

ADLER APHASIA CENTER

Financial Statements

December 31, 2023 and 2022

# STEVEN T. CIRILLO, CPA, LLC

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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, 2023 and 2022, 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, 2023 and 2022, 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 13, 2024, 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 13, 2024

STEVEN T. CIRILLO, CPA, LLC  
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# ADLER APHASIA CENTER, INC

## STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2023 AND 2022

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### ASSETS

	<u>2023</u>	<u>2022</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,529,592	\$ 3,550,092
Investments	5,975,186	3,718,631
Membership receivables	5,009	4,466
Government receivables	50,000	55,000
Unconditional promises to give	340,000	312,750
Prepaid expenses	<u>2,382</u>	<u>2,386</u>
Total current assets	<u>7,902,169</u>	<u>7,643,325</u>
NON-CURRENT ASSETS:		
Improvements and equipment, net	147,179	148,378
Investments - restricted	664,458	661,360
Long-term unconditional promises to give, net	<u>8,899</u>	<u>244,749</u>
Total non-current assets	<u>820,536</u>	<u>1,054,487</u>
Total assets	<u>\$ 8,722,705</u>	<u>\$ 8,697,812</u>

### LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 10,395	\$ 11,510
Accrued salaries and taxes	<u>21,475</u>	<u>23,602</u>
Total liabilities	<u>31,870</u>	<u>35,112</u>
NET ASSETS:		
Without donor restriction	7,661,377	7,426,340
With donor restriction	<u>1,029,458</u>	<u>1,236,360</u>
Total net assets	<u>8,690,835</u>	<u>8,662,700</u>
Total liabilities and net assets	<u>\$ 8,722,705</u>	<u>\$ 8,697,812</u>

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

## ADLER APHASIA CENTER, INC

### STATEMENT OF ACTIVITIES AS OF DECEMBER 31, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE :</b>						
Contributions from related party	\$ 616,130	\$ -	\$ 616,130	\$ 555,804	\$ -	\$ 555,804
Contributions from general public	150,016	175,000	325,016	388,004	545,000	933,004
Non-cash contributions from related party	257,475	-	257,475	257,475	-	257,475
Membership, net of scholarships	209,912	-	209,912	158,037	-	158,037
Government grant	200,000	-	200,000	220,000	-	220,000
Special events, net of expenses of \$63,036 and \$38,491 in 2023 and 2022	155,413	-	155,413	239,275	-	239,275
Program service fees	49,713	-	49,713	50,564	-	50,564
Net assets released from restrictions						
Satisfaction of purpose restrictions	408,410	(408,410)	-	126,092	(126,092)	-
<b>Total Support and Revenue</b>	<b>2,047,069</b>	<b>(233,410)</b>	<b>1,813,659</b>	<b>1,995,251</b>	<b>418,908</b>	<b>2,414,159</b>
<b>EXPENSES:</b>						
Program services						
Support of individuals with Aphasia	2,003,453	-	2,003,453	1,660,703	-	1,660,703
Management and administrative	305,110	-	305,110	320,482	-	320,482
Fundraising	196,466	-	196,466	140,559	-	140,559
<b>Total Expenses</b>	<b>2,505,029</b>	<b>-</b>	<b>2,505,029</b>	<b>2,121,745</b>	<b>-</b>	<b>2,121,745</b>
<b>NON-OPERATING INCOME:</b>						
Investment income (loss)	692,997	26,508	719,505	(574,653)	(65,861)	(640,514)
Employee retention tax credit	-	-	-	198,836	-	198,836
<b>Total Non-operating income</b>	<b>692,997</b>	<b>26,508</b>	<b>719,505</b>	<b>(375,817)</b>	<b>(65,861)</b>	<b>(441,678)</b>
<b>CHANGE IN NET ASSETS</b>	<b>235,037</b>	<b>(206,902)</b>	<b>28,135</b>	<b>(502,311)</b>	<b>353,047</b>	<b>(149,264)</b>
<b>NET ASSETS, Beginning of Year</b>	<b>7,426,340</b>	<b>1,236,360</b>	<b>8,662,700</b>	<b>7,928,651</b>	<b>883,313</b>	<b>8,811,964</b>
<b>NET ASSETS, End of Year</b>	<b>\$ 7,661,377</b>	<b>\$ 1,029,458</b>	<b>\$ 8,690,835</b>	<b>\$ 7,426,340</b>	<b>\$ 1,236,360</b>	<b>\$ 8,662,700</b>

