



Annual Financial Report

Cornerstone Advocacy Service

Bloomington, Minnesota

For the years ended December 31, 2022 and 2021



Edina Office

5201 Eden Avenue, Ste 250
Edina, MN 55436
P 952.835.9090

Mankato Office

100 Warren Street, Ste 600
Mankato, MN 56001
P 507.625.2727

Scottsdale Office

14500 N Northsight Blvd, Ste 233
Scottsdale, AZ 85260
P 480.864.5579

Cornerstone Advocacy Service
Table of Contents
December 31, 2022 and 2021

	<u>Page No.</u>
Independent Auditor's Report	3
Consolidated Financial Statements	
Consolidated Statements of Financial Position	6
Consolidated Statements of Activities	7
Consolidated Statements of Functional Expenses	8
Consolidated Statements of Cash Flows	10
Notes to the Consolidated Financial Statements	11
Supplementary Information	
Schedule of Expenditures of Federal Awards	24
Notes to the Schedule of Expenditures of Federal Awards	25
Other Reports	
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	27
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance	29
Schedule of Findings and Questioned Costs	32

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Cornerstone Advocacy Service
Bloomington, Minnesota

Report on the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Cornerstone Advocacy Service (the Organization), a Minnesota not-for-profit corporation, which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



Abdo
Minneapolis, Minnesota
June 6, 2023



CONSOLIDATED FINANCIAL STATEMENTS

Cornerstone Advocacy Service
Consolidated Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 574,237	\$ 1,087,457
Accounts and pledges receivable, current	766,995	814,033
Investments	474,018	727,037
Prepaid expenses	151,776	151,362
Total Current Assets	1,967,026	2,779,889
Property and Equipment, Net	3,917,917	4,039,800
Right of Use Assets - operating leases	328,108	-
Noncurrent Assets		
Unemployment trust, net	8,186	49,704
Investments designated for long-term purposes	4,245,270	4,326,707
Security deposit	3,330	3,330
Total Noncurrent Assets	4,256,786	4,379,741
Total Assets	\$ 10,469,837	\$ 11,199,430
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 74,255	\$ 90,370
Accrued payroll and related expenses	190,693	178,972
Lease liabilities - operating, current portion	78,258	-
Deferred revenues	29,411	-
Total Current Liabilities	372,617	269,342
Noncurrent Liabilities		
Security deposits	8,529	8,726
Notes payable, including net deferred financing costs of \$125 and \$150 in 2022 and 2021, respectively	608,521	587,312
Lease liabilities - operating, net of current portion	249,850	-
Equity participation in facility	450,000	450,000
Total Noncurrent Liabilities	1,316,900	1,046,038
Total Liabilities	1,689,517	1,315,380
Net Assets		
Without donor restrictions		
Undesignated	3,206,496	4,501,121
Designated for reserves	5,087,159	4,851,093
Total Net Assets Without Donor Restrictions	8,293,655	9,352,214
With donor restrictions	486,665	531,836
Total Net Assets	8,780,320	9,884,050
Total Liabilities and Net Assets	\$ 10,469,837	\$ 11,199,430

See Independent Auditor's Report and Notes to the Financial Statements.

Cornerstone Advocacy Service
Consolidated Statements of Activities
For the Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Public Support						
Government grants	\$ 4,138,047	\$ -	\$ 4,138,047	\$ 6,096,484	\$ -	\$ 6,096,484
Contributions	693,970	98,596	792,566	813,720	210,786	1,024,506
In-kind contributions	66,962	-	66,962	74,074	-	74,074
Special fundraising events, net of expenses of \$7,657 and \$673 in 2022 and 2021, respectively	17,121	-	17,121	13,158	-	13,158
Total Public Support	<u>4,916,100</u>	<u>98,596</u>	<u>5,014,696</u>	<u>6,997,436</u>	<u>210,786</u>	<u>7,208,222</u>
Other Revenue						
Program, registration and user fees	20,143	-	20,143	37,961	-	37,961
Rental revenue and subsidy	58,883	-	58,883	54,496	-	54,496
Investment income (loss)	(615,215)	-	(615,215)	574,242	-	574,242
Miscellaneous income	77,389	-	77,389	86,328	-	86,328
Total Other Revenue	<u>(458,800)</u>	<u>-</u>	<u>(458,800)</u>	<u>753,027</u>	<u>-</u>	<u>753,027</u>
Net Assets Released From Restrictions	<u>143,767</u>	<u>(143,767)</u>	<u>-</u>	<u>139,002</u>	<u>(139,002)</u>	<u>-</u>
Total Support and Revenue	<u>4,601,067</u>	<u>(45,171)</u>	<u>4,555,896</u>	<u>7,889,465</u>	<u>71,784</u>	<u>7,961,249</u>
Expenses						
Program services	4,519,937	-	4,519,937	6,320,764	-	6,320,764
Management and general	836,389	-	836,389	694,992	-	694,992
Fundraising	303,300	-	303,300	288,538	-	288,538
Total Expenses	<u>5,659,626</u>	<u>-</u>	<u>5,659,626</u>	<u>7,304,294</u>	<u>-</u>	<u>7,304,294</u>
Change In Net Assets	(1,058,559)	(45,171)	(1,103,730)	585,171	71,784	656,955
Beginning Net Assets	<u>9,352,214</u>	<u>531,836</u>	<u>9,884,050</u>	<u>8,767,043</u>	<u>460,052</u>	<u>9,227,095</u>
Ending Net Assets	<u>\$ 8,293,655</u>	<u>\$ 486,665</u>	<u>\$ 8,780,320</u>	<u>\$ 9,352,214</u>	<u>\$ 531,836</u>	<u>\$ 9,884,050</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Cornerstone Advocacy Service
Consolidated Statements of Functional Expenses
For the Year Ended December 31, 2022

