ADLER APHASIA CENTER

Financial Statements
December 31, 2019 and 2018

ADLER APHASIA CENTER

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December 31, 2019 and 2018

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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, 2019 and 2018, and the related statements of activities, functional expenses 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, 2019 and 2018, 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 expenditures of state awards on page 20 and the notes to the schedule on page 21 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 August 11, 2020 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.

Steven T. Cirillo CPA LLC

Westwood, New Jersey
August 11, 2020

ADLER APHASIA CENTER

STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

ASSETS

	2019	2018
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,126,969	$ 2,007,227
Investments	4,554,126	4,113,792
Membership fees receivable	9,194	4,740
Government receivables	51,667	51,667
Pledges receivable	223,494	135,279
Prepaid expenses	6,557	4,642
Total Current Assets	6,972,007	6,317,347
IMPROVEMENTS AND EQUIPMENT, net	124,496	94,471
OTHER ASSETS:		
Investments - restricted	535,000	535,000
Pledges receivable	-	20,000
Total Other Assets	535,000	555,000
Total Assets	$ 7,631,503	$ 6,966,818

LIABILITIES AND NET ASSETS

	2019	2018
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 36,035	$ 25,379
Accrued salaries and taxes	45,433	25,767
Total Current Liabilities	81,468	51,146
NET ASSETS:		
Without donor restriction	6,719,176	6,316,036
With donor restriction	830,859	599,636
Total Net Assets	7,550,035	6,915,672
Total Liabilities and Net Assets	$ 7,631,503	$ 6,966,818

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

ADLER APHASIA CENTER

STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT:						
Corporate in-kind	$ 257,475	$ -	$ 257,475	$ 257,475	$ -	$ 257,475
Individual	209,892	178,875	388,767	2,445,821	-	2,445,821
Anniversary campaign	15,615	10,250	25,865	44,750	10,250	55,000
Foundation	308,100	-	308,100	209,000	-	209,000
Government grant	220,001	-	220,001	217,046	-	217,046
Release from restrictions	49,711	(49,711)	-	128,414	(128,414)	-
Total Support	1,060,794	139,414	1,200,208	3,302,506	(118,164)	3,184,342
REVENUE:						
Special events, net of expenses of $42,805 and $34,334 in 2019 and 2018	302,931	-	302,931	270,202	-	270,202
Membership, net of scholarships	181,421	-	181,421	178,431	-	178,431
Luncheon fees	7,590	-	7,590	8,793	-	8,793
Program fees	31,725	-	31,725	18,939	-	18,939
Something Special income	64,871	-	64,871	63,455	-	63,455
Other income	54,417	-	54,417	57,696	-	57,696
Investment (loss) income	352,236	91,809	444,045	(26,026)	(36,968)	(62,994)
Total Revenue	995,191	91,809	1,087,000	571,490	(36,968)	534,522
Total Support and Revenue	2,055,985	231,223	2,287,208	3,873,996	(155,132)	3,718,864
EXPENSES						
Program services	1,247,798	-	1,247,798	1,112,629	-	1,112,629
Management and administrative	260,902	-	260,902	284,717	-	284,717
Fundraising	123,211	-	123,211	160,603	-	160,603
Depreciation	20,934	-	20,934	23,199	-	23,199
Total Expenses	1,652,845	-	1,652,845	1,581,148	-	1,581,148
CHANGE IN NET ASSETS	403,140	231,223	634,363	2,292,848	(155,132)	2,137,716
NET ASSETS, Beginning of Year	6,316,036	599,636	6,915,672	3,702,042	1,075,914	4,777,956
TRANSFER	-	-	-	321,146	(321,146)	-
NET ASSETS, Ending	$ 6,719,176	$ 830,859	$ 7,550,035	$ 6,316,036	$ 599,636	$ 6,915,672