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

# ADLER APHASIA CENTER, INC

## STATEMENTS OF CASH FLOWS AS OF DECEMBER 31, 2023 AND 2022

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 28,135	\$ (149,264)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	21,122	19,745
Unrealized (gain) loss on investments	(793,392)	684,627
Realized loss on investments	201,525	54,914
(Increase) decrease in assets:		
Membership receivables	(543)	(3,293)
Government receivables	5,000	(3,333)
Pledges receivable	208,600	(425,883)
Prepaid expenses	4	2,765
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	(1,115)	6,369
Accrued salaries and taxes	(2,127)	4,629
Net cash (used in) provided by operating activities	<u>(332,791)</u>	<u>191,276</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of improvements and equipment	(19,923)	-
Proceeds from sale of investments	9,153,269	6,869,584
Purchase of investments	(10,821,055)	(6,879,616)
Net cash (used in) investing activities	<u>(1,687,709)</u>	<u>(10,032)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,020,500)	181,244
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>3,550,092</u>	<u>3,368,848</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 1,529,592</u>	<u>\$ 3,550,092</u>

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

**ADLER APHASIA CENTER, INC**

**STATEMENT OF FUNCTIONAL EXPENSES  
AS OF DECEMBER 31, 2023 AND 2022**

	2023				2022			
	Program Services	Supporting Services		Total	Program Services	Supporting Services		Total
	Support of individuals with Aphasia	Management & Administrative	Fundraising		Support of individuals with Aphasia	Management & Administrative	Fundraising	
Salaries expense	\$ 856,465	\$ 190,537	\$ 33,528	\$ 1,080,530	\$ 738,538	\$ 186,390	\$ 110,889	\$ 1,035,817
Payroll taxes	71,427	15,075	2,720	89,222	62,669	14,806	9,125	86,600
Employee benefits	114,141	8,545	7,335	130,021	71,413	28,739	5,426	105,578
Total personnel cost	1,042,033	214,157	43,583	1,299,773	872,619	229,935	125,440	1,227,995
Occupancy	386,461	932	3,726	391,119	381,014	3,423	2,934	387,371
Advertising and information	119,934	10,348	134,557	264,839	48,801	5,174	2,220	56,195
Professional fees	116,824	63,314	8,410	188,547	96,144	68,590	5,472	170,206
Grants to others	150,000	-	-	150,000	100,000	-	-	100,000
Supplies	85,819	1,456	154	87,429	66,730	1,446	12	68,188
Maintenance and repairs	40,849	1,463	3,332	45,644	39,604	3,311	2,246	45,161
Insurance	22,235	475	1,898	24,608	24,370	2,058	1,764	28,192
Staff and board development	5,873	9,910	243	16,026	3,210	5,955	343	9,508
Printing and reproduction	6,454	501	546	7,501	32	-	-	32
Bank and investment fees	954	2,550	-	3,504	4,376	103	-	4,478
Postage and delivery	2,672	4	17	2,693	2,714	172	128	3,014
Licenses and fees	2,223	-	-	2,223	1,345	314	-	1,659
Total expenses before depreciation	1,982,331	305,110	196,466	2,483,907	1,640,959	320,481	140,560	2,101,999
Depreciation	21,122	-	-	21,122	19,744	-	-	19,744
Total expenses	\$ 2,003,453	\$ 305,110	\$ 196,466	\$ 2,505,029	\$ 1,660,703	\$ 320,482	\$ 140,559	\$ 2,121,745

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

# ADLER APHASIA CENTER, INC

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2023 AND 2022 (CONTINUED)

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### 1. NATURE OF ACTIVITIES

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 centers in West Orange, New Jersey and Toms River, New Jersey. The Adler Aphasia Center maintains ten Aphasia Community Groups in Central and Northern New Jersey. The Center offers the following programs:

*Support of individuals with Aphasia:* The Center offers therapy and training to enhance the quality of life of individuals (members) with Aphasia. Members meet with their caregivers on a regular basis to work on improving their communication skills and confidence.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of accounting** --- The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Basis of presentation** --- The financial statements are prepared using guidance provided by the American Institute of Certified Public Accountants’ Audit and Accounting Guide, *Nonprofit Organizations*, *New Jersey Office of Management and Budget 15-08-OMB*, *State Grants*, and *State Aid*, in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), and other pronouncements applicable to not-for-profit organizations.

