

ADLER APHASIA CENTER

Financial Statements  
December 31, 2020 and 2019

ADLER APHASIA CENTER

TABLE OF CONTENTS

December 31, 2020 and 2019

	<u>Page</u>
Report of Independent Auditors'	1-2
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7-21
Schedule of Expenditures of State Awards	22
Notes to Schedule of Expenditures of State Awards	23
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 <i>Government Auditing Standards</i>	24-25
Schedule of Audit Findings and Responses	26
Schedule of Prior Audit Findings and Responses	27

# 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, 2020 and 2019, 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, 2020 and 2019, 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 22 and the notes to the schedule on page 23 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 10, 2021 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  
August 10, 2021

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, 2020 and 2019

ASSETS	<u>2020</u>	<u>2019</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,293,333	\$ 2,126,969
Investments	4,425,903	4,554,126
Membership fees receivable	1,119	9,194
Government and other receivables	68,334	51,667
Pledges receivable	55,269	223,494
Prepaid expenses	15,330	6,557
Total Current Assets	<u>6,859,288</u>	<u>6,972,007</u>
IMPROVEMENTS AND EQUIPMENT, net	<u>105,069</u>	<u>124,496</u>
OTHER ASSETS:		
Investments - restricted	<u>535,000</u>	<u>535,000</u>
Total Assets	<u>\$ 7,499,357</u>	<u>\$ 7,631,503</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 17,634	\$ 36,035
Accrued salaries and taxes	<u>14,153</u>	<u>45,433</u>
Total Current Liabilities	<u>31,787</u>	<u>81,468</u>
LONG TERM LIABILITIES:		
Bank loan, SBA Cares Act	<u>178,500</u>	<u>-</u>
Total Liabilities	<u>210,287</u>	<u>81,468</u>
NET ASSETS:		
Without donor restriction	6,540,809	6,687,780
With donor restriction	<u>748,261</u>	<u>862,255</u>
Total Net Assets	<u>7,289,070</u>	<u>7,550,035</u>
Total Liabilities and Net Assets	<u>\$ 7,499,357</u>	<u>\$ 7,631,503</u>

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

ADLER APHASIA CENTER

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT:</b>						
Corporate in-kind	\$ 257,475	\$ -	\$ 257,475	\$ 257,475	\$ -	\$ 257,475
Individual	273,993	15,269	289,262	209,892	178,875	388,767
Anniversary campaign	-	-	-	15,615	10,250	25,865
Foundation	127,638	-	127,638	308,100	-	308,100
Government grant	186,666	-	186,666	220,001	-	220,001
Release from restrictions	196,633	(196,633)	-	37,542	(37,542)	-
Total Support	<u>1,042,405</u>	<u>(181,364)</u>	<u>861,041</u>	<u>1,048,625</u>	<u>151,583</u>	<u>1,200,208</u>
<b>REVENUE:</b>						
Special events, net of expenses of \$14,247 and \$42,805 in 2020 and 2019	146,779	-	146,779	302,931	-	302,931
Membership, net of scholarships	89,230	-	89,230	181,421	-	181,421
Luncheon fees	1,748	-	1,748	7,590	-	7,590
Program fees	2,021	-	2,021	31,725	-	31,725
Something Special income	17,918	-	17,918	64,871	-	64,871
Total Revenue	<u>257,696</u>	<u>-</u>	<u>257,696</u>	<u>588,538</u>	<u>-</u>	<u>588,538</u>
Total Support and Revenue	<u>1,300,101</u>	<u>(181,364)</u>	<u>1,118,737</u>	<u>1,637,163</u>	<u>151,583</u>	<u>1,788,746</u>
<b>EXPENSES:</b>						
Program services	1,360,275	-	1,360,275	1,263,417	-	1,263,417
Management and administrative	282,303	-	282,303	264,445	-	264,445
Fundraising	79,639	-	79,639	124,983	-	124,983
Total Expenses	<u>1,722,217</u>	<u>-</u>	<u>1,722,217</u>	<u>1,652,845</u>	<u>-</u>	<u>1,652,845</u>
<b>NON-OPERATING INCOME:</b>						
Investment income	221,418	67,370	288,788	349,713	94,332	444,045
Other income	53,727	-	53,727	54,417	-	54,417
Total Non-operating income	<u>275,145</u>	<u>67,370</u>	<u>342,515</u>	<u>404,130</u>	<u>94,332</u>	<u>498,462</u>
CHANGE IN NET ASSETS	(146,971)	(113,994)	(260,965)	388,448	245,915	634,363
NET ASSETS, Beginning of Year	6,687,780	862,255	7,550,035	6,316,036	599,636	6,915,672
TRANSFER	-	-	-	(16,704)	16,704	-
NET ASSETS, End of Year	<u>\$ 6,540,809</u>	<u>\$ 748,261</u>	<u>\$ 7,289,070</u>	<u>\$ 6,687,780</u>	<u>\$ 862,255</u>	<u>\$ 7,550,035</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (260,965)	\$ 634,363
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	19,427	20,934
Unrealized gain on investments	(99,465)	(294,305)
Realized gain on investments	(107,941)	(4,830)
Decrease (increase) in assets:		
Membership fees receivable	8,075	(4,454)
Government and other receivables	(16,667)	-
Pledges receivable	168,225	(68,215)
Prepaid expenses	(8,773)	(1,915)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	(18,401)	10,656
Accrued salaries and taxes	(31,280)	19,666
Net Cash (used in) Provided by Operating Activities	<u>(347,765)</u>	<u>311,900</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of improvements and equipment	-	(50,958)
Proceeds from sale of investments	3,264,129	1,839,962
Purchase of investments	(2,928,499)	(1,981,162)
Net Cash Provided by (used in) Investing Activities	<u>335,630</u>	<u>(192,158)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Bank loan, SBA Cares Act	<u>178,500</u>	<u>-</u>
Net Cash Provided by Financing Activities	<u>178,500</u>	<u>-</u>
NET INCREASE IN CASH	166,365	119,742
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>2,126,969</u>	<u>2,007,227</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 2,293,333</u>	<u>\$ 2,126,969</u>