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

ADLER APHASIA CENTER

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 634,363	$ 2,137,716
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	20,934	23,199
Unrealized loss (gain) on investments	(294,305)	142,811
Realized loss (gain) on investments	(4,830)	6,620
Bad debt expense	-	25,000
(Increase) decrease in assets:		
Membership fees receivable	(4,454)	(3,745)
Government and other receivables	-	2,324
Pledges receivable	(68,215)	24,419
Prepaid expenses	(1,915)	(233)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	10,656	7,163
Accrued salaries and taxes	19,666	(423)
Net Cash Provided by Operating Activities	311,900	2,364,851
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(50,958)	-
Proceeds from sale of investments	1,839,962	837,345
Purchase of investments	(1,981,162)	(4,588,620)
Net Cash Used in Investing Activities	(192,158)	(3,751,275)
NET (DECREASE) INCREASE IN CASH	119,742	(1,386,424)
CASH AND CASH EQUIVALENTS, Beginning of Year	2,007,227	3,393,651
CASH AND CASH EQUIVALENTS, End of Year	$ 2,126,969	$ 2,007,227

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

ADLER APHASIA CENTER

SCHEDULES OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2019 and 2018

	2019				2018			
	Program Services	Management & Administrative	Fundraising	Total	Program Services	Management & Administrative	Fundraising	Total
Salaries expense	$ 602,653	$ 141,905	$ 65,626	$ 810,184	$ 486,469	$ 194,957	$ 120,174	$ 801,600
Payroll taxes	50,779	11,132	5,374	67,285	37,314	15,966	9,674	62,954
Employee benefits	33,161	14,354	2,755	50,270	28,008	4,041	4,231	36,280
Occupancy	306,172	7,590	3,835	317,597	291,704	12,823	16,027	320,554
Professional fees	77,525	54,416	26,731	158,672	70,904	26,499	5,126	102,529
Advertising and information	8,535	1,864	12,774	23,173	10,054	442	552	11,048
Postage and delivery	2,105	405	249	2,759	8,357	367	459	9,183
Printing and reproduction	89	-	62	151	11,257	494	619	12,370
Insurance	13,864	1,127	1,733	16,724	15,195	668	835	16,698
Program supplies	58,509	345	433	59,287	55,447	-	-	55,447
Hadassah College program support	55,000	-	-	55,000	45,000	-	-	45,000
Auidiology program support	1,792	-	-	1,792	-	-	-	-
Office supplies	1,092	821	53	1,966	-	1,131	-	1,131
Equipment lease	3,986	618	328	4,932	3,908	172	215	4,295
Maintenance and repairs	23,597	7,470	2,106	33,173	21,606	950	1,187	23,743
Staff and board development	2,371	4,691	852	7,914	17,352	763	953	19,068
Bank and investment fees	6,417	13,817	51	20,285	9,469	417	520	10,406
Licenses and fees	151	347	249	747	585	27	31	643
Bad debts expense	-	-	-	-	-	25,000	-	25,000
Total Expenses	$ 1,247,798	$ 260,902	$ 123,211	$ 1,631,911	$ 1,112,629	$ 284,717	$ 160,603	$ 1,557,949

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

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.

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.

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

Fixed Assets
Improvements and equipment purchased is carried at cost. Improvements 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.

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, 2019 and 2018, the Center recognized as both unconditional contribution and expense amounts for rent totaling $257,475 and $257,475, respectively. In addition, for the year ended. A majority of the above contributions have been donated by a founding board members' related entities. (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.

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.

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, 2019 and 2018. Total investments are as follows:

	2019	2018
Mutual funds		
Bond funds	$ 1,513,605	$ 1,416,181
Stock funds:		
Large value	157,613	256,650
Mid-cap	-	-
Large blend	443,028	385,185
Large growth	82,330	69,161
Diversified emerging markets	66,675	-
Long-short equity	106,307	-
Infrastructure	30,192	-
Exchange Traded	259,369	199,275
Total stock funds	2,659,119	2,326,452
Certificates of Deposit	1,888,681	1,804,989
Corporate Bonds	-	488,900
Equity	-	2,438
Structured Products	518,825	-
Cash and accrued interest	22,501	26,013
Total assets carried at fair value	$ 5,089,126	$ 4,648,792

The Center's investment income consists of the following at December 31, 2019 and 2018:

	2019	2018
Interest and dividends	$ 144,910	$ 86,437
Realized gains (losses)	-	(6,620)
Unrealized gains (losses)	299,135	(142,811)
	$ 444,045	$ (62,994)

NOTE 5 – IMPROVEMENTS AND EQUIPMENT:

Improvements and equipment consist of the following at December 31, 2019 and 2018:

	2019	2018
Leasehold improvements	$ 226,250	$ 175,292
Furniture and equipment	100,614	100,613
	326,864	275,905
Less: accumulated depreciation	202,368	181,434
Net improvements and equipment	$ 124,496	$ 94,471

Depreciation expense amounted to $20,934 and $23,199 for the years ended December 31, 2019 and 2018, respectively.

