

ADLER APHASIA CENTER

Financial Statements
December 31, 2018 and 2017

STEVEN T. CIRILLO, CPA, LLC

ACCOUNTING / TAX / CONSULTING SERVICES

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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, 2018 and 2017, 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, 2018 and 2017, 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 19 and the notes to the schedule on page 20 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 April 10, 2019 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
April 10, 2019

STEVEN T. CIRILLO, CPA, LLC
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ADLER APHASIA CENTER

STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,007,227	\$ 3,393,651
Investments	4,113,792	511,948
Membership fees receivable	4,740	995
Government and other receivables	51,667	53,991
Pledges receivable	135,279	149,698
Prepaid expenses	4,642	4,409
Total Current Assets	<u>6,317,347</u>	<u>4,114,692</u>
IMPROVEMENTS AND EQUIPMENT, net	<u>94,471</u>	<u>117,670</u>
OTHER ASSETS:		
Investments - restricted	535,000	535,000
Pledges receivable	<u>20,000</u>	<u>55,000</u>
Total Other Assets	<u>555,000</u>	<u>590,000</u>
Total Assets	<u>\$ 6,966,818</u>	<u>\$ 4,822,362</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 25,379	\$ 18,216
Accrued salaries and taxes	<u>25,767</u>	<u>26,190</u>
Total Current Liabilities	<u>51,146</u>	<u>44,406</u>
NET ASSETS:		
Without Donor Restrictions	5,988,780	3,702,042
With Donor Restrictions	<u>926,892</u>	<u>1,075,914</u>
Total Net Assets	<u>6,915,672</u>	<u>4,777,956</u>
Total Liabilities and Net Assets	<u>\$ 6,966,818</u>	<u>\$ 4,822,362</u>

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

ADLER APHASIA CENTER

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT:						
Corporate in-kind	\$ 257,475	\$ -	\$ 257,475	\$ 316,396	\$ -	\$ 316,396
Individual	2,445,821	-	2,445,821	1,137,047	66,824	1,203,871
Anniversary campaign	44,750	10,250	55,000	304,174	-	304,174
Foundation	209,000	-	209,000	193,843	50,000	243,843
Government grant	217,046	-	217,046	226,953	-	226,953
Release from restrictions	100,824	(100,824)	-	121,760	(121,760)	-
Total Support	<u>3,274,916</u>	<u>(90,574)</u>	<u>3,184,342</u>	<u>2,300,173</u>	<u>(4,936)</u>	<u>2,295,237</u>
REVENUE:						
Special events, net of expenses of \$34,334 and \$36,098 in 2018 and 2017	270,202	-	270,202	302,722	-	302,722
Membership, net of scholarships	178,431	-	178,431	171,312	-	171,312
Luncheon fees	8,793	-	8,793	10,350	-	10,350
Program fees	18,939	-	18,939	14,888	-	14,888
Something Special income	63,455	-	63,455	58,951	-	58,951
Other income	57,696	-	57,696	53,895	-	53,895
Investment (loss) income	(4,546)	(58,448)	(62,994)	5,111	117,745	122,856
Total Revenue	<u>592,970</u>	<u>(58,448)</u>	<u>534,522</u>	<u>617,229</u>	<u>117,745</u>	<u>734,974</u>
Total Support and Revenue	<u>3,867,886</u>	<u>(149,022)</u>	<u>3,718,864</u>	<u>2,917,402</u>	<u>112,809</u>	<u>3,030,211</u>
EXPENSES						
Program services	1,112,629	-	1,112,629	1,095,286	-	1,095,286
Management and administrative	284,717	-	284,717	236,516	-	236,516
Fundraising	160,603	-	160,603	155,407	-	155,407
Depreciation	23,199	-	23,199	23,953	-	23,953
Total Expenses	<u>1,581,148</u>	<u>-</u>	<u>1,581,148</u>	<u>1,511,162</u>	<u>-</u>	<u>1,511,162</u>
CHANGE IN NET ASSETS	2,286,738	(149,022)	2,137,716	1,406,240	112,809	1,519,049
NET ASSETS, Beginning of Year	<u>3,702,042</u>	<u>1,075,914</u>	<u>4,777,956</u>	<u>2,295,802</u>	<u>963,105</u>	<u>3,258,907</u>
NET ASSETS, Ending	<u>\$ 5,988,780</u>	<u>\$ 926,892</u>	<u>\$ 6,915,672</u>	<u>\$ 3,702,042</u>	<u>\$ 1,075,914</u>	<u>\$ 4,777,956</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,137,716	\$ 1,519,049
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	23,199	23,953
Unrealized loss (gain) on investments	142,811	(88,875)
Realized loss (gain) on investments	6,620	(4,364)
Bad debt expense	25,000	-
Increase (decrease) in cash attributable to changes in operating assets and liabilities:		
Membership fees receivable	(3,745)	7,338
Government and other receivables	2,324	48,702
Pledges receivable	24,419	331,171
Prepaid expenses	(233)	60
Accounts payable and accrued expenses	7,163	(12,494)
Accrued salaries and taxes	(423)	(773)
Net Cash Provided by Operating Activities	<u>2,364,851</u>	<u>1,823,767</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	-	(4,024)
Proceeds from sale of investments	837,345	135,621
Purchase of investments	(4,588,620)	(261,985)
Net Cash Used in Investing Activities	<u>(3,751,275)</u>	<u>(130,388)</u>
NET (DECREASE) INCREASE IN CASH	(1,386,424)	1,693,379
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>3,393,651</u>	<u>1,700,272</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 2,007,227</u>	<u>\$ 3,393,651</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, 2018 and 2017