	Program Services							Support Services				Total
	Emergency Services	Community and Economic Empowerment Services	Victim Advocacy Services	Clinical Services	Children, Youth and Families	Volunteer	Day One Minnesota	Total Program Services	Management and General	Fundraising	Total Support Services	
Salaries and Related Expenses												
Salaries and wages	\$ 544,929	\$ 419,996	\$ 702,702	\$ 260,770	\$ 165,567	\$ 3,237	\$ 594,100	\$ 2,691,301	\$ 514,658	\$ 220,381	\$ 735,039	\$ 3,426,340
Payroll taxes	39,508	31,086	52,075	19,254	11,752	244	41,057	194,976	37,725	16,291	54,016	248,992
Employee benefits	54,828	47,575	84,690	34,141	25,840	809	39,813	287,696	46,201	30,017	76,218	363,914
In-kind salaries	-	-	-	10,655	-	-	-	10,655	-	-	-	10,655
Staff development	9	1,122	985	1,801	402	-	9	4,328	2,978	206	3,184	7,512
Contract labor	8,090	6,809	5,722	5,711	1,980	233	20,101	48,646	63,501	1,444	64,945	113,591
Total Salaries and Related Expenses	<u>647,364</u>	<u>506,588</u>	<u>846,174</u>	<u>332,332</u>	<u>205,541</u>	<u>4,523</u>	<u>695,080</u>	<u>3,237,602</u>	<u>665,063</u>	<u>268,339</u>	<u>933,402</u>	<u>4,171,004</u>
Direct Program Expenses	60,193	127,241	346,139	9,083	10,787	2,760	124,272	680,475	23,378	13,019	36,397	716,872
Other Program Expenses												
Supplies	983	810	530	324	324	38	336	3,345	2,909	309	3,218	6,563
Printing	1,511	1,337	1,021	691	777	68	2,561	7,966	1,112	2,833	3,945	11,911
Dues and subscriptions	605	1,300	278	77	782	2	53	3,097	3,073	1,508	4,581	7,678
Professional fees	-	-	-	-	-	-	-	-	86,526	-	86,526	86,526
Postage	110	504	257	232	232	27	48	1,410	408	1,186	1,594	3,004
Interest	2,045	12,376	2,111	691	560	65	2,145	19,993	983	408	1,391	21,384
Other	1,212	641	1,121	376	296	36	1,131	4,813	21,506	3,928	25,434	30,247
Total Other Program Expenses	<u>6,466</u>	<u>16,968</u>	<u>5,318</u>	<u>2,391</u>	<u>2,971</u>	<u>236</u>	<u>6,274</u>	<u>40,624</u>	<u>116,517</u>	<u>10,172</u>	<u>126,689</u>	<u>167,313</u>
Facilities Expenses												
Rental	-	52,746	49,288	6,146	-	-	49,146	157,326	-	-	-	157,326
Utilities	16,337	41,826	18,242	5,522	4,476	523	20,250	107,176	7,857	3,259	11,116	118,292
Telephone	4,661	5,372	10,632	1,774	823	96	18,900	42,258	1,874	599	2,473	44,731
Repairs and maintenance	9,587	39,175	5,490	2,575	2,318	272	4,271	63,688	4,263	1,689	5,952	69,640
Equipment rental and other	14,530	8,108	1,569	192	221	39	3,113	27,772	888	575	1,463	29,235
Depreciation and amortization	23,310	44,001	24,067	7,878	6,387	746	24,547	130,936	11,211	4,650	15,861	146,797
Insurance	7,343	9,419	5,611	2,527	1,370	160	5,650	32,080	5,338	998	6,336	38,416
Total Facilities Expenses	<u>75,768</u>	<u>200,647</u>	<u>114,899</u>	<u>26,614</u>	<u>15,595</u>	<u>1,836</u>	<u>125,877</u>	<u>561,236</u>	<u>31,431</u>	<u>11,770</u>	<u>43,201</u>	<u>604,437</u>
Total Expenses	<u>\$ 789,791</u>	<u>\$ 851,444</u>	<u>\$ 1,312,530</u>	<u>\$ 370,420</u>	<u>\$ 234,894</u>	<u>\$ 9,355</u>	<u>\$ 951,503</u>	<u>\$ 4,519,937</u>	<u>\$ 836,389</u>	<u>\$ 303,300</u>	<u>\$ 1,139,689</u>	<u>\$ 5,659,626</u>

Cornerstone Advocacy Service
Consolidated Statements of Functional Expenses (Continued)
For the Year Ended December 31, 2021