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

ADLER APHASIA CENTER

STATEMENTS OF FUNCTIONAL EXPENSES  
For the Years Ended December 31, 2020 and 2019

	2020				2019			
	Program Services	Management & Administrative	Fundraising	Total	Program Services	Management & Administrative	Fundraising	Total
Salaries expense	\$ 716,657	\$ 170,530	\$ 28,070	\$ 915,257	\$ 602,653	\$ 141,905	\$ 65,626	\$ 810,184
Payroll taxes	59,584	13,855	2,296	75,735	50,779	11,132	5,374	67,285
Employee benefits	36,225	22,634	3,399	62,258	33,161	14,354	2,755	50,270
Occupancy	314,868	7,715	3,857	326,440	306,172	7,590	3,835	317,597
Professional fees	86,736	45,676	33,034	165,446	77,525	54,416	26,731	158,672
Advertising and information	26,545	7,745	3,791	38,081	8,535	1,864	12,774	23,173
Postage and delivery	1,697	181	375	2,253	2,105	405	249	2,759
Printing and reproduction	410	83	42	535	89	-	62	151
Insurance	10,867	2,667	1,199	14,733	13,864	1,127	1,733	16,724
Program supplies	20,402	20	-	20,422	58,509	345	433	59,287
Hadassah College program support	50,000	-	-	50,000	55,000	-	-	55,000
Audiology program support	2,222	-	-	2,222	1,792	-	-	1,792
Office supplies	2,353	903	105	3,361	1,092	821	53	1,966
Equipment lease	2,625	367	184	3,176	3,986	618	328	4,932
Maintenance and repairs	10,339	3,596	933	14,868	23,597	7,470	2,106	33,173
Staff and board development	2,538	2,553	435	5,526	2,371	4,691	852	7,914
Bank and investment fees	1,712	315	-	2,027	6,417	13,817	51	20,285
Licenses and fees	-	176	275	451	151	347	249	747
Depreciation	14,495	3,287	1,644	19,426	15,619	3,543	1,772	20,934
<b>Total Expenses</b>	<b>\$ 1,360,275</b>	<b>\$ 282,303</b>	<b>\$ 79,639</b>	<b>\$ 1,722,217</b>	<b>\$ 1,263,417</b>	<b>\$ 264,445</b>	<b>\$ 124,983</b>	<b>\$ 1,652,845</b>

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



ADLER APHASIA CENTER

NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2020 and 2019

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 financial statement presentation follows the recommendations of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958-205, *Presentation of Financial Statement*. As amended by Accounting Standards Update No. 2016-14, the Center is required to report information regarding its financial position and activities according to two classes of net assets.