NOTE 6 – MEMBERSHIP INCOME:

For the years ended December 31, 2019 and 2018, membership revenue and scholarship expense was as follows:

	2019	2018
Membership revenue	$ 785,013	$ 746,455
Less: Scholarship expense	603,592	568,024
Membership revenue, net of scholarships	$ 181,422	$ 178,431

NOTE 7 – NET ASSETS:

Net Assets with Donor Restrictions

The Center's net assets with donor restrictions are held for the following purpose at December 31, 2019 and 2018:

	2019	2018
Time restriction	$ 209,125	$ 40,250
Endowment income	86,734	24,386
Endowment contribution	535,000	535,000
	$ 830,859	$ 599,636

Net assets released from donor restrictions during the years ended December 31, 2019 and 2018 were for:

	2019	2018
Programs	29,461	27,590
Time restriction	20,250	100,824
	$ 49,711	$ 128,414

Endowment

In 2006 the Center received a $500,000 restricted contribution to establish the Center's endowment. Since that time, an additional $35,000 in donor restricted contributions have been made to the 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 with donor restriction until appropriation by the board under its spending policy. 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.

Transfer of net assets:

During the year 2019, the board of directors memorialized its endowment spending policy and enacted its application retroactively to inception of the endowment. Beginning net assets as of January 1, 2018 have been restated to conform with the change in accounting policy. Endowment income appropriated for use in operations in the amount of $321,146 has been transferred from net assets with donor restrictions to net assets without donor restrictions since inception through January 1, 2018. This amount is shown on the statement of activities and is included in beginning net assets for the year ended December 31, 2018 the details of which are as follows:

NOTE 7 – NET ASSETS (CONTINUED):

Net assets as of January 1, 2018	Without Donor Restrictions	With Donor Restrictions	Total
Net assets before transfer	3,702,042	1,075,914	4,777,956
Transfer of net assets	321,146	(321,146)	-
Net assets after transfer	4,023,188	754,768	4,777,956

The statement of activities for the year ended December 31, 2018 has been restated to include endowment investment income and the annual appropriation of endowment income as approved by the Board of Directors. Total ending net assets as of December 31, 2018 has not changed.

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

NOTE 8 – ENDOWMENTS (CONTINUED):

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 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.

NOTE 8 – ENDOWMENTS (CONTINUED):

As of December 31, 2019, 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	-	86,734	86,734
December 31, 2019, endowment net assets	$ -	$ 621,734	$ 621,734

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	-	24,386	24,386
December 31, 2018, endowment net assets	$ -	$ 559,386	$ 559,386

NOTE 8 – ENDOWMENTS (CONTINUED):

Changes in endowment net assets for the year ended December 31, 2019, consist of the following:

	Original gift amount	Accumulated gains and other	Total with donor restrictions
Endowment net assets, beginning of year	$ 535,000	$ 24,386	$ 559,386
Investment return	-	91,809	91,809
Contributions	-	-	-
Amounts appropriated for expenditure	-	(29,461)	(29,461)
Endowment investments, end of year	$ 535,000	$ 86,734	$ 621,734

Changes in endowment net assets for the year ended December 31, 2018, consist of the following:

	Original gift amount	Accumulated gains and other	Total with donor restrictions
Endowment net assets, beginning of year	$ 535,000	$ 88,944	$ 623,944
Investment return	-	(36,968)	(36,968)
Contributions	-	-	-
Amounts appropriated for expenditure	-	(27,590)	(27,590)
Endowment investments, end of year	$ 535,000	$ 24,386	$ 559,386

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, 2019 and 2018, 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, 2019 and 2018, the Center made total contributions (including non-elective) on behalf of its employees that totaled $16,982 and $16,518, respectively.