	2018				2017			
	Program Services	Management & Administrative	Fundraising	Total	Program Services	Management & Administrative	Fundraising	Total
Salaries expense	\$ 486,469	\$ 194,957	\$ 120,174	\$ 801,600	\$ 450,501	\$ 176,227	\$ 114,722	\$ 741,450
Payroll taxes	37,314	15,966	9,674	62,954	36,418	14,217	9,227	59,862
Employee benefits	28,008	4,041	4,231	36,280	28,736	4,969	4,237	37,942
Occupancy	291,704	12,823	16,027	320,554	335,007	14,726	18,407	368,140
Professional fees	70,904	26,499	5,126	102,529	50,459	20,710	3,746	74,915
Advertising and information	10,054	442	552	11,048	14,154	622	778	15,554
Postage and delivery	8,357	367	459	9,183	14,225	625	782	15,632
Printing and reproduction	11,257	494	619	12,370	8,380	368	460	9,208
Insurance	15,195	668	835	16,698	17,328	762	952	19,042
Program supplies	55,447	-	-	55,447	51,920	-	-	51,920
Hadassah College program support	45,000	-	-	45,000	50,000	-	-	50,000
Office supplies	-	1,131	-	1,131	-	1,613	-	1,613
Equipment lease	3,908	172	215	4,295	3,908	172	215	4,295
Maintenance and repairs	21,606	950	1,187	23,743	12,977	570	713	14,260
Staff and board development	17,352	763	953	19,068	13,567	596	745	14,908
Bank and investment fees	9,469	417	520	10,406	7,178	316	394	7,888
Licenses and fees	585	27	31	643	253	11	14	278
Other expense	-	-	-	-	275	12	15	302
Bad debts expense	-	25,000	-	25,000	-	-	-	-
Total Expenses	\$ 1,112,629	\$ 284,717	\$ 160,603	\$ 1,557,949	\$ 1,095,286	\$ 236,516	\$ 155,407	\$ 1,487,209

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

ADLER APHASIA CENTER

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2018 and 2017

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”).

Financial Statement Reporting for Nonprofits

The Center adopted *Presentation of Financial Statements of Not-for-Profit Entities* in 2018. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

Financial Statement Presentation

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

Net Assets Without Donor Restrictions - Net assets not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Center and/or the passage of time. Also, other net assets subject to donor-imposed stipulations that be maintained permanently by the Center. Generally, the donors of these assets permit the Center to use all or part of the income earned on any related investments for general or specific purposes. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

ADLER APHASIA CENTER

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2018 and 2017

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

Contributions and Support

Contributions are reported as restricted support or unrestricted support, distinguishing between the existence or absence of donor-imposed restrictions. Net assets with donor restrictions are those whose donor-imposed restrictions, as to a specific purpose or time, have not yet been met or are those with donor-imposed restrictions on the corpus of the gifts specifying they be maintained in perpetuity. Net assets without donor restrictions 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 to be cash equivalents.