ASC Paragraphs 958-605-45-3 through 7, *Contributions Received*, requires that unconditional promises to give be recorded as receivables and revenue and requires the organization to distinguish between contributions received for each net asset category in accordance with 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 that are 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. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**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.



# ADLER APHASIA CENTER, INC

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2023 AND 2022 (CONTINUED)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

**Accounts receivable** --- Accounts receivable are stated at the amounts management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to expense and a credit to allowance for doubtful accounts based on its assessment of the current status of individual accounts. Accounts receivable as of December 31, 2023 and 2022 are from membership fees and pledges from individuals and foundations. No allowance for doubtful accounts has been provided.

**Fair value (hierarchy) of financial instruments** --- The Center measures fair value of its assets and liabilities as defined by FASB ASC Topic 820, *Fair Value Measurement and Disclosure*. This ASC Topic defines fair value, establishes a framework for measuring fair value, establishes a three-level fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements. The three fair value hierarchy levels are defined as follows:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities that the reporting entity has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability.

Level 3 – Inputs are unobservable inputs for the assets and liabilities. Unobservable inputs shall be used to measure fair value to the extent that the observable inputs are not available. Unobservable inputs shall be developed based on the best information available in the circumstances, which might include the reporting entity's own data.

Unless otherwise noted, the fair values of financial instruments approximate their carrying values. The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

FASB ASC 820 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurements.

# ADLER APHASIA CENTER, INC

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2023 AND 2022 (CONTINUED)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

**Fair value (hierarchy) of financial instruments (cont.)** --- As of December 31, 2023 and 2022, none of the assets (except investments) and liabilities were required to be reported at fair value on a recurring basis. Carrying values of non-derivative financial instruments, including cash, accounts receivable, accounts payable, and accrued expenses, approximate fair values due to the short-term nature of these financial instruments. There were no changes in methods or assumptions during the years ended December 31, 2023 and 2022.

**Property and equipment** --- Property and equipment are recorded at cost and are depreciated using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance, repairs and renewals of minor items are charged to earnings as incurred. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected in the statement of activities.

The Organization's policy is to capitalize fixed assets with a purchase price of \$5,000 or more and a useful life of one year or more based on the following schedule:

<u>Asset Class</u>	<u>Years</u>
Capital Improvements	15-30
Leasehold Improvements	15
Furniture and Equipment	3-5
Vehicles	5

**Impairment of long-lived assets** --- The Organization continually evaluates whether current events or circumstances warrant adjustments to the carrying value or estimated useful lives of fixed assets in accordance with the provisions of ASC 360-10-05, *Impairment or Disposals of Long-Lived Assets*.

#### **Revenue recognition** ---

*Contributions* --- Contributions, including unconditional promises to give, are recorded as received. All contributions are available for use unless specifically restricted by the donor. Conditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which promises are to be received.

As part of program operations, the Center sells member created items such as handcrafted jewelry, custom designed greeting cards, keepsake boxes, photo calendars and more, from their store named "Something Special". Since the cost of running the store are peripheral and immaterial, amounts received from sales are considered contributions. For December 31, 2023 and 2022, revenue from the store was \$40,922 and \$20,749, respectively.

# ADLER APHASIA CENTER, INC

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2023 AND 2022 (CONTINUED)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

#### Revenue recognition (cont.) ---

*Non-Cash Contributions* --- The Center discloses all contributed goods and services regardless of whether the goods and/ or services received are recognized as revenue in the financial statements. Items sold to the public or used in fundraising are reported as revenue at the cash value received in the exchange at the time of sale, with the resulting non-operating gain or loss being the difference between the fair value received from the donor and the cash received at the time of the sale. Alternatively, if a nonfinancial asset is used internally and otherwise not sold, the revenue is offset by the asset or related expense.