	Program Services							Support Services				Total
	Emergency Services	Community and Economic Empowerment Services	Victim Advocacy Services	Clinical Services	Children, Youth and Families	Volunteer	Day One Minnesota	Total Program Services	Management and General	Fundraising	Total Support Services	
Salaries and Related Expenses												
Salaries and wages	\$ 708,577	\$ 403,225	\$ 615,580	\$ 239,899	\$ 173,672	\$ 10,434	\$ 596,665	\$ 2,748,052	\$ 396,886	\$ 215,121	\$ 612,007	\$ 3,360,059
Payroll taxes	50,022	28,868	44,728	17,888	12,013	793	39,090	193,402	27,164	15,592	42,756	236,158
Employee benefits	69,212	54,305	82,470	34,395	28,650	716	49,632	319,380	89,774	26,728	116,502	435,882
Staff development	186	35	275	3,823	158	-	208	4,685	1,542	204	1,746	6,431
Contract labor	36,866	4,756	6,814	19,288	2,161	49	61,524	131,458	72,159	1,180	73,339	204,797
Total Salaries and Related Expenses	<u>864,863</u>	<u>491,189</u>	<u>749,867</u>	<u>315,293</u>	<u>216,654</u>	<u>11,992</u>	<u>747,119</u>	<u>3,396,977</u>	<u>587,525</u>	<u>258,825</u>	<u>846,350</u>	<u>4,243,327</u>
Direct Program Expenses	<u>1,721,893</u>	<u>131,708</u>	<u>324,864</u>	<u>8,132</u>	<u>12,669</u>	<u>1,749</u>	<u>145,197</u>	<u>2,346,212</u>	<u>26,666</u>	<u>13,474</u>	<u>40,140</u>	<u>2,386,352</u>
Other Program Expenses												
Supplies	992	991	466	467	472	11	959	4,358	3,229	304	3,533	7,891
Printing	1,943	1,139	1,505	618	556	13	1,917	7,691	749	3,271	4,020	11,711
Dues and subscriptions	624	1,209	56	22	737	-	56	2,704	4,253	1,063	5,316	8,020
Professional fees	-	-	-	-	-	-	-	-	26,679	-	26,679	26,679
Postage	192	653	326	306	318	7	54	1,856	484	970	1,454	3,310
Interest	1,918	12,140	1,951	768	667	15	1,963	19,422	899	365	1,264	20,686
Other	1,217	933	1,240	449	538	12	1,257	5,646	14,855	295	15,150	20,796
Total Other Program Expenses	<u>6,886</u>	<u>17,065</u>	<u>5,544</u>	<u>2,630</u>	<u>3,288</u>	<u>58</u>	<u>6,206</u>	<u>41,677</u>	<u>51,148</u>	<u>6,268</u>	<u>57,416</u>	<u>99,093</u>
Facilities Expenses												
Rental	-	50,553	46,729	5,646	-	-	45,000	147,928	-	-	-	147,928
Utilities	12,164	35,329	13,391	4,874	4,233	94	15,497	85,582	5,705	2,315	8,020	93,602
Telephone	5,612	5,995	5,038	2,082	1,027	23	18,783	38,560	2,024	573	2,597	41,157
Repairs and maintenance	15,953	37,421	4,635	2,944	2,851	75	3,442	67,321	6,103	1,558	7,661	74,982
Equipment rental and other	27,983	1,285	115	79	79	2	508	30,051	106	44	150	30,201
Depreciation and amortization	24,794	43,555	25,230	9,936	8,628	192	25,824	138,159	11,628	4,718	16,346	154,505
Insurance	5,956	8,495	4,550	2,189	1,396	31	5,680	28,297	4,087	763	4,850	33,147
Total Facilities Expenses	<u>92,462</u>	<u>182,633</u>	<u>99,688</u>	<u>27,750</u>	<u>18,214</u>	<u>417</u>	<u>114,734</u>	<u>535,898</u>	<u>29,653</u>	<u>9,971</u>	<u>39,624</u>	<u>575,522</u>
Total Expenses	<u>\$ 2,686,104</u>	<u>\$ 822,595</u>	<u>\$ 1,179,963</u>	<u>\$ 353,805</u>	<u>\$ 250,825</u>	<u>\$ 14,216</u>	<u>\$ 1,013,256</u>	<u>\$ 6,320,764</u>	<u>\$ 694,992</u>	<u>\$ 288,538</u>	<u>\$ 983,530</u>	<u>\$ 7,304,294</u>

Cornerstone Advocacy Service
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows From Operating Activities		
Change in net assets	\$ (1,103,730)	\$ 656,955
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	146,797	154,505
Amortization of debt, present value discount	21,210	20,450
Change in fair value of investments	753,072	(380,065)
Changes in assets:		
Accounts and pledges receivable	47,038	128,551
Prepaid expenses	(414)	(6,964)
Unemployment trust	41,518	17,319
Changes in liabilities:		
Accounts payable	(16,115)	(88,568)
Accrued payroll and related expenses	11,721	(35,005)
Deferred revenues	29,411	(384,036)
Security deposits	(197)	(2,222)
Net Cash Provided (Used) by Operating Activities	(69,689)	80,920
Cash Flows From Investing Activities		
Purchase of investments	(972,309)	(237,282)
Proceeds from sale of investments	553,693	55,513
Purchase of equipment	(24,914)	(83,668)
Net Cash Used by Investing Activities	(443,530)	(265,437)
Change In Cash and Cash Equivalents	(513,220)	(184,517)
Beginning Cash and Cash Equivalents	1,087,457	1,271,974
Ending Cash and Cash Equivalents	\$ 574,237	\$ 1,087,457
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for:		
Interest	\$ 174	\$ 236
Income Taxes	\$ -	\$ -
Supplemental Disclosure of Non-Cash Transactions		
Disposal of fully depreciated property and equipment	\$ 164,465	\$ -

See Independent Auditor's Report and Notes to the Financial Statements.