Financial instruments that potentially subject the Center to concentrations of credit risk consist principally of cash and cash equivalent accounts held at certain 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 net assets without donor restrictions, unless their use is restricted by explicit donor stipulations or by law. Investment income and gains restricted by the donor are reported as increases in net assets without donor restrictions 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.

ADLER APHASIA CENTER

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2018 and 2017

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

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.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis on the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefits. General and administrative expenses are those not directly identifiable with any specific function, but which provide for the overall support and direction of the Center.

The financial statements contain certain categories of expense that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Salaries and related expenses are allocated based on time studies performed. Additional expenses are allocated based on direct costs within the program or department.

Reclassifications

Certain line items in the December 31, 2017 financial statements have been reclassified to conform to the December 31, 2018 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, 2018 and 2017, the Center recognized as both unconditional contribution and expense amounts for rent totaling \$257,475 and \$298,996, respectively. In addition, for the year ended December 31, 2017, the Center received janitorial services in the amount of \$17,400. A majority of the above contributions have been donated by a founding board members' related entities. (See Note 11).

ADLER APHASIA CENTER

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2018 and 2017

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.

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.

ADLER APHASIA CENTER

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2018 and 2017

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

The Center's financial instruments, carried at fair value, invested in mutual funds and equities are deemed to be Level 1 and amounts invested in certificates of deposit and corporate bonds are deemed to be Level 2 at December 31, 2018 and 2017. Total investments are as follows:

	<u>2018</u>	<u>2017</u>
Mutual funds		
Bond funds	\$ 1,416,181	\$ 349,009
Stock funds:		
Large value	256,650	536,153
Mid-cap	-	59,806
Large blend	385,185	-
Large growth	69,161	-
Exchange Traded	199,275	-
Total stock funds	<u>2,326,452</u>	<u>944,968</u>
Certificates of Deposit	1,804,989	101,858
Corporate Bonds	488,900	-
Equity	2,438	-
Cash and accrued interest	26,013	122
Total assets carried at fair value	<u>\$ 4,648,792</u>	<u>\$ 1,046,948</u>

The Center's investment income consists of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 86,437	\$ 29,617
Realized (losses) gains	(6,620)	4,364
Unrealized (losses) gains	(142,811)	88,875
	<u>\$ (62,994)</u>	<u>\$ 122,856</u>

ADLER APHASIA CENTER

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2018 and 2017

NOTE 5 – IMPROVEMENTS AND EQUIPMENT:

Improvements and equipment consist of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 175,292	\$ 175,292
Furniture and equipment	100,613	100,613
	<u>275,905</u>	<u>275,905</u>
Less: accumulated depreciation	<u>181,434</u>	<u>158,235</u>
Net improvements and equipment	<u>\$ 94,471</u>	<u>\$ 117,670</u>

Depreciation expense amounted to \$23,199 and \$23,953 for the years ended December 31, 2018 and 2017, respectively.

NOTE 6 – MEMBERSHIP INCOME:

For the years ended December 31, 2018 and 2017, membership revenue and scholarship expense was as follows:

	<u>2018</u>	<u>2017</u>
Membership revenue	\$ 746,455	\$ 679,865
Less: Scholarship expense	<u>568,024</u>	<u>508,553</u>
Membership revenue, net of scholarships	<u>\$ 178,431</u>	<u>\$ 171,312</u>

ADLER APHASIA CENTER

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2018 and 2017

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS:

Net Assets with Donor Restrictions

The Center's net assets with donor restrictions are held for the following purpose at December 31, 2018 and 2017:

	2018	2017
Time restriction	\$ 40,250	\$ 130,824
Endowment income	351,642	410,090
Endowment contribution	535,000	535,000
	<u>\$ 926,892</u>	<u>\$ 1,075,914</u>

Net assets released from donor restrictions during the years ended December 31, 2018 and 2017 were for:

	2018	2017
New Initiatives	\$ -	\$ 107,193
Tribute and Memorial	-	200
Time restriction	100,824	14,367
	<u>\$ 100,824</u>	<u>\$ 121,760</u>

In 2006 the Center received \$535,000 in restricted contributions 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. Unappropriated investment income is classified as donor restricted until appropriation by the board. The Center maintains the original corpus of the donation as restricted investments and classifies all unspent investment income as investments on the statements of financial position.