*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, 2020 and 2019

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, 2020 and 2019

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

*Improvements and equipment*

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.

ADLER APHASIA CENTER

NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2020 and 2019

NOTE 3 – 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, 2020 and 2019

NOTE 3 – 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, 2020 and 2019. Total investments are as follows:

	<u>2020</u>	<u>2019</u>
Mutual funds:		
Bond funds	\$ 1,248,130	\$ 1,513,605
Stock funds		
Large value	153,581	157,613
Mid-cap	-	-
Large blend	213,986	443,028
Large growth	201,725	82,330
Diversified emerging markeys	107,773	66,675
Long-short equity	-	106,307
Infrastructure	28,073	30,192
Options based	46,876	-
Exchange traded	<u>667,178</u>	<u>259,369</u>
Total bond and stock funds	2,667,322	2,659,119
Certificates of deposit	793,479	1,888,681
Structured products	-	518,825
Cash and accrued interest	<u>1,500,102</u>	<u>22,501</u>
Total investments	<u>\$ 4,960,903</u>	<u>\$ 5,089,126</u>

The Center's investment income consists of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 94,021	\$ 155,677
Realized gains	107,941	4,830
Unrealized gain	99,465	294,305
Less: Investment expenses	<u>(12,639)</u>	<u>(10,767)</u>
Total investment income	<u>\$ 288,788</u>	<u>\$ 444,045</u>

ADLER APHASIA CENTER

NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2020 and 2019

NOTE 4 – IMPROVEMENTS AND EQUIPMENT:

Improvements and equipment consist of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 226,250	\$ 226,250
Furniture and equipment	<u>100,614</u>	<u>100,614</u>
	326,864	326,864
Less: Accumulated depreciation	<u>221,795</u>	<u>202,368</u>
Net improvements and equipment	<u>\$ 105,069</u>	<u>\$ 124,496</u>

Depreciation expense amounted to \$19,427 and \$20,934 for the years ended December 31, 2020 and 2019, respectively.

NOTE 5 – BANK LOAN, CARES ACT:

In April 2020, the Center entered into an agreement with a bank for a loan under the Payment Protection Program that is guaranteed by the U.S. Small Business Administration (“SBA”). The loan principal amount borrowed was \$178,500. The loan proceeds are restricted to payment of payroll, certain debt interest, rent and other operating expenses. The Center is accumulating documentation in accordance with program regulations and expects to receive complete forgiveness of the loan amount. In the event that a portion of the Paycheck Protection Program loan is not forgiven, current loan documents reflect that the loan will bear interest at annual rate of 1% with repayment required within two years (or five years if the lender agrees) from origination.

ADLER APHASIA CENTER

NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2020 and 2019

NOTE 6 – NET ASSETS:

Net Assets with Donor Restrictions

The Center's net assets with donor restrictions are held for the following purpose at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Time, within one year	\$ 45,269	\$ 209,125
Endowment income, unappropriated	167,992	118,130
Endowment contributions	<u>535,000</u>	<u>535,000</u>
	<u>\$ 748,261</u>	<u>\$ 862,255</u>

Net assets released from donor restrictions during the years ended December 31, 2020 and 2019 were for:

	<u>2020</u>	<u>2019</u>
Time	\$ 179,125	\$ 20,250
Endowment income, appropriation	<u>17,508</u>	<u>17,292</u>
	<u>\$ 196,633</u>	<u>\$ 37,542</u>

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 2020, the board of directors analyzed its endowment spending policy and recalculated retroactively the income earned on its donor designated endowment. This was an amendment to the analysis performed with respect to the adoption of the endowment spending in 2019. Beginning net assets as of January 1, 2019 have been restated to conform with the changes derived. Endowment income appropriated for use in operations in the amount of \$16,704 has been transferred from net assets without donor restrictions to net assets with donor restrictions since inception through January 1, 2019. This amount is shown on the statement of activities and is included in beginning net assets for the year ended December 31, 2019 the details of which are as follows:

ADLER APHASIA CENTER

NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2020 and 2019

NOTE 6 – NET ASSETS (CONTINUED):

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net assets before transfer	\$ 6,316,036	\$ 599,636	\$ 6,915,672
Transfer of net assets	<u>(16,704)</u>	<u>16,704</u>	<u>-</u>
Net assets after transfer	<u>\$ 6,299,332</u>	<u>\$ 616,340</u>	<u>\$ 6,915,672</u>

The statement of activities for the year ended December 31, 2019 has been restated to include endowment investment income as approved by the Board of Directors. Total ending net assets as of December 31, 2019 has not changed.