Cornerstone Advocacy Service
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

Note 1: Summary of Significant Accounting Policies

A. Nature of Activities

Cornerstone Advocacy Service (the Organization) is a Minnesota not-for-profit corporation formed to provide a continuum of service to victims of domestic and sexual violence, human trafficking and general crime. The Organization's services address the immediate crisis, the aftermath and the long-term needs of women, children, and families struggling to obtain safety, security and long term social and emotional health. The Organization's primary service areas include: Minneapolis, Bloomington, Eden Prairie, Edina, Richfield, St. Louis Park, Robbinsdale, Crystal, Brooklyn Center, Brooklyn Park, and Maple Grove. In addition, Cornerstone manages the program, Day One, which supports a network of 95 Minnesota domestic violence and sexual assault agencies by facilitating the statewide toll-free crisis line and the secure website that tracks in real-time available bed space and services.

National Day One, LLC, a wholly owned subsidiary of the Organization, was established in April 2008 as a Minnesota limited liability company. National Day One, LLC supports bringing the Day One model beyond the borders of Minnesota to other states in the country. For purposes of the consolidated financial statements, "the Organization" refers to both Cornerstone Advocacy Service and National Day One, LLC.

B. Basis of Accounting and Presentation

The accompanying consolidated financial statements include the accounts of the Organization and National Day One, LLC. All intercompany transactions have been eliminated. These consolidated financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

C. Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Organization considers short-term, highly liquid investments and investments purchased with a maturity of three months or less to be cash equivalents. The Organization's cash balances held in bank depositories may exceed federally insured limits at times.

E. Accounts Receivable

Accounts receivable consist primarily of amounts billed on contracts negotiated with governmental agencies and commitments from foundations. Historically, all governmental contracts and foundation receivables have been collected, therefore no allowance is considered necessary. Less than 1% of the Organization's accounts receivables are large individual pledges from annual fundraising events. Large pledges are defined as those which have an outstanding balance greater than \$500. The point in time that delinquency becomes apparent for large pledges is a matter of Organization policy. In addition to other considerations, the policy includes a review of the Organization's relationship with the donor. Once a large pledge is considered delinquent, they are sent a final pledge reminder. The most recent pledge reminders were sent out in November 2022. Once a large pledge is determined to be uncollectible, it is written off.

Cornerstone Advocacy Service
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

Note 1: Summary of Significant Accounting Policies (Continued)

F. Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in fixed income securities at fair value using quoted market prices. Unrealized gains and losses are included in the change in net assets in the Consolidated Statements of Activities.

The Organization's investments are exposed to various risks, such as interest rate and overall market volatility. However, the Organization's investment policy is designed to manage investment risk while optimizing returns.

G. Property and Equipment

Property and equipment are capitalized at cost if purchased or fair market value at date of the gift if donated. All acquisitions of property and equipment and all expenditures for betterments that materially prolong the useful lives of assets are capitalized. The Organization considers items with a cost greater than \$5,000 and a useful life greater than one year to be property and equipment. Maintenance, repairs and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Property and equipment are depreciated using the straight-line method over the estimated useful lives as follows:

Furniture and Equipment	3 - 15 years
Building and Improvements	15 - 40 years
Website	5 years
Database	5 years

Intellectual property consists of a trademark for Day One. Intangible assets are amortized over a 15-year period.

H. Classification of Net Assets

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

Without Donor Restriction

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Net assets without donor restrictions are available for use at the discretion of the board and/or management for general operating purposes.

With Donor Restriction

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. See Note 9 for the breakout of the Organization's net assets that were subject to donor-imposed restrictions as of December 31, 2022 and 2021.

Note 1: Summary of Significant Accounting Policies (Continued)

I. Revenue Recognition

Contributions, including unconditional promises to give (pledges), are recognized when the donor makes a promise to give to the Organization. Conditional promises are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions received are recorded as support with donor restrictions or support without donor restrictions, depending on the existence and nature of any donor restrictions. If the restriction is met on a contribution in the year the contribution is received, the contribution is reported as support without donor restriction.

The Organization's policy is to imply a time restriction on gifts for land, buildings and equipment that expire over the useful life of the asset.

J. Government Grants Receivable and Revenue

Grants are recorded as receivables in the year made. Government grants are typically restricted for use on a specific program and/or are conditional upon uncertain future events. Advances and/or revenue from such grants are deferred until such conditions are met or services are rendered.

K. Leases (ASC 840)

The Organization determines if an arrangement is a lease at inception. If an arrangement contains a lease, the Organization performs a lease classification test to determine if the lease is an operating lease or a finance lease. Right-of-use (ROU) assets represent the right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Operating lease liabilities are recognized on the commencement date of the lease based on the present value of the future lease payments over the lease term and are included in long-term liabilities and current liabilities on the statement of financial position. ROU assets are valued at the initial measurement of the lease liability, plus any indirect costs or rent prepayments, and reduced by any lease incentives and any deferred lease payments. Operating ROU assets are recorded on the face of the statement of financial position and are amortized over the lease term. To determine the present value of lease payments on lease commencement, the Organization uses the implicit rate when readily determinable. Lease terms include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense is recognized on a straight-line basis over the life of the lease and is included within operating expenses on the statement of activities. The Organization has made the following elections related to leases:

- The Organization has elected to use a risk-free rate as the discount rate on all classes of underlying assets when an implicit rate is not readily available.
- The Organization has elected the practical expedient to account for the lease and non-lease components as a single lease component for classes of underlying assets.
- The Organization has elected to apply the short-term lease exception to all leases with a term of one year or less. Short-term leases will not be capitalized.

