programs designed especially for senior citizens and children.

Emergency Financial Services - Provides individuals with miscellaneous aid such as rent, utilities and transportation.

Thrift Store - Provides clothing and household items to the needy and homeless by utilizing donated goods and services. Monetary donations are accepted for the purchase of excess items.

Cornerstone Comprehensive Care - Assists homeless families and single women with transitional housing for 24 months. The purpose and goal of this program is to help the participants learn habits and gain information that will allow them to become self-sufficient, independent of government assistance, and productive members of society.

Spanish Gardens - Acquires homes in a condominium complex for remodeling and rents the renovated homes to low income families.

Permanent Housing - Provides housing for low income and homeless individuals and families to help facilitate them to independent living.

Re-entry Services - Serves and helps ex-offenders and their families with Christ-centered communities of faith in Tarrant County.

Workforce Development - Trains job seekers with skills that will prepare them for careers at livable wages. Also connects trained job seekers with employers who will work with employees and Cornerstone to facilitate long-term job retention and advancement.

Intermediary Services - Manages and administers program funds as “pass throughs” to other organizations serving the poor, as well as provides technical training and support to those organizations.

Medical Clinic - Provides health screenings, cataract procedures, doctor’s and follow-up visits, lab procedures and pharmaceutical services to qualified clients living in Tarrant County.

Christ Chapel Benevolence - Funding from Christ Chapel Bible Church for the employment of a part-time Case Manager, as well as the provision of emergency assistance, including referrals, food, clothing, transportation, rent, and utility financial assistance.

Community Housing Development - Provides decent and affordable housing for low and moderate income people (80% median income). The program works with state and local governments and nonprofit organizations in an effort to accomplish this task by creating partnerships to produce and manage affordable housing.

Multi-Purpose Room & CAN Catering - The Multi-Purpose Room is available for use by local businesses and nonprofit organizations in need of meeting space. CAN Catering provides catering services throughout the metroplex.

**CORNERSTONE ASSISTANCE NETWORK, INC. AND AFFILIATE**

## Notes to Consolidated Financial Statements

**2 - Summary of Significant Accounting Policies (continued)**

VISTA - The VISTA program is an intermediary between CAN VISTA members and the organizations and agencies that they serve. VISTA oversees the locations where CAN VISTA members have been placed.

CAN VISTA - The AmeriCorps VISTA program (Volunteers in Service To America) is a national service program designed specifically to fight poverty in local communities. VISTA members commit to serve full-time for a year at a nonprofit organization or local government agency, working to fight illiteracy, improve health services, create businesses, and strengthen community groups.

RSVP - The RSVP program (Retired and Senior Volunteer Program) is a national service program for volunteers 55 years and older serving in a diverse range of activities that meet community needs.

Morningside Family Services - Provides assistance to families in need and strengthens the families of children struggling in school.

Tarrant County Re-Entry Coalition - Serves and helps formerly incarcerated individuals in overcoming housing, employment, relationship issues, substance abuse and mental health problems to reduce recidivism.

The Organization bears certain costs, which are not directly related to any single program, but rather support the Organization's ministry efforts in general. These supporting services include:

Fundraising - To develop and implement the overall development strategy for Cornerstone, while helping achieve the Organization's fundraising goals by engaging partners in ongoing fundraising activities, and leveraging key relationships and contacts to ensure meeting revenue goals.

Facilities - Facilities management involves the maintenance and sound operation of the Cornerstone Ministry Center facility, including the tracking and responding to environmental, health, safety, and security issues of the facility.

Administration - Performs activities that are indispensable to the Organization and the conduct of its activities, but which are not identifiable with any program.

Functional Allocation of Expenses - The costs of providing the various programs and supporting services of the Organization have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services by management based on the estimated time spent on each program or supporting service and/or the estimated facility usage by each program or supporting service. A detailed presentation is included in the consolidated statement of functional expenses.

Promises to Give - Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases in liabilities, or expenses, depending on the form of benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Endowment Fund - The Organization maintains an endowment fund for the purpose of yielding investment income to be used for operations. The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original donor-restricted gifts to the endowment, as of the gift date, absent explicit donor stipulations to the contrary. The Organization classifies the original value of subsequent gifts to the endowment as permanently restricted net assets and classifies realized earnings as temporarily restricted net assets, until appropriated for expenditure.



**CORNERSTONE ASSISTANCE NETWORK, INC. AND AFFILIATE**  
Notes to Consolidated Financial Statements

**2 - Summary of Significant Accounting Policies (continued)**

Endowment Fund (continued) - The Organization has adopted an investment policy that seeks to secure the corpus of the endowment and provide earnings for operations. Under this policy, the endowment assets are invested in money market funds and secured notes receivable.

Income Taxes - The Organization follows the Income Taxes topic of the FASB ASC, which prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. The Organization is not aware of any activities that would jeopardize its tax-exempt status and is not aware of any activities that are subject to tax on unrelated business income. As of December 31, 2017, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements and does not expect this to change in the next twelve months. The 2014 through 2017 tax years remain subject to examination by the Internal Revenue Service.