NOTE 7 – 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



ADLER APHASIA CENTER

NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2020 and 2019

NOTE 7 – 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.

ADLER APHASIA CENTER

NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2020 and 2019

NOTE 7 – ENDOWMENTS (CONTINUED):

As of December 31, 2020, the Center had the following endowment net asset composition by type of fund:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
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, unappropriated	<u>-</u>	<u>167,992</u>	<u>167,992</u>
December 31, 2020, endowment net assets	<u>\$ -</u>	<u>\$ 702,992</u>	<u>\$ 702,992</u>

As of December 31, 2019, the Center had the following endowment net asset composition by type of fund:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Donor restricted endowment funds:			
Original donor-restricted gift amount and	\$ -	\$ 535,000	\$ 535,000
Accumulated investment gains, unappropriated	<u>-</u>	<u>118,130</u>	<u>118,130</u>
December 31, 2019, endowment net assets	<u>\$ -</u>	<u>\$ 653,130</u>	<u>\$ 653,130</u>

ADLER APHASIA CENTER

NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2020 and 2019

NOTE 7 – ENDOWMENTS (CONTINUED):

Changes in endowment net assets for the year ended December 31, 2020, consist of the following:

	Original gift amount	Accumulated gains and other	Total with donor restrictions
Endowment net assets, beginning of year	\$ 535,000	\$ 118,130	\$ 653,130
Investment return	-	67,370	67,370
Contributions	-	-	-
Amounts appropriated for expenditure	-	(17,508)	(17,508)
December 31, 2020, endowment net assets	<u>\$ 535,000</u>	<u>\$ 167,992</u>	<u>\$ 702,992</u>

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	\$ 41,090	\$ 576,090
Investment return	-	94,332	94,332
Contributions	-	-	-
Amounts appropriated for expenditure	-	(17,292)	(17,292)
December 31, 2019, endowment net assets	<u>\$ 535,000</u>	<u>\$ 118,130</u>	<u>\$ 653,130</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, 2020 and 2019, there were no funds with deficiencies.

ADLER APHASIA CENTER

NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2020 and 2019

NOTE 8 – MEMBERSHIP INCOME:

For the years ended December 31, 2020 and 2019, membership revenue and scholarship expense was as follows:

	<u>2020</u>	<u>2019</u>
Membership revenue - gross	\$ 394,525	\$ 785,013
Less: Scholarships	<u>305,295</u>	<u>603,592</u>
Membership revenue, net of scholarships	<u>\$ 89,230</u>	<u>\$ 181,421</u>

As a result of COVID-19 and a change to our program being offered in a virtual format, the management and Board of Directors chose to reduce tuition in 2020 for all members from May 2020-December 2020. This reduction in tuition impacted the member fees resulting in a significant change in revenue as compared to prior years.

NOTE 9 – 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, 2020 and 2019, 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 10 – 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, 2020 and 2019, the Center made total contributions (including non-elective) on behalf of its employees that totaled \$18,205 and \$17,329, respectively.

ADLER APHASIA CENTER

NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2020 and 2019

NOTE 11 – CONCENTRATIONS:

Support and revenue

For the years ended December 31, 2020 and 2019, the Center received support and in-kind revenue from its founding board member and related entities totaling approximately \$416,000 (27%) and \$540,000 (24%), respectively (See Note 9).

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, 2020 and 2019, cash and cash equivalents held in banks exceeded FDIC limits by approximately \$2,047,000 and \$1,638,000, respectively.