L. Donated Services, Materials and Goods

Donated goods and materials are recorded at fair value at the date of donation. The Organization receives products and supplies including, but not limited to, water, food, temporary housing and goods from other businesses.

Donated services are recognized only if they would typically need to be purchased, require specialized skill, and are performed by an individual possessing that skill, or if they create or enhance a nonfinancial asset. The Organization has recorded donated professional services that met the recognition criteria. The services of some volunteers have not been reflected in the statements as donated services, since such services do not meet the recognition criteria.

Note 1: Summary of Significant Accounting Policies (Continued)

M. Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is also exempt from Minnesota franchise and income taxes for related business activities.

N. Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

O. Reclassification

Certain accounts relating to the prior year have been reclassified to conform to the current year presentation with no effect on previously reported net income.

P. New Accounting Pronouncements

In March 2016, the FASB issued ASU No. 2016-02, *Leases*, as a new topic, Accounting Standards Codification 842. The objective of ASU No. 2016-02 is to increase transparency and comparability among organizations by reorganizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU No. 2016-02 was effective for annual reporting periods beginning after December 15, 2021, and shall be applied using either a full retrospective or modified retrospective approach. Early adoption is permitted. The new guidance is effective for Cornerstone Advocacy Service on January 1, 2022. The Organization evaluated the impact on the results of operations, financial condition and cash flows and has not determined the impact on its consolidated financial statements at this time.

In September 2020, the FASB issued ASU No. 2020-07 Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, which is intended to improve the transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. This ASU requires not-for-profit organizations to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. In addition to separate presentation on the statement of activities, this amendment requires enhanced disclosures around each category of contributed nonfinancial assets for donor-imposed restrictions, valuation techniques, description of programs or activities in which the assets were used, and if monetized a policy about monetizing rather than utilizing the asset(s). The amendments in this ASU should be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. Early adoption is permitted. The Organization is currently evaluating the impact this standard will have on its financial statements.

Q. Subsequent Events

The Organization has evaluated subsequent events through June 6, 2023, which is the date that the consolidated financial statements were approved and available to be issued.

Cornerstone Advocacy Service
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

Note 2: Accounts and Pledges Receivable

Unconditional promises to give and other receivables were as follows for December 31:

	2022	2021
Unconditional Promises to Give	\$ 74,543	\$ 37,553
Governmental Contracts Receivable	689,402	766,207
Other Contracts Receivable	3,050	10,273
Total	\$ 766,995	\$ 814,033

Collection of unconditional promises to give and accounts receivable is expected as follows:

	2022	2021
Due in One Year	\$ 766,995	\$ 814,033
Unconditional Promises to Give, Net	\$ 766,995	\$ 814,033

Note 3: Fair Value Measurements

The Organization measures the fair value of its financial instruments using a three-tier hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to significant unobservable inputs (level 3 measurements). The Organization determines fair value by:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active market that Tree Trust has the ability to access, and where transactions occur within.

Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs, other than quoted prices, that are observable for the asset or liability;
- Inputs derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 inputs to the valuation methodology reflect management's assumptions about significant unobservable inputs that market participants would use in pricing the asset or liability.

Cornerstone Advocacy Service
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

Note 3: Fair Value Measurements (Continued)

The asset's and liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2022 and 2021.

Money Market: Valued at \$1 per share.

Equity, Bonds, and Exchange-Traded Funds: Valued at the daily closing price of the underlying stocks and bonds. The stocks and bond funds held by the Organization are deemed to be actively traded.

Assets and liabilities that are measured at fair value on a recurring basis are as follows at December 31:

	Level 1	
	2022	2021
Money Market	\$ 19,375	\$ 19,929
Equity	813,658	1,246,732
Bonds	624,088	1,318,836
Exchange-traded Funds	3,262,167	2,468,247
Total	<u>\$ 4,719,288</u>	<u>\$ 5,053,744</u>

Note 4: Property and Equipment

A summary of property and equipment as of December 31 is summarized as follows:

	2022	2021
Land	\$ 1,646,911	\$ 1,646,911
Building and Improvements	4,473,607	4,454,623
Furniture and Equipment	829,034	822,485
Website	125,137	125,137
Intellectual Property	1,435	1,435
Total Property and Equipment	<u>7,076,124</u>	<u>7,050,591</u>
Less: Accumulated Depreciation	<u>(3,158,207)</u>	<u>(3,010,791)</u>
Property and Equipment, Net	<u>\$ 3,917,917</u>	<u>\$ 4,039,800</u>

Depreciation and amortization expense are summarized as follows for the years ended December 31:

	2022	2021
Depreciation	\$ 145,521	\$ 153,229
Amortization	<u>1,276</u>	<u>1,276</u>
Total	<u>\$ 146,797</u>	<u>\$ 154,505</u>

Cornerstone Advocacy Service
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

Note 5: Unemployment Trust

The Organization self-insures for Minnesota unemployment via the Unemployment Services Trust. The Unemployment Trust balance per contract would be fully refunded to the Organization upon payment of all outstanding unemployment claims. The balance of the Unemployment Trust is based on an estimate of actual claims. The net recorded balance at December 31, 2022 was \$8,186 which consists of a gross balance of \$32,288 less estimated claim liability of \$24,102. The net recorded balance at December 31, 2021 was \$49,704 which consisted of a gross balance of \$84,323 less estimated claim liability of \$34,619.

