ADLER APHASIA CENTER

Financial Statements

December 31, 2022 and 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Adler Aphasia Center

Report on the Audit of the Financial Statements

Opinion
We have audited the accompanying financial statements of Adler Aphasia Center (a nonprofit organization) which comprise the statement of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion
We conducted our audit in accordance with 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Adler Aphasia Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Adler Aphasia Center's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Adler Aphasia Center's ability to continue as a going concern for a reasonable period of time. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state awards on page 20 and the notes to the schedule on page 21 are presented for purposes 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 14, 2023 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 14, 2023

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ADLER APHASIA CENTER

STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

ASSETS

	2022	2021
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,361,790	$ 3,368,848
Investments	4,906,933	4,356,188
Membership fees receivable	4,466	1,173
Government and other receivables	55,000	51,667
Unconditional promises to give	312,750	104,916
Prepaid expenses	2,386	5,151
Total Current Assets	7,643,325	7,887,943
IMPROVEMENTS AND EQUIPMENT, net	148,378	168,122
OTHER ASSETS:		
Investments - restricted	661,360	753,313
Long-term unconditional promises to give, net	244,749	26,700
Total Other Assets	906,109	780,013
Total Assets	$ 8,697,812	$ 8,836,078

LIABILITIES AND NET ASSETS

	2022	2021
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 11,510	$ 5,141
Accrued salaries and taxes	23,602	18,973
Total Liabilities	35,112	24,114
NET ASSETS:		
Without donor restriction	7,426,340	7,928,651
With donor restriction	1,236,360	883,313
Total Net Assets	8,662,700	8,811,964
Total Liabilities and Net Assets	$ 8,697,812	$ 8,836,078

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

ADLER APHASIA CENTER

STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT:						
Corporate in-kind	$ 257,475	$ -	$ 257,475	$ 257,475	$ -	$ 257,475
Individual	678,622	500,000	1,178,622	1,550,451	-	1,550,451
Foundation	244,437	45,000	289,437	285,950	130,000	415,950
Government grant	220,000	-	220,000	268,333	-	268,333
Release from restrictions	126,092	(126,092)	-	73,620	(73,620)	-
Total Support	1,526,626	418,908	1,945,534	2,435,829	56,380	2,492,209
REVENUE:						
Special events, net of expenses of $38,491 and $20,987 in 2022 and 2021	239,275	-	239,275	196,875	-	196,875
Membership, net of scholarships	158,037	-	158,037	77,246	-	77,246
Program fees revenue	50,564	-	50,564	130,314	-	130,314
Retail Income	20,749	-	20,749	13,257	-	13,257
Total Revenue	468,625	-	468,625	417,692	-	417,692
Total Support and Revenue	1,995,251	418,908	2,414,159	2,853,521	56,380	2,909,901
EXPENSES						
Program services	1,660,703	-	1,660,703	1,546,546	-	1,546,546
Management and administrative	320,482	-	320,482	305,396	-	305,396
Fundraising	140,559	-	140,559	94,893	-	94,893
Total Expenses	2,121,745	-	2,121,745	1,946,835	-	1,946,835
NON-OPERATING INCOME						
Investment (loss) income	(574,653)	(65,861)	(640,514)	100,191	78,672	178,863
Paychex protection program loan forgiveness	-	-	-	380,965	-	380,965
Employee retention tax credit	198,836	-	198,836	-	-	-
Total Non-operating income	(375,817)	(65,861)	(441,678)	481,156	78,672	559,828
CHANGE IN NET ASSETS	(502,311)	353,047	(149,264)	1,387,842 -	135,052	1,522,894
NET ASSETS, Beginning of Year	7,928,651	883,313	8,811,964	6,540,809	748,261	7,289,070
NET ASSETS, End of Year	$ 7,426,340	$ 1,236,360	$ 8,662,700	$ 7,928,651	$ 883,313	$ 8,811,964

