

ADLER APHASIA CENTER

Financial Statements
December 31, 2017 and 2016

STEVEN T. CIRILLO, CPA, LLC

ACCOUNTING / TAX / CONSULTING SERVICES

WWW.STEVENCIRILLOCPA.COM

STURBRIDGE COMMONS
345 KINDERKAMACK ROAD
WESTWOOD, NJ 07675

TELEPHONE (201) 666-4477
FAX (201) 666-3112
EMAIL SCIRILLO@MSN.COM

INDEPENDENT AUDITORS' REPORT

To the Board of Directors

Adler Aphasia Center

Report on the Financial Statements

We have audited the accompanying financial statements of Adler Aphasia Center (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Adler Aphasia Center as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 6 and the schedule of expenditures of state awards on page 17 and the notes to the schedule on page 18 is presented for purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 10, 2018 on our consideration of Adler Aphasia Center'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 Adler Aphasia Center's internal control over financial reporting and compliance.



Westwood, New Jersey
May 10, 2018

STEVEN T. CIRILLO, CPA, LLC
345 Kinderkamack Rd. – Suite C, Westwood NJ 07675
(201) 666-4477

ADLER APHASIA CENTER

STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

	2017	2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,495,509	\$ 1,700,272
Investments	410,090	292,345
Membership fees receivable	995	8,333
Government and Other receivables	53,991	102,693
Pledges receivable	149,698	521,502
Prepaid expenses	4,409	4,469
Total Current Assets	<u>4,114,692</u>	<u>2,629,614</u>
IMPROVEMENTS AND EQUIPMENT, net	<u>117,670</u>	<u>137,599</u>
OTHER ASSETS:		
Investments - restricted	535,000	535,000
Pledges receivable	55,000	14,367
Total Other Assets	<u>590,000</u>	<u>549,367</u>
Total Assets	<u>\$ 4,822,362</u>	<u>\$ 3,316,580</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 18,216	\$ 30,740
Accrued salaries and taxes	26,190	26,933
Total Current Liabilities	<u>44,406</u>	<u>57,673</u>
NET ASSETS:		
Unrestricted	3,702,042	2,295,802
Temporarily restricted	540,914	428,105
Permanently restricted	535,000	535,000
Total Net Assets	<u>4,777,956</u>	<u>3,258,907</u>
Total Liabilities and Net Assets	<u>\$ 4,822,362</u>	<u>\$ 3,316,580</u>

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

ADLER APHASIA CENTER

STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2017 and 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT:								
Corporate in-kind	\$ 316,396	\$ -	\$ -	\$ 316,396	\$ 377,895	\$ -	\$ -	\$ 377,895
Individual	1,137,047	66,824	-	1,203,871	177,473	73,492	-	250,965
Anniversary Campaign	304,174	-	-	304,174	751,090	-	-	751,090
Foundation	193,843	50,000	-	243,843	59,795	60,000	25,000	144,795
Government grant	226,953	-	-	226,953	180,000	-	-	180,000
Release from restrictions	121,760	(121,760)	-	-	346,398	(346,398)	-	-
Total Support	<u>2,300,173</u>	<u>(4,936)</u>	<u>-</u>	<u>2,295,237</u>	<u>1,892,651</u>	<u>(212,906)</u>	<u>25,000</u>	<u>1,704,745</u>
REVENUE:								
Special events	338,820	-	-	338,820	370,028	-	-	370,028
Membership, net of scholarships	171,312	-	-	171,312	179,751	-	-	179,751
Luncheon fees	10,350	-	-	10,350	9,634	-	-	9,634
Program fees	14,888	-	-	14,888	12,353	-	-	12,353
Something Special income	58,951	-	-	58,951	59,180	-	-	59,180
Other income	53,895	-	-	53,895	26,346	-	-	26,346
Investment income	5,111	117,745	-	122,856	4,597	48,532	-	53,129
Total Revenue	<u>653,327</u>	<u>117,745</u>	<u>-</u>	<u>771,072</u>	<u>661,889</u>	<u>48,532</u>	<u>-</u>	<u>710,421</u>
Total Support and Revenue	<u>2,953,500</u>	<u>112,809</u>	<u>-</u>	<u>3,066,309</u>	<u>2,554,540</u>	<u>(164,374)</u>	<u>25,000</u>	<u>2,415,166</u>
EXPENSES:								
Program services	1,281,174	-	-	1,281,174	1,270,331	-	-	1,270,331
Management and administrative	136,852	-	-	136,852	138,018	-	-	138,018
Fundraising	105,281	-	-	105,281	81,574	-	-	81,574
Depreciation	23,953	-	-	23,953	19,536	-	-	19,536
Total Expenses	<u>1,547,260</u>	<u>-</u>	<u>-</u>	<u>1,547,260</u>	<u>1,509,459</u>	<u>-</u>	<u>-</u>	<u>1,509,459</u>
CHANGE IN NET ASSETS	<u>1,406,240</u>	<u>112,809</u>	<u>-</u>	<u>1,519,049</u>	<u>1,045,081</u>	<u>(164,374)</u>	<u>25,000</u>	<u>905,707</u>
NET ASSETS, Beginning of Year	<u>2,295,802</u>	<u>428,105</u>	<u>535,000</u>	<u>3,258,907</u>	<u>1,250,721</u>	<u>592,479</u>	<u>510,000</u>	<u>2,353,200</u>
NET ASSETS, Ending	<u>\$ 3,702,042</u>	<u>\$ 540,914</u>	<u>\$ 535,000</u>	<u>\$ 4,777,956</u>	<u>\$ 2,295,802</u>	<u>\$ 428,105</u>	<u>\$ 535,000</u>	<u>\$ 3,258,907</u>