Concentration of Credit Risk - At times, the Organization has deposits with financial institutions in excess of federally insured limits. It is the opinion of the Organization's management that the solvency of the financial institutions is sufficient to cover any exposure.

Subsequent Events - Subsequent events have been evaluated through April 9, 2018, which is the date that the consolidated financial statements were available to be issued.

**3 - Investments**

Investments measured at fair value on a recurring basis are comprised of the following at December 31, 2017:

Equity securities	\$ 9,071
Endowment cash	<u>244,844</u>
	<u>\$ 253,915</u>

The Fair Value Measurements topic of the FASB ASC defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This guidance establishes market or observable inputs as the preferred sources of values, followed by assumptions based on hypothetical transactions in the absence of market inputs. This standard also establishes a hierarchy for grouping these assets and liabilities based on the significance level of the following inputs:

Level I – Quoted prices in active markets for identical assets or liabilities.

Level II – Quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations whose inputs are observable or whose significant drivers are observable.

Level III – Significant inputs to the valuation model are unobservable.

The Organization's investments are classified in the hierarchy as Level I assets.

**CORNERSTONE ASSISTANCE NETWORK, INC. AND AFFILIATE**

## Notes to Consolidated Financial Statements

**4 - Notes Receivable**

During the year ended December 31, 2010, the Organization acquired a piece of real estate as an endowment investment under a bargain purchase arrangement. The Organization utilized additional endowment assets to make the property ready for sale and then sold the property and signed a note receivable for \$96,700, resulting in a gain of \$59,826. The note receivable requires monthly installments of principal and interest of approximately \$462, requires monthly payments for insurance and ad valorem taxes, bears interest at 4%, and matures in December 2040. The note receivable is secured by the property. The balance of the note receivable at December 31, 2017 was \$88,799.

During the year ended December 31, 2014, the Organization purchased another piece of real estate as an endowment investment and again utilized endowment assets to make the property ready for sale. The property was sold and a note receivable was issued for \$40,885. The note receivable requires monthly installments of principal and interest of \$300, requires monthly payments for insurance and ad valorem taxes, bears interest at 5%, and matures in August 2031. The note receivable is secured by the property. The balance of the note receivable at December 31, 2017 was \$34,391.

During the year ended December 31, 2017, the Organization sold a condo that was held as a housing program asset and a note receivable was issued for \$59,000. The note receivable requires monthly installments of principal and interest of \$797, requires monthly payments for insurance and ad valorem taxes, bears interest at 5%, and matures in September 2047. The note receivable is secured by the property. The balance of the note receivable at December 31, 2017 was \$58,787.

**5 - Note Payable**

The Organization had a note payable with Liberty Bank in the original principal amount of \$1,260,000. The note required monthly payments of principal and interest of \$7,900, bore interest at 5%, and was secured by real estate. The note payable was scheduled to mature in May 2019, but the Organization retired the note in 2017.

**6 - Restricted Net Assets**

The balance of temporarily restricted net assets as of December 31, 2017 relates to certain contributions for which the donors have imposed restrictions. These restrictions require the Organization to expend such funds for expenses directly related to certain activities of the Organization, as follows:

Morningside Community Partnership	\$ 183
Morningside Family Services	150,471
Hope for Vets	5,900
Re-entry Services	<u>29,509</u>
	<u>\$ 186,063</u>

During the year ended December 31, 2017, temporarily restricted net assets in the amount of \$655,646 have been reclassified to unrestricted net assets and have been expended in accordance with donor restrictions.

Permanently restricted net assets consist of investments to be held in perpetuity, the income from which is expendable for operations as described in Note 2.

**CORNERSTONE ASSISTANCE NETWORK, INC. AND AFFILIATE**  
Notes to Consolidated Financial Statements

**6 - Restricted Net Assets (continued)**

The following is a summary of changes in endowment net assets for the year ended December 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning Balance	\$ 15,153	\$ 32,094	\$ 405,314	\$ 452,561
Contributions	-	-	2,900	2,900
Earnings	-	12,360	-	12,360
Reclassifications	59,000	-	-	59,000
Appropriations	<u>(55,546)</u>	<u>(44,454)</u>	<u>-</u>	<u>(100,000)</u>
Ending Balance	<u>\$ 18,607</u>	<u>\$ -</u>	<u>\$ 408,214</u>	<u>\$ 426,821</u>

**7 - Retirement Plan**

The Organization contributes to a Section 403(b) retirement plan on behalf of eligible employees. The Organization's contribution for the year ended December 31, 2017 was \$35,000.

**8 - Related Party**

Cornerstone Assistance Network, Inc.'s by-laws require that 60% of its Board of Directors be chosen from membership of North Richland Hills Baptist Church, with one of these members being appointed by the Pastor of North Richland Hills Baptist Church.