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

ADLER APHASIA CENTER

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (149,264)	$ 1,522,894
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Forgiveness of paycheck protection program	-	(380,965)
Depreciation	19,745	19,177
Unrealized loss on investments	684,627	14,875
Realized loss (gain) on investments	54,914	(152,566)
(Increase) decrease in assets:		
Membership fees receivable	(3,293)	(54)
Government and other receivables	(3,333)	16,667
Pledges receivable	(425,883)	(76,347)
Prepaid expenses	2,765	10,179
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	6,369	(12,493)
Accrued salaries and taxes	4,629	4,820
Net Cash Provided by Operating Activities	191,276	966,187
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of improvements and equipment	-	(82,230)
Proceeds from sale of investments	6,869,584	1,884,806
Purchase of investments	(8,067,919)	(1,693,248)
Net Cash (Used in) provided by Investing Activities	(1,198,334)	109,328
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,007,058)	1,075,515
CASH AND CASH EQUIVALENTS, Beginning of Year	3,368,848	2,293,333
CASH AND CASH EQUIVALENTS, End of Year	$ 2,361,790	$ 3,368,848

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

ADLER APHASIA CENTER

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2022 and 2021

	2022				2021			
	Program Services	Management & Administrative	Fundraising	Total	Program Services	Management & Administrative	Fundraising	Total
Salaries expense	$ 738,538	$ 186,390	$ 110,889	$ 1,035,817	$ 676,767	$ 201,708	$ 47,241	$ 925,716
Payroll taxes	62,669	14,806	9,125	86,600	57,944	14,219	3,967	76,130
Employee benefits	71,413	28,739	5,426	105,578	57,486	13,371	4,338	75,195
Occupancy	381,014	3,423	2,934	387,371	374,218	2,088	2,279	378,585
Professional fees	96,144	68,590	5,472	170,206	109,142	59,200	22,340	190,682
Advertising and information	48,801	5,174	2,220	56,195	33,642	5,010	8,298	46,950
Postage and delivery	2,714	172	128	3,014	2,096	122	139	2,357
Printing and reproduction	32	-	-	32	1,112	-	-	1,112
Insurance	24,370	2,058	1,764	28,192	25,830	1,644	1,879	29,353
Program supplies	64,433	286	-	64,719	36,879		-	36,879
Hadassah College program support	100,000	-	-	100,000	105,000	-	-	105,000
Office supplies	2,297	1,161	12	3,470	1,336	1,675	22	3,033
Equipment lease	5,302	281	241	5,824	3,435	176	202	3,813
Maintenance and repairs	34,301	3,030	2,006	39,337	37,804	2,516	2,876	43,196
Staff and board development	3,210	5,955	343	9,508	3,082	2,579	176	5,837
Bank and investment fees	4,376	103	-	4,478	3,209	302	-	3,511
Licenses and fees	1,344	314	-	1,658	-	33	275	308
Depreciation	19,745	-	-	19,745	17,563	753	861	19,177
Total Expenses	$ 1,660,703	$ 320,482	$ 140,559	$ 2,121,745	$ 1,546,546	$ 305,396	$ 94,891	$ 1,946,835

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 Jewish Community Campus 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:

Basis Of Accounting
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 statements of Not-for-Profit Entities. As amended by Accounting Standards Update No. 2016-14.

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:

<u>Net Assets Without Donor Restrictions</u> - Net assets not subject to donor-imposed stipulations.

<u>Net Assets With Donor Restrictions</u> - 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):

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.

Reclassifications
Certain reclassifications have been made to prior year's amounts to conform with current year statement presentation with no effect on previously reported change in net assets.

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.