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

ADLER APHASIA CENTER

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,519,049	\$ 905,707
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	23,953	19,536
Unrealized gain on investments	(88,875)	(25,681)
Realized gain on investments	(4,364)	(6,314)
Contributions restricted for long-term purposes	-	(25,000)
Contribution of stock	-	(4,932)
Increase (decrease) in cash attributable to changes in operating assets and liabilities:		
Membership fees receivable	7,338	(6,936)
Other receivables	48,702	(40,418)
Pledges receivable	331,171	(223,344)
Prepaid expenses	60	(1,217)
Accounts payable and accrued expenses	(12,494)	(10,005)
Accrued salaries and taxes	(773)	4,208
Net Cash Provided by Operating Activities	<u>1,823,767</u>	<u>585,604</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(4,024)	(42,500)
Proceeds from sale of investments	135,621	388,476
Purchase of investments	(160,127)	(400,081)
Net Cash used in Investing Activities	<u>(28,530)</u>	<u>(54,105)</u>
NET INCREASE IN CASH	1,795,237	531,499
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>1,700,272</u>	<u>1,168,773</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 3,495,509</u>	<u>\$ 1,700,272</u>
Supplemental Disclosure of Cash Flow Information		
Contribution of stock	<u>\$ -</u>	<u>\$ 4,932</u>

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

ADLER APHASIA CENTER

SCHEDULES OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2017 and 2016

	2017				2016			
	Program Services	Management & Administrative	Fundraising	Total	Program Services	Management & Administrative	Fundraising	Total
Salaries expense	\$ 619,720	\$ 84,658	\$ 37,072	\$ 741,450	\$ 631,940	\$ 70,671	\$ 11,001	\$ 713,612
Payroll taxes	50,096	6,773	2,993	59,862	52,940	5,018	964	58,922
Employee benefits	31,727	4,318	1,897	37,942	28,042	2,669	1,098	31,809
Occupancy	335,007	14,726	18,407	368,140	345,708	17,611	16,702	380,021
Professional fees	50,459	20,710	3,746	74,915	57,455	30,233	6,233	93,921
Events expenses	-	-	36,098	36,098	2,049	-	38,616	40,665
Advertising and information	14,154	622	778	15,554	14,389	514	776	15,679
Postage and delivery	14,225	625	782	15,632	9,608	639	426	10,673
Printing and reproduction	8,380	368	460	9,208	11,541	950	855	13,346
Insurance	17,328	762	952	19,042	16,223	1,074	713	18,010
Program supplies	51,920	-	-	51,920	46,274	-	-	46,274
Hadassah College program	50,000	-	-	50,000	40,000	-	-	40,000
Office supplies	-	1,613	-	1,613	2,732	292	151	3,175
Equipment lease	3,908	172	215	4,295	4,371	171	138	4,680
Maintenance and repairs	12,977	570	713	14,260	272	-	-	272
Staff and board development	13,567	596	745	14,908	6,502	4,695	524	11,721
Bank and investment fees	7,178	316	394	7,888	285	3,103	3,377	6,765
Licenses and fees	253	11	14	278	-	378	-	378
Other expense	275	12	15	302	-	-	-	-
Total Expenses	\$ 1,281,174	\$ 136,852	\$ 105,281	\$ 1,523,307	\$ 1,270,331	\$ 138,018	\$ 81,574	\$ 1,489,923