Note 6: Long-Term Debt

Included in long-term debt are debts which are payable at the end of their term but at a low or no interest rate. Most of this indebtedness was discounted to reflect the market interest rate and present value of the debt. The effective interest rate at the date of the loan was used to discount the debt and ranges from 3.00% to 4.50%.

The discounts are amortized over the life of the loan and the regularly scheduled amortization is included in interest expense. Accelerated amortization relates to discounted loans that were paid off prior to the original due date and represents the remaining unamortized balance at the time the loan is paid. Accelerated amortization is presented separately with other changes in net assets.

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

	2022	2021
Mortgage loan payable, Minnesota Housing Finance Agency, McKinney Transitional Housing Program, face value of \$190,027, due September 2023, collateralized by a certain building.	\$ 190,027	\$ 181,843
Note payable, Hennepin County, State of Minnesota, face value of \$94,151, due December 2027, collateralized by land and houses.	78,663	75,885
Note payable, Minnesota Housing Finance Agency, Housing Trust Fund Program, face value of \$100,000, due October 2036, collateralized by a certain building.	67,241	65,219
Note payable, Minnesota Housing Finance Agency, Housing Trust Fund Program, face value of \$218,377, due October 2036, collateralized by a certain building.	151,392	146,840
Note payable, Hennepin County Housing and Redevelopment Authority, Trust Fund Program, face value of \$75,000, due October 2035, collateralized by a certain building.	51,996	50,433
Note payable, Family Housing Fund of Minneapolis and St. Paul, face value of \$100,000, due October 2035, collateralized by a certain building.	69,327	67,242
Total Debt	608,646	587,462
Less: deferred financing costs	(125)	(150)
Total Long-Term Debt, Net	\$ 608,521	\$ 587,312

Cornerstone Advocacy Service
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

Note 6: Long-Term Debt (Continued)

Discount amortization is as follows for the years ended December 31:

	2022	2021
Interest Expense	\$ 21,184	\$ 20,424

The following schedule of debt reflects the current values of the outstanding notes at December 31:

Years Ending December 31,	Notes Payable	Deferred Financing	Total
2023	\$ 190,027	\$ (21)	\$ 190,006
2024	-	(21)	(21)
2025	-	(21)	(21)
2026	-	(21)	(21)
2027	-	(21)	(21)
Thereafter	418,619	(20)	418,599
Total	\$ 608,646	\$ (125)	\$ 608,521

Note 7: Line of Credit

The Organization has an unsecured line of credit with a maximum of \$100,000 and a 10.00% interest rate which automatically renews annually. The line of credit was unused during 2022 and 2021 had no balance due at December 31, 2022 and 2021.

Note 8: Equity Participation Agreement

During 2000, the Organization entered into an equity participation agreement with the Housing and Redevelopment Authority in and for the City of Bloomington (BHRA) through conversion of a previous financing agreement in the amount of \$250,000. The BHRA has equity in the building based on terms of the equity participation agreement and will be repaid upon sale of the building.

During 2004, the Organization entered into an equity participation agreement with the City of Bloomington, by way of a grant in the amount to \$200,000. The City has equity in the building based on terms of the equity participation agreement and will be paid upon sale of the building.

Note 9: Net Assets

Net assets without donor restrictions are composed of the following at December 31:

	2022	2021
Undesignated	\$ 3,206,496	\$ 4,501,121
Designated for Operating Reserve	1,928,952	1,839,683
Designated for Capital Reserve	3,158,207	3,011,410
Total	\$ 8,293,655	\$ 9,352,214

Cornerstone Advocacy Service
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

Note 9: Net Assets (Continued)

Net assets with donor restrictions were available for the following purposes:

	2022	2021
Community and Economic Empowerment Services	\$ 144,028	\$ 318,037
Debt Present Value Discount	168,909	190,093
Administration	122,378	-
Time Restriction	5,648	11,336
Fundraisers	3,050	10,273
Emergency Services	20,000	-
School-Based Services	22,652	2,097
	\$ 486,665	\$ 531,836
Total		

Note 10: Governmental Agency Revenue

Revenue from governmental agencies includes the following funding sources for the years ended December 31:

	2022	2021
Federal	\$ 1,668,639	\$ 2,951,950
State	1,611,858	2,146,879
County, City and Other	857,550	997,655
	\$ 4,138,047	\$ 6,096,484
Total		

Note 11: In-Kind Contributions

In-kind contributions were as follows for the years ended December 31:

	2022	2021	Usage in Programs/ Activities	Donor restriction	Fair Value Techniques
Contributed rent	\$ 54,418	\$ 54,418	Management and General Community and Economic Empowerment Services	None	Estimated based on rates per square footage and rates per unit
Contributed services	10,655	-	Management and General	None	Estimated based on time rates for each practitioner Estimated wholesale prices of identical or similar products if purchased in the region
Food	1,889	19,656	Management and General	None	
	\$ 66,962	\$ 74,074			
Total					

In addition to the amounts above, approximately 1,155 and 518 hours were volunteered during 2022 and 2021, respectively, that did not meet the criteria for recognition.