NOTE 12 – RISKS AND UNCERTAINTIES:

In January 2020, the World Health Organization has declared the outbreak of a novel coronavirus (“COVID-19”) as a public health emergency of international concern, which continues to spread throughout the world, including the United States and in the geographic area where the Center is located. The Center’s program activities, membership revenue and operating results depend significantly on the ability to provide in-person services. The Center was able to adapt to a virtual system of providing its program services, albeit at diminished levels as of the date of this report. If the outbreak continues to cause weakness in national, regional and local economies, this could negatively impact the programming, membership revenue and the operating results. The financial statements do not include any adjustments to reflect the potential impact from the COVID-19 outbreak, given the dynamic nature of the situation.

NOTE 13 – 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, 2020 and 2019 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, 2017 and prior years.

ADLER APHASIA CENTER

NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2020 and 2019

NOTE 14 – 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:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,293,333	\$ 2,126,969
Investments	4,960,903	5,089,126
Membership fees receivable	1,119	9,194
Government and other receivables	68,334	51,667
Pledges receivable	<u>55,269</u>	<u>223,494</u>
Total financial assets	7,378,958	7,500,450
Less amounts not available to be used within one year:		
Long-term pledge receivables	-	-
Donor restricted net assets:	(45,269)	(209,125)
Endowment fund investments:	(535,000)	(535,000)
Unappropriated endowment income	(167,992)	(118,130)
Investments with maturity dates greater than 12 months	<u>-</u>	<u>-</u>
Financial assets available to meet general expenditures within one year	<u>\$ 6,630,697</u>	<u>\$ 6,638,195</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

NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2020 and 2019

NOTE 14 – 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, 2020

<b>State Grantor</b>	<b>Federal CFDA Number</b>	<b>Grant/Contract Number</b>	<b>Grant Period</b>	<b>Grant Award</b>	<b>Passed Through to Subrecipients</b>	<b>Total Expenditures</b>
<b>NEW JERSEY STATE</b>						
New Jersey Department of Health						
Dedicated Grant-in-Aid 2020	n/a	MGMT20GIA008	07/01/19 - 06/30/20	200,000	\$ -	\$ 100,000
Dedicated Grant-in-Aid 2021	n/a	MGMT21GIA007	10/01/2020 - 06/30/21	200,000	-	66,667
<b>Total State Expenditures</b>					<b>\$ -</b>	<b>\$ 166,667</b>

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



ADLER APHASIA CENTER

NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE AWARDS  
For the Year Ended December 31, 2020

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, 2020, 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, 2020, the Center did not have any federal or 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, 2019, 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 10, 2021

### **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. In the prior year, we did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2020-01 that we consider to be a significant deficiency. A response from management on the current status of the finding is included.

## **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.



Westwood, New Jersey  
August 10, 2021

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

ADLER APHASIA CENTER

SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
For the Year Ended December 31, 2020

**Accounting for endowments, audit adjustments and supporting documentation**  
**Significant Deficiency**

**Finding 2020-01**

*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 established in 2019 an internal control system designed to provide for the timely and accurate preparation of the accounting for the endowment. However, in 2020, as in 2019, a restatement to the opening net asset balance between with donor restriction and without donor restriction was required as a result of revisions to the accounting methodology applied to the endowment during 2020.

*Cause:* The Center does not have the accounting staff to prepare the endowment accounting and needed additional time to analyze the endowment investment account balances and the related accounting methodology.

*Effect:* The Center revised its opening balance of net assets with donor restrictions to restate its endowment investment income with donor restrictions.

*Questioned costs:* The current year finding resulted in a transfer of opening net assets as of January 1, 2019 from without donor restriction to with donor restriction in the amount of \$16,704. Auditors were not required to perform sampling testing procedures.

*Context:* The finding relates specifically to the financial reporting of the endowment held by the Center and did not have an impact on any government grant awards. Although the finding is a repeat of the prior year, in the current year the Center was able to develop sufficient accounting procedures to provide for accurate endowment financial reporting.

*Indication of Repeat Finding:* The finding is a repeat of the immediate prior year finding no. 2019-01.

*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 has addressed the auditors' concern by enhancing accounting procedures to account for these transactions properly. The issue has been resolved.

ADLER APHASIA CENTER

SCHEDULE OF PRIOR AUDIT FINDINGS AND RESPONSES  
For the Year Ended December 31, 2020

**Accounting for endowments, audit adjustments and supporting documentation**  
**Significant Deficiency**

**Finding 2019-01**

*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.