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

ADLER APHASIA CENTER

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

NOTE 1 – NATURE OF THE ORGANIZATION:

Founded in 2003, with operations commencing on August 26, 2003, Adler Aphasia Center (the "Center") is a New Jersey Corporation operating as a not-for-profit organization under Internal Revenue Code Section 501(c)(3). Aphasia is an acquired communication disorder that impairs a person's ability to process language, but does not affect intelligence. Aphasia impairs the ability to speak and understand others, and most people with aphasia experience difficulty reading and writing. The Center operates a site at 60 West Hunter Avenue, Maywood, New Jersey as well as a satellite center at the JCC in West Orange, New Jersey where members and their caregivers meet on a regular basis. The Adler Aphasia Center maintains ten Aphasia Community Groups in Central and Northern New Jersey.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Accounting Framework

The financial statements of the Center have been prepared on the accrual basis of accounting. The Center adheres to accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis of Presentation

In accordance with Accounting Standards Codification ("ASC") 958-205, the Center 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.

Contributions and Support

Contributions are reported as restricted support or unrestricted support, distinguishing between the existence or absence of donor-imposed restrictions. Temporarily restricted net assets are those whose donor-imposed restrictions, as to a specific purpose or time, have not yet been met. Permanently restricted net assets are those with donor-imposed restrictions on the corpus of the gifts specifying they be maintained in perpetuity. Unrestricted net assets include all resources that are not subject to donor-imposed restrictions.

Support from government grants is recognized according to the specific agreement. Generally, revenues from restricted grants are recognized in the period of the grant award to the extent of the expenses incurred.

Estimates

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

Cash and Cash Equivalents

The Center considers all highly liquid investments with an original maturity of three months or less at the time of acquisition and certificates of deposit to be cash equivalents.

ADLER APHASIA CENTER

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Financial instruments that potentially subject the Center to concentrations of credit risk consist principally of cash and cash equivalent accounts held at two financial institutions which, from time to time, exceed the Federal depository insurance coverage limit.

Fair Value Measurements

The Center carries investments in marketable securities at fair market value which are managed by an outside Investment Advisor under an Investment Policy adopted by the Board. Interest, dividends and realized and unrealized gains and losses on investments are reflected in the statements of activities as increases and decreases in unrestricted net assets, unless their use is temporarily restricted or permanently restricted by explicit donor stipulations or by law. Investment income and gains restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the income is recognized.

Fair Value measurements are based on 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 fair value measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 4.

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as pledges receivable at net realizable value. Unconditional promises to give that are expected to be collected in future years are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Conditional promises to give are not included as support until the conditions are substantially met. The Center considers pledged and other receivables to be fully collectible within one year and, accordingly, no allowance for doubtful accounts or present value discount has been established. At December 31, 2017 and 2016, pledges receivable due within one year were \$149,698 and \$521,502, respectively, and pledges receivable due within one to five years were \$55,000 and \$14,367, respectively.

Fixed Assets

Furniture and equipment purchased is carried at cost. Furniture and equipment is depreciated over their estimated useful lives of between 3 and 39 years, calculated using the straight-line method. The Center's policy is to capitalize expenditures for equipment which exceed \$5,000.

Revenue Recognition

The Center recognizes membership revenue of \$94 per day of attendance offset by scholarship expense for the difference between the revenue recognized and the amount paid by the member (up to a maximum of \$30 per day). The Center conducts fundraising activities to cover the cost of scholarship expense. For purposes of financial reporting, the scholarship expense has been netted with membership revenue and is presented in the statement of activities.