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, 2022 and 2021. Total investments are as follows:

	2022	2021
Mutual Funds:		
Bond Funds	$ 1,634,490	$ 921,394
Stock Funds	2.694.039	1,953,049
Certificate of Deposits	311,147	308,356
Cash and accrued interest	928,617	1,926,702
Total assets carried at fair value	$ 5,568,293	$ 5,109,501

NOTE 3 – INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED):

The Center's investment income consisted of the following at December 31, 2022 and 2021:

	2022	2021
Interest, dividends and misc. income	$ 120,993	$ 55,097
Realized (losses) gains	(54,914)	152,566
Unrealized (losses) gains	(684,627)	(14,874)
Less: Investment expenses	(21,966)	(13,926)
	$ (640,514)	$ 178,863

NOTE 4 – UNCONDITIONAL PROMISE TO GIVE:

Total unconditional promises to give consist of the following as of December 31,:

	2022	2021
Promises without donor restriction	$ 512,750	$ 4,916
Promises with donor restriction:		
Foundation	75,000	130,000
Gross unconditional promises to give	587,750	134,916
Less: Discount for long-term pledges	30,251	3,300
Allowance on uncollectible pledges	-	-
Net unconditional promises to give	$ 557,499	$ 131,616
Amounts due in:		
Less than one year	$ 312,750	$ 104,916
One to five years	244,749	26,700
Total	$ 557,499	$ 131,616

NOTE 5 – 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, 2022 and 2021, the Center recognized as both unconditional contribution and expense amounts for rent totaling $257,475. A majority of the above contributions have been donated by a founding board member's related entities.

NOTE 6 – IMPROVEMENTS AND EQUIPMENT:

Improvements and equipment consist of the following at December 31, 2022 and 2021:

	2022	2021
Leasehold improvements	$ 236,400	$ 236,400
Furniture and equipment	172,693	172,693
	409,093	409,093
Less: accumulated depreciation	260,715	240,971
Net improvements and equipment	$ 148,378	$ 168,122

Depreciation expense amounted to $19,745 and $19,176 for the years ended December 31, 2022 and 2021, respectively.

NOTE 7 – MEMBERSHIP INCOME:

For the years ended December 31, 2022 and 2021, membership revenue and scholarship expense was as follows:

	2022	2021
Membership revenue	$ 673,503	$ 426,877
Less: Scholarship expense	515,466	349,631
Membership revenue, net of scholarships	$ 158,037	$ 77,246

NOTE 8 – NET ASSETS:

Net Assets with Donor Restrictions

The Center’s net assets with donor restrictions are held for the following purposes at December 31, 2022 and 2021:

	2022	2021
Time restriction	$ 575,000	$ 130,000
Endowment income, unappropriated	126,360	218,313
Endowment contribution	535,000	535,000
	$ 1,236,360	$ 883,313

NOTE 8 – NET ASSETS (CONTINUED):

Net assets released from donor restrictions during the years ended December 31, 2022 and 2021 were for:

	2022	2021
Time restriction	$ 100,000	$ 45,269
Endowment income, appropriation	26,092	28,351
	$ 126,092	$ 73,620

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.

NOTE 9 – 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:

NOTE 9 – ENDOWMENTS (CONTINUED):

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

Return Objectives and Risk Parameters

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

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

The Center's adopted investment and spending policies for endowment assets attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the 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 9 – ENDOWMENTS (CONTINUED):

As of December 31, 2022, 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	-	126,360	126,360
December 31, 2022, endowment net assets	$ -	$ 661,360	$ 661,360

As of December 31, 2021, 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	-	218,313	218,313
December 31, 2021, endowment net assets	$ -	$ 753,313	$ 753,313

NOTE 9 – ENDOWMENTS (CONTINUED):

Changes in endowment net assets for the year ended December 31, 2022, consist of the following:

	Original gift amount	Accumulated gains and other	Total with donor restrictions
Endowment net assets, beginning of year	$ 535,000	$ 218,313	$ 753,313
Investment return	-	(65,861)	(65,861)
Contributions	-	-	-
Amounts appropriated for expenditure	-	(26,092)	(26,092)
Endowment investments, end of year	$ 535,000	$ 126,360	$ 661,360

Changes in endowment net assets for the year ended December 31, 2021, consist of the following:

	Original gift amount	Accumulated gains and other	Total with donor restrictions
Endowment net assets, beginning of year	$ 535,000	$ 167,992	$ 702,992
Investment return		78,672	78,672
Contributions	-	-	-
Amounts appropriated for expenditure	-	(28,351)	(28,351)
Endowment investments, end of year	$ 535,000	$ 218,313	$ 753,313

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, 2022 and 2021, there were no funds with deficiencies.