NOTE 10 – CONCENTRATIONS:

Support and revenue
For the years ended December 31, 2019 and 2018, the Center received support and in-kind revenue from its founding board member and related entities totaling approximately $ 540,000 (24%) and $462,000 (12%), 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, 2019 and 2018, cash and cash equivalents held in banks exceeded FDIC limits by approximately $1,638,000 and $1,471,000, 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, 2019 and 2018 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, 2016 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.

NOTE 12 – SUBSEQUENT EVENTS (CONTINUED):

On March 13, 2020, the Adler Aphasia Center closed all in person programming due to growing concerns over the COVID-19 pandemic. The center immediately pivoted to an online service delivery model, which will continue, at a minimum, through the remainder of the calendar year. The impact of this change in programming will likely be felt in both this and subsequent years, resulting in lost revenue from annual fundraising events, a decrease in program revenue, and the uncertain landscape of private philanthropy amidst economic volatility.

NOTE 13 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

As part of the Center's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management anticipates meeting general expenditures within one year of the date of the statement of financial position with the funding provided by donors and program service income.

The following reflects the Center's financial assets as of the balance sheet date, reduced by amounts not available for general use:

	2019	2018
Cash and cash equivalents	$ 2,126,969	$ 2,007,227
Investments	5,089,126	4,648,792
Membership fees receivable	9,194	4,740
Government and other receivables	51,667	51,667
Pledges receivable	223,494	155,279
Total financial assets	7,500,450	6,867,705
Less amounts not available to be used within one year:		
Long-term pledge receivables	-	(20,000)
Donor restricted net assets:	(209,125)	(40,250)
Endowment fund investments:	(535,000)	(535,000)
Unappropriated endowment income	(86,734)	(24,386)
Investments with maturity dates greater than 12 months	-	(689,651)
Financial assets available to meet general expenditures within one year	$ 6,669,591	$ 5,558,418

NOTE 13 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONTINUED):

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, 2019

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						
Dedicated Grant-in-Aid 2019	n/a	MGMT19GIA003	07/01/18 - 06/30/19	200,000	$ -	$ 100,000
Dedicated Grant-in-Aid 2020	n/a	MGMT20GIA008	07/01/19 - 06/30/20	200,000	-	100,000
Total State Expenditures					**$ -**	**$ 200,000**

ADLER APHASIA CENTER

NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended December 31, 2019

NOTE 1 - BASIS OF PRESENTATION:

The accompanying schedules of 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, 2019, 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, 2019, 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 August 11, 2020.

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2019-01 that we consider to be a significant deficiency.

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.

Adler Aphasia Center's Response to Findings

Adler Aphasia Center's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Adler Aphasia Center's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Steven T. Cirillo CPA LLC

Westwood, New Jersey
August 11, 2020

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<u>ADLER APHASIA CENTER</u>

SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2019

Accounting for endowments, audit adjustments and supporting documentation
Significant Deficiency

<u>Finding 2019-01</u>

Criteria: Acceptable accounting of endowment activity and financial reporting include the complete calculations made timely to accurately prepare financial statements and the accompanying notes to the financial statements so that the endowment balance is accurately reflected.

Condition: The Center did not have an internal control system designed to provide for the timely and accurate preparation of the accounting for the endowment. In addition, we proposed an audit reclassifying adjustment that was not identified as a result of the Center's existing internal controls.

Cause: The Center does not have the accounting staff to prepare the endowment accounting.

Effect: The Center was not able to complete the accounting for endowments and present the results within the financial statement without the assistance of the auditors.

Recommendation: While we recognize that this condition is not unusual for an organization with limited staffing, it is important that the Center is aware of this condition for financial reporting purposes. Management and the board of trustees should continually be aware of the financial accounting and reporting of the Center and changes in the accounting and reporting requirements.

Views of governance: Management agrees with the auditors' assessment and feels that it now has the proper understanding and foundation to account for these transactions properly.