In-Kind Contributions

Donated rent, utilities and other goods and services are recorded at their estimated fair value when received. Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

ADLER APHASIA CENTER

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Functional Allocation of Expenses

The cost of providing the Center's programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs are allocated among the programs, supporting services and fundraising areas benefited.

Reclassifications

Certain line items in the December 31, 2016 financial statements have been reclassified to conform to the December 31, 2017 presentation.

NOTE 3 – IN-KIND CONTRIBUTIONS:

The Center records contributed use of the facility located at 60 West Hunter Avenue, Maywood, NJ at its fair value. For the years ended December 31, 2017 and 2016, the Center recognized as both unconditional contribution and expense amounts for rent and utilities and postage totaling \$298,996 and \$364,558, respectively. In addition, the Center received janitorial services in the amount of \$17,400 for the year ended December 31, 2017. The Center received for the year ended December 31, 2016, contributed printing, postage and various office supplies in the amounts of \$13,337. A majority of the above contributions have been donated by two of the founding board members' related entity (See Note 11).

NOTE 4 – INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS:

Authoritative guidance establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure 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 unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Center has the ability to access at the measurement date. The types of investments in Level 1 include listed equities, mutual funds and U.S. Government debt.

Level 2

Inputs other than quoted prices within Level 1, that are observable for the asset or liability, either directly or indirectly. Investments in this category may include certain corporate debt and less liquid securities such as securities traded on certain foreign exchanges. Currently the Center does not have any Level 2 investments.

ADLER APHASIA CENTER

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

NOTE 4 – INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED):

Level 3

Inputs that are unobservable for the asset or liability and that include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments in this category generally include equity and debt positions in private companies. Currently the Center does not have any Level 3 investments.

In determining fair value, the Center utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs, to the extent possible in its measurement of fair value.

The Center's financial instruments, carried at fair value, are all invested in mutual funds and are deemed to be Level 1 at December 31, 2017 and 2016, as follows:

	<u>2017</u>	<u>2016</u>
Mutual funds		
Bond funds:		
Intermediate term	\$ 319,041	\$ 286,142
Nontraditional	29,968	15,700
Total bond funds	<u>349,009</u>	<u>301,842</u>
Stock funds:		
Domestic large value	424,951	366,000
Domestic mid-cap	59,806	50,651
Foreign large value	111,202	70,669
Total stock funds	<u>595,959</u>	<u>487,320</u>
Cash reserves	<u>122</u>	<u>38,183</u>
Total assets carried at fair value	<u>\$ 945,090</u>	<u>\$ 827,345</u>

Investments in mutual funds are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

Investment advisory fees amounted to \$388 and \$1,618 for the years ended December 31, 2017 and 2016, respectively, and are included with bank and investment fees on the statement of functional expenses.

ADLER APHASIA CENTER

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

NOTE 4 – INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED):

The Center's investment income consists of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 29,617	\$ 21,134
Realized gains	4,364	6,314
Unrealized losses	88,875	25,681
	<u>\$ 122,856</u>	<u>\$ 53,129</u>

NOTE 5 – IMPROVEMENTS AND EQUIPMENT:

Improvements and equipment consist of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Leasehold improvements	\$ 175,292	\$ 175,292
Furniture and equipment	100,613	96,589
	<u>275,905</u>	<u>271,881</u>
Less: accumulated depreciation	<u>158,235</u>	<u>134,282</u>
Net improvements and equipment	<u>\$ 117,670</u>	<u>\$ 137,599</u>

Depreciation expense amounted to \$23,953 and \$19,536 for the years ended December 31, 2017 and 2016, respectively.