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, 2022 and 2021, the Center made total contributions (including non-elective) on behalf of its employees that totaled \$20,208 and \$16,016, respectively.

NOTE 11 – CONCENTRATIONS:

Support and revenue

For the years ended December 31, 2022 and 2021, the Center received support and in-kind revenue from its founding board member and related entities totaling approximately \$813,279 (42%) and \$711,000 (29%), respectively.

During the year 2021, the Center received in the form of a bequest a donation in the amount of approximately \$1,100,000 (45%).

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, 2022 and 2021, cash and cash equivalents held in banks exceeded FDIC limits by approximately \$1,854,000 and \$2,930,000 respectively.

NOTE 12 – 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, 2022 and 2021 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, 2019 and prior years.

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:

	2022	2021
Cash and cash equivalents	$ 2,361,790	$ 3,368,848
Investments	5,568,293	5,109,501
Membership fees receivable	4,466	1,253
Government and other receivables	55,000	51.667
Pledges receivable	512,750	4,916
Total financial assets	8,502,299	8,536,185
Less amounts not available to be used within one year:		
Donor restricted net assets:	(55,000)	(130,000)
Endowment fund investments:	(535,000)	(535,000)
Unappropriated endowment income	(126,360)	(218,313)
Long-term unconditional promises to give	(244,749)	(26,700)
	-	-
Financial assets available to meet general expenditures within one year	$ 7,541,190	$ 7,626,172

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.

NOTE 14 – PAYCHECK PROTECTION PROGRAM:

The Center received funding in the amount of $178,500 in the first round and $202,465 in second round through the Small Business Administration's Paycheck Protection Program. Loan proceeds are restricted to payment of payroll, certain debt interest, rent and other operating expenses. For the year ended December 31, 2021 the center received full forgiveness of $380,965 from the SBA which is presented as non-operating income on the statement of activities in 2021.

NOTE 15 – 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 16 – EMPLOYEE RETENTION TAX CREDIT:

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and subsequent federal acts, the Center was eligible for refundable employee retention tax credits (ERTCs) subject to certain criteria. The Center filed amended payroll tax returns for 2021 & 2020 with the Internal Revenue Service to claim the ERTCs. During 2022, the Center received payroll tax refunds from the Internal Revenue Service in the amount of $198,836.

ADLER APHASIA CENTER

Schedule of Expenditures of State Awards
For the Year Ended December 31, 2022

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 2022	n/a	MGMT22GIA002	07/01/21-06/30/22	200,000	-	100,000
Dedicated Grant-in-Aid 2023	n/a	MGMT23GIA005	07/01/22-06/30/23	200,000	-	100,000
Total State Expenditures					**$ -**	**$ 200,000**

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

ADLER APHASIA CENTER

NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended December 31, 2022

NOTE 1 - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of state awards includes the state grant activity of Adler Aphasia Center (the “Center”) under programs of the federal government for the year ended June 30, 2022. Because the schedule presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Center.

NOTE 2 - SUBRECIPIENTS:

During the year ended December 31, 2022, 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, 2022, the Center did not have any federal or state loan guarantee programs.

STEVEN T. CIRILLO, CPA, LLC

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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 Directors
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, 2022, 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 14, 2023.

Report on 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) as a basis for designing 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 the Adler Aphasia Center's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Steven T. Cirillo CPA LLC

Westwood, New Jersey
August 14, 2023