Cornerstone Advocacy Service
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

Note 12: Concentrations

The Organization contracts with the Minnesota Department of Public Safety to provide room and board and other services based on actual expenditures. Revenue from these activities and other service revenues are recognized as the services are provided. The Organization received approximately 49% and 36% of its support and revenue from the Minnesota Department of Public Safety for 2022 and 2021, respectively.

Note 13: Retirement Plan

The Organization contributes to a defined contribution retirement plan which covers substantially all employees after a specified period of service. Discretionary contributions are determined annually by the Board and are allocated to participants based on percentages of their eligible compensation. Contributions made under the plan for 2022 and 2021 were \$61,619 and \$79,094, respectively.

Note 14: Operating Lease Agreements (ASC 840)

The Organization entered into an operating lease agreement in 2016 for office space which began on November 1, 2016, for a term of 25 months. The landlord abated the first month's lease payment. Lease payments will be \$3,333 per month for the first year and will increase to \$3,438 for the remaining lease term. In December 2017, the Organization renewed the office lease through November 2023 with varying lease payments per month each year.

The Organization also entered into other various operating leases for a vehicle, office equipment, and housing. Future minimum lease payments required under the leases is as follows:

Years Ending December 31,	Amount
2023	\$ 92,662
2024	94,019
2025	87,802
2026	82,692
Total	\$ 357,175

Note 15: Operating Lease Agreements (ASC 842)

Effective December 29, 2017, the Organization entered into a property lease agreement with an undisclosed entity that calls for monthly base payments of approximately \$4,144 and is set to expire in November 2026. The stated monthly base payments are variable and may be subject to increases based on the relative increase in the Consumer Price Index, as determined annually. The agreement also provides that the Organization is responsible for the property's incurred real estate taxes, insurance premiums and attributable operating expenses. The Organization has determined that this lease is an operating lease.

Effective December 29, 2017, the Organization entered into a property lease agreement with an undisclosed entity that calls for monthly base payments of approximately \$3,058 and is set to expire in November 2026. The stated monthly base payments are variable and may be subject to increases based on the relative increase in the Consumer Price Index, as determined annually. The agreement also provides that the Organization is responsible for the property's incurred real estate taxes, insurance premiums and attributable operating expenses. The Organization has determined that this lease is an operating lease.

Cornerstone Advocacy Service
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

Note 15: Operating Lease Agreements (ASC 842) (Continued)

As disclosed in Note 1, the Organization adopted FASB ASC 842, effective January 1, 2022, using a modified retrospective approach. As a result, the Organization was required to recognize a ROU asset and corresponding lease liability on the face of the statement of financial position for the year ended December 31, 2022. As the standard was implemented using a modified retrospective approach, the balance sheet as of December 31, 2021, was not impacted.

The ROU lease asset and corresponding lease liability were calculated utilizing a risk-free discount rate of 1.54%, according to the Organization's elected policy. The Organization's lease agreement does not contain any material residual value guarantees or material restrictive covenants.

Additional information about the Organization's lease for the year ended December 31, 2022, is as follows:

Lease expense (included in operating expenses)

Operating lease expense	\$ 85,233
Short term lease expense	15,300

Total	\$ 100,533
--------------	-------------------

Other Information

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	80,563
ROU assets obtained in exchange for new operating lease liabilities	402,991
Weighted-average remaining lease term in years for operating leases	3.92
Weighted-average discount rate for operating leases	1.54%

Maturity Analysis

Year Ending December 31:

	Operating
2023	\$ 82,762
2024	85,244
2025	87,802
2026	82,692
Total undiscounted cash flows	338,500
Less: present value discount	(10,392)
Total lease liabilities	\$ 328,108

Cornerstone Advocacy Service
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

Note 16: Financial Awards from Grantors

Financial awards from federal, state and local governments in the form of grants are subject to an agency audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time.

Note 17: Liquidity and Availability of Financial Assets

The Organization's board of directors has approved and monitors a set of policies which govern the responsibilities and limitations of executive management. Management routinely monitors liquidity and cash reserves which fund operations and program service delivery in accordance with these board established policies.

The Organization's liquid financial assets available to meet financial obligations due within one year are summarized as follows:

	2022	2021
Cash and cash equivalents	\$ 574,237	\$ 1,087,457
Accounts receivable	766,995	814,033
Investments*	4,719,288	5,053,744
Total Financial Assets Available for Use at Year-End	6,060,520	6,955,234
Less those unavailable for general expenditures within one year, due to		
Board designated net assets for property and equipment	(3,158,207)	(2,982,492)
Board designated net assets for operating reserves**	(1,928,952)	(1,868,601)
Net assets with donor restrictions	(481,017)	(520,500)
Total Unavailable Financial Assets	(5,568,176)	(5,371,593)
Financial Assets Available to Meet Cash Needs for General Expenditures within one year	\$ 492,344	\$ 1,583,641

*Financial assets, at December 31 include long term investments. Although long term investments are usually held for more than one year, in the event of an emergency, the investments held can be converted to cash in a short period of time.