NOTE 6 – MEMBERSHIP INCOME:

For the years ended December 31, 2017 and 2016, membership revenue and scholarship expense was as follows:

	<u>2017</u>	<u>2016</u>
Membership revenue	\$ 679,865	\$ 743,425
Less: Scholarship expense	508,553	563,674
Membership revenue, net of scholarships	<u>\$ 171,312</u>	<u>\$ 179,751</u>

ADLER APHASIA CENTER

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

NOTE 7 – DONOR RESTRICTED NET ASSETS:

Temporarily restricted net assets

The Center's temporarily restricted net assets are held for the following purpose at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
New Initiatives	\$ -	\$ 107,193
Tribute and Memorial	-	200
Time restriction	130,824	28,367
Endowment income	410,090	292,345
	<u>\$ 540,914</u>	<u>\$ 428,105</u>

Net assets released from restrictions during the years ended December 31, 2017 and 2016 were for:

	<u>2017</u>	<u>2016</u>
New Initiatives	\$ 107,193	\$ 346,398
Tribute and Memorial	200	-
Time restriction	14,367	-
	<u>\$ 121,760</u>	<u>\$ 346,398</u>

In 2012, the Center created the New Initiatives Fund with the purpose of providing funding for new initiatives such as the JCC program in West Orange, NJ and new information and technology resources. Two founding board members generously pledged up to \$1,000,000 to match all new money that is received and restricted for this new fund, until June 2016. As of December 31, 2017 and 2016, the cumulative amount pledged from the board members was \$784,933 and \$776,183, respectively.

Permanently restricted net assets

In 2005, the Center received a \$500,000 permanently restricted contribution which has been included in the Center's endowment. The donor agreements specified that investment income, including interest, dividends and capital gains, be used for program expenses. The Center maintains the original corpus of the donation as restricted investments and classifies all unspent investment income as unrestricted investments on the statements of financial position. For the years ended December 31, 2017 and 2016, the Center received permanently restricted donations in the amounts of \$0 and \$25,000, respectively.

ADLER APHASIA CENTER

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2017 and 2016

NOTE 8 – ENDOWMENTS:

The Center's endowment consists of two donor-restricted funds established to satisfy program expense needs. As required by US GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Center has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date to the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Center classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets, until those amounts are appropriated for expenditure by the Center in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Return Objectives and Risk Parameters

The Board of Directors has delegated responsibility of the oversight of its endowment assets to the investment committee for the following:

- Development of sound and consistent investment policies and guidelines;
- Establishing reasonable and prudent investment objectives;
- Identifying, selecting and allocating asset categories and determining the asset mix of all assets;
- Periodically reviewing the suitability of the investments; and
- Making changes to any of the above.

The Center's adopted investment and spending policies for endowment assets attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested

ADLER APHASIA CENTER

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

NOTE 8 – ENDOWMENTS (CONTINUED):

in a manner that is intended to produce results that may be characterized as moderate growth. The philosophy is aimed at the preservation and safety of principal with long term reasonable growth as an ideal. In order to maintain the safety of principal with moderate growth and without risking wide swings in principal value, it is necessary to maintain an investment in a variety of assets.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Center targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Center has a policy of appropriating for distribution each year the allowable amount per the endowment agreements. In establishing this policy, the Center considered the long term expected return on its endowments. Accordingly, over the long term, the Center expects the current spending policy to allow its endowments to grow. This is consistent with the Center's objective to maintain the purchasing power of the endowment assets, as well as to preserve and increase the assets. When the fund incurs investment losses, the loss is absorbed by unrestricted net assets.

For the year's ending December 31, 2017 and 2016, the Center's endowment net asset composition, by type of fund, is donor-restricted in the amounts of \$535,000 and \$510,000, respectively.

As of December 31, 2017 and 2016, the Center's endowment net assets are entirely permanently restricted and had the following activity.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 410,090	\$ 535,000	\$ 945,090

ADLER APHASIA CENTER

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

Changes in endowment net assets, including Board-designated funds for the year ended December 31, 2017, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of year	\$ -	\$ 292,345	\$ 535,000	\$ 827,345
Investment return:				
Investment income	-	24,506	-	24,506
Net depreciation of realized and unrealized loss	-	93,239	-	93,239
Total Investment Return		117,745	-	117,745
Contributions	-	-	-	-
Appropriation for expenditure	-	-	-	-
Endowment Net Assets, End of year	\$ -	\$ 410,090	\$ 535,000	\$ 945,090

Changes in endowment net assets, including Board-designated funds for the year ended December 31, 2016, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of year	\$ -	\$ 240,877	\$ 510,000	\$ 750,877
Investment return:				
Investment income	-	19,473	-	19,473
Net depreciation of realized and unrealized loss	-	31,995	-	31,995
Total Investment Return		51,468	-	51,468
Contributions	-	-	25,000	25,000
Appropriation for expenditure	-	-	-	-
Endowment Net Assets, End of year	\$ -	\$ 292,345	\$ 535,000	\$ 827,345