Unappropriated investment income is classified as net assets with donor restrictions based on the donor wishes. Release from restriction for operating activities will be determined by board authorized appropriation.

ADLER APHASIA CENTER

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2018 and 2017

NOTE 8 – ENDOWMENTS:

The Center's endowment consists of 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 donor restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment and (c) accumulations to the 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 is classified as donor 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.

ADLER APHASIA CENTER

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2018 and 2017

NOTE 8 – ENDOWMENTS (CONTINUED):

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 center must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested 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.

As of December 31, 2018, the Center had the following endowment net asset composition by type of fund:

	Without Donor Restriction	With Donor Restriction	Total
Donor restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 535,000	\$ 535,000
Accumulated investment gains	-	351,642	351,642
December 31, 2018, endowment net assets	\$ -	\$ 886,642	\$ 886,642

ADLER APHASIA CENTER

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2018 and 2017

NOTE 8 – ENDOWMENTS (CONTINUED):

As of December 31, 2017, the Center had the following endowment net asset composition by type of fund:

	Without Donor Restriction	With Donor Restriction	Total
Donor restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 535,000	\$ 535,000
Accumulated investment gains	-	410,090	410,090
December 31, 2017, endowment net assets	<u>\$ -</u>	<u>\$ 945,090</u>	<u>\$ 945,090</u>

Funds with Deficiencies:

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Center has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

At December 31, 2018 and 2017, there were no funds with deficiencies.

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, 2018 and 2017, the Center made total contributions (including non-elective) on behalf of its employees that totaled \$16,518 and \$19,954, respectively.

ADLER APHASIA CENTER

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2018 and 2017

NOTE 10 – CONCENTRATIONS:

Support and revenue

For the years ended December 31, 2018 and 2017, the Center received support and in-kind revenue from its founding board member and related entities totaling approximately \$ 462,000 (12%) and \$533,000 (17%), 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, 2018 and 2017, cash and cash equivalents held in banks exceeded FDIC limits by approximately \$1,471,000 and \$3,142,000, 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, 2018 and 2017 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, 2015 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

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2018 and 2017

NOTE 13 – LIQUIDITY AND AVAILABILITY:

The following represents the Center’s financial assets at December 31, 2018, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor imposed restrictions or internal designations. Amounts available include donor-restricted amounts that are available for general expenditure in the following year.

	<u>2018</u>
Cash and cash equivalents	\$ 2,007,227
Investments	4,648,792
Membership fees receivable	4,740
Government and other receivables	51,667
Pledges receivable	155,279
Prepaid expenses	<u>4,642</u>
Total financial assets	<u>\$ 6,872,347</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	(926,892)
Investments with maturity dates greater than 12 months	(689,651)
Estimated releases	<u>20,250</u>
	<u>\$ (1,596,293)</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 5,276,054</u>

The Center has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of its liquidity plan, the Center maintains cash reserve funds in the form of investments derived from excess funds accumulated to be available in the event of unexpected financial crisis. The Center strives to keep a minimum balance of cash on hand to meet the ongoing financial obligations. Excess funds are deposited in short-term investments to maximize earned interest opportunities and in Level 1, liquid, mutual funds and stock funds. Interest rates and investment options are reviewed regularly by management and the board of directors to determine the best investment options.

ADLER APHASIA CENTER

Schedule of Expenditures of State Awards
For the Year Ended December 31, 2018

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 2018	n/a	DFHS18TOU002	07/01/17 - 06/30/18	200,000	\$ -	\$ 93,046
Dedicated Grant-in-Aid 2019	n/a	MGMT19GIA003	07/01/18 - 06/30/19	200,000	-	100,000
Total State Expenditures					\$ -	\$ 193,046

ADLER APHASIA CENTER

NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended December 31, 2018

NOTE 1 - BASIS OF PRESENTATION:

The accompanying schedules of federal and state awards include the state grant activity of the Center and are presented on the accrual basis of accounting. The information in these schedules 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 these schedules may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 - SUBRECIPIENTS:

During the year ended December 31, 2018, 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, 2018, the Center did not have any federal or state loan or loan guarantee programs

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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, 2018, 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 April 10, 2019.

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
April 10, 2019

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