**Board designated net assets for operating reserves is based upon approximately four months of operating reserves for the Organization.

The Organization has a line of credit of \$100,000 that could be drawn on if necessary. As of December 31, 2022 and 2021, the Organization has not had to use the line of credit.

SUPPLEMENTARY INFORMATION

Cornerstone Advocacy Service
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Grantor/Program Title Pass-Through Grantor/Pass-Through Entity Identifying Number	Federal Assistance Listing Number	Pass-Through Identification Number	Direct Federal Expenditures	Pass-Through Federal Expenditures	Amount Provided to Subrecipients
U.S. Department of Housing and Urban Development:					
Continuum of Care Program	14.267	MN0420D5K002002	\$ 266,202	\$ -	\$ -
Passed-Through the Hennepin County Housing Consortium: Home Investment Partnerships Program	14.239	None Noted	-	94,151	-
<i>Total U.S. Department of Housing and Urban Development</i>			<u>266,202</u>	<u>94,151</u>	<u>-</u>
U.S. Department of Justice:					
Education, Training, and Enhanced Services to End Violence Against and Abuse of Women with Disabilities	16.529	OWV 2021	38,187	-	7,269
Passed-Through the Minnesota Department of Public Safety: Crime Victim Assistance	16.575	A-CVS-2022-CORNERST-137	-	1,225,367	-
<i>Total U.S. Department of Justice</i>			<u>38,187</u>	<u>1,225,367</u>	<u>7,269</u>
U.S. Department of Health and Human Services:					
Passed-Through the Minnesota Department of Public Safety: Family Violence Prevention and Services/Domestic Violence COVID Special Projects 2023	93.671	A-FARPC-2023-CORNERST-00037	-	26,045	-
U.S. Department of the Treasury:					
Passed-Through the Minnesota Department of Public Safety: ARPA Survivor Support and Prevention Grants 2022	21.027	A-ARPS-2022-CORNERST-00054	-	92,838	-
Passed -Through the City of Richfield: Coronavirus State and Local Recovery Funds	21.027	None noted		20,000	
<i>Total U.S. Department of the Treasury:</i>			<u>-</u>	<u>112,838</u>	<u>-</u>
Total Federal Expenditures			<u>\$ 304,389</u>	<u>\$ 1,458,401</u>	<u>\$ 7,269</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards.

Cornerstone Advocacy Service
Notes to the Schedule of Expenditures of Federal Awards
December 31, 2022

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Cornerstone Advocacy Service (the Organization) under programs of the federal government for the year ended December 31, 2022. The information in this schedule is presented in accordance with the requirement of the Uniform Guidance, and *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

Note 2: Summary of Significant Accounting Policies for Expenditures

Expenditures reported on this schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Pass-Through Entity Identifying Numbers

Pass-through entity identifying numbers are presented where available.

Note 4: Subrecipients

Federal expenditures provided to subrecipients are presented separately in the Schedule of Expenditures of Federal Awards.

Note 5: Indirect Cost Rate

During the year ended December 31, 2022, the Organization did elect to use the 10% de minimis indirect cost rate.

Note 6: Loan or Loan Guarantee Programs

The full amount and unamortized outstanding balance on the loan guarantee program under the Home Investment Partnerships Program was \$94,151 as of December 31, 2022. The total federal expenditures shown in this schedule represents the full amount of the loan balance as of January 1, 2016. No new loans were made under this program during 2022, and there were no interest subsidies, cash, or administrative cost allowances made under this program in 2022.

OTHER REPORTS

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

Board of Directors
Cornerstone Advocacy Service
Bloomington, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Cornerstone Advocacy Service (the Organization), a Minnesota not-for-profit corporation, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 6, 2023.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Abdo
Minneapolis, Minnesota
June 6, 2023



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Cornerstone Advocacy Service
Bloomington, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Cornerstone Advocacy Service's (the Organization), a Minnesota not-for-profit corporation, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2022. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Award

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Cornerstone Advocacy Service and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Cornerstone Advocacy Service's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Cornerstone Advocacy Service's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Cornerstone Advocacy Service's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Cornerstone Advocacy Service's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Cornerstone Advocacy Service's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Management of the Organization 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 the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each 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 the Uniform Guidance, 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 the Organization'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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Abdo
Minneapolis, Minnesota
June 6, 2023



Cornerstone Advocacy Service
 Schedule Of Findings And Questioned Costs
 For The Year Ended December 31, 2022

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance?	No

**Federal
 Assistance
 Listing
 Number**

Identification of Major Programs:

Crime Victim Assistance	16.575
Dollar threshold used to distinguish between Type A and Type B Programs:	\$ 750,000
Auditee qualified as low-risk auditee pursuant to the Uniform Guidance	Yes

Section II - Findings - Financial Statement Audit

There are no significant deficiencies, material weaknesses, or instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

Section III - Findings and Questioned Costs - Major Federal Award Programs Audit

There are no significant deficiencies, material weaknesses, or instances of material noncompliance including questioned costs that are required to be reported in accordance with the Uniform Guidance.

Section IV - Other Issues

A Corrective Action Plan is not required because there were no current year findings required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance.

Section V - Schedule of Prior Year Audit Findings

The Summary Schedule of Prior Audit Findings is not included in this report because there were no prior audit findings related to federal award programs.