ADLER APHASIA CENTER

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

NOTE 9 – EMPLOYEE BENEFIT PLAN:

The Center’s Safe Harbor 401(k) plan provides for a matching contribution of 3% of an eligible participant’s compensation. Eligibility requirements include, but are not limited to, those employees who are at least 21 years of age, have worked at least 1,000 hours and have at least one year of service. For the years ended December 31, 2017 and 2016, the Center made total contributions (including non-elective) on behalf of its employees that totaled \$19,954 and \$17,532, respectively.

NOTE 10 – CONCENTRATIONS:

Support and revenue

For the years ended December 31, 2017 and 2016, the Center received support and in-kind revenue from two founding board members and from their related entity totaling approximately \$533,000 (17%) and \$857,000 (35%), respectively (See Note 3 and Note 7).

Credit Risk

The Center maintains its cash in bank deposit accounts at high credit quality financial institutions. Cash and cash equivalents that potentially subject the Center to a concentration of credit risk include cash accounts with banks that may exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. Interest and non-interest bearing accounts are insured up to \$250,000 per depositor. As of December 31, 2017 and 2016, cash and cash equivalents held in banks exceeded FDIC limits by approximately \$3,142,000 and \$1,350,000, respectively.

NOTE 11 – INCOME TAXES:

The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Center had no uncertain tax positions as of December 31, 2017 and 2016 in accordance with Accounting Standards Codification (“ASC”) Topic 740, “Income Taxes”, which provides standards for establishing and classifying any tax provisions for uncertain tax positions. The Center is no longer subject to federal or state tax examinations by tax authorities for the year ended December 31, 2014 and prior years.

NOTE 12 – SUBSEQUENT EVENTS:

Management has evaluated events through the date of the independent auditor’s report, the date the financial statements were available to be issued, and has determined that there are no subsequent events requiring recording or disclosure in these financial statements.

ADLER APHASIA CENTER

Schedule of Expenditures of State Awards
For the Year Ended December 31, 2017

Federal or State Grantor	Federal CFDA Number	Grant/Contract Number	Grant Period	Grant Award	Passed Through to Subrecipients	Current Year's Expenditures
NEW JERSEY STATE						
New Jersey Department of Health						
Tourettes Syndrome 2017	n/a	DFHS17TOU002	07/01/16 - 06/30/17	200,000	-	100,000
Tourettes Syndrome 2018	n/a	DFHS18TOU002	07/01/17 - 06/30/18	200,000	-	105,954
Total State Expenditures					\$ -	\$ 205,954

ADLER APHASIA CENTER

NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended December 31, 2017

NOTE 1 – BASIS OF PRESENTATION:

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

NOTE 2 – SUBRECIPIENTS:

During the year ended December 31, 2017, the Center did not provide any funds relating to their state programs to subrecipients.

NOTE 3 – INDIRECT COSTS:

The Center did not elect to use the de minimis cost rate when allocating indirect costs to state programs.

NOTE 4 – LOAN AND LOAN GUARANTEE PROGRAMS:

As of December 31, 2017, the Center did not have any state loan or loan guarantee programs.

STEVEN T. CIRILLO, CPA, LLC

ACCOUNTING / TAX / CONSULTING SERVICES

WWW.STEVENCIRILLOCPA.COM

STURBRIDGE COMMONS
345 KINDERKAMACK ROAD
WESTWOOD, NJ 07675

TELEPHONE (201) 666-4477
FAX (201) 666-3112
EMAIL SCIRILLO@MSN.COM

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

To the Board of Trustees
Adler Aphasia Center

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 financial statements of Adler Aphasia Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 10, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Adler Aphasia Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Adler Aphasia Center's internal control. Accordingly, we do not express an opinion on the effectiveness of Adler Aphasia Center'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 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 Adler Aphasia Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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



Westwood, New Jersey
May 10, 2018

STEVEN T. CIRILLO, CPA, LLC
345 Kinderkamack Rd. – Suite C, Westwood NJ 07675
(201) 666-4477