*Memberships* --- Memberships are considered exchange transactions whereas a perceived value is received in exchange for the membership. Therefore active memberships applied to the current year are recognized during the year and all future memberships received in advance are deferred.

*Government Grants* --- Government grant funds received from the Department of Health are recognized as conditional contributions. The grant contains the ability to access funds in advance. Revenue from these grants are recognized monthly based on a one-twelfth proration of the contracted award. The terms of the grant specify that the Center must incur certain qualifying expenses (or costs) in compliance with rules and regulations established by State governments, through the Office of Management and Budget and their cognizant agency, in order for the revenue to be recognized.

*Special Events* --- The Center hosts fundraising events which are considered exchange transactions whereas a perceived value is received in exchange for attending the events and/ or any sponsorship provided. Revenue is recognized when the event has taken place.

*Program Service Fees* --- Revenue is recognized upon service delivery.

**Income taxes** --- The Center is a not-for-profit organization described under Section 501(c)(3) of the Internal Revenue Code ("I.R.C.") and is therefore exempt from federal income taxes under Section 501(a) of the I.R.C. The Center is also exempt under Title 15 of the State of New Jersey *Corporations and Associations Not for Profit Act*. Accordingly, no provision for Federal or State income taxes has been presented in the accompanying financial statements.

The Center adheres to FASB ASC Topic 740, *Income Taxes*, which provides guidance and clarification on accounting for uncertainty in income taxes recognized in the Center's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on de-recognition, classification, interest and penalties, disclosure and transition. For the years ended December 31, 2023 and 2022, the Center has no material uncertain tax positions to be accounted for in the financial statements.

# ADLER APHASIA CENTER, INC

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2023 AND 2022 (CONTINUED)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

**Income taxes (cont.)** --- Annually, the Center files an informational return with the United States Internal Revenue Service. The Center also files an annual charitable registration with the State of New Jersey, Division of Consumer Affairs. All required tax returns have been filed and all taxes have been paid. The Center is generally subject to tax examinations for three years after its latest filing.

**Functional allocation of expenses** --- Expenses are charged to each program based on direct expenditures incurred. Program expenses are those related to support individuals with Aphasia. Management and general relate to administrative expenses related to those programs.

Allocated indirect expenditures include salaries and related payroll expenses, which are allocated on the basis of estimates of time and effort. The indirect labor hours cost pool serves as the basis for allocating supplies and other general office expenses. Rent, utilities and other facility and overhead costs are allocated based upon the number of employees directly allocated to each function.

**Use of estimates** --- The preparation of financial statements in conformity with accounting principles generally accepted the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Reclassification** --- Certain amounts from prior year financial statements have been reclassified to conform to current year presentation.

### 3. FAIR VALUE OF FINANCIAL INSTRUMENTS AND INVESTMENTS

The following descriptions of the valuation techniques applied to the Center's major categories of assets measured at fair value on a recurring basis:

*Mutual Funds:* Investments traded in an active market for which daily closing prices are measured primarily on a net asset value basis.

*Certificates of deposit:* Certificates of deposit are guaranteed interest rate accounts with maturities expiring in over a year

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs. As of December 31, 2023 and 2022, non-current investments amounted to \$664,458 and \$661,360, respectively, and represents the Center's endowment, as detailed in Note 9.

# ADLER APHASIA CENTER, INC

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2023 AND 2022 (CONTINUED)

### 3. FAIR VALUE OF FINANCIAL INSTRUMENTS AND INVESTMENTS (CONT.)

The following table presents the Center's financial assets which are measured and recorded at fair value on a recurring basis at December 31, 2023 and 2022:

	<u>Level 1 2023</u>	<u>Level 1 2022</u>
Mutual Funds		
Bond Funds	\$ 2,916,936	\$ 1,634,490
Stock Funds	3,722,708	2,694,038
Certificates of Deposit	-	51,463
Total assets carried at fair value	<u>\$ 6,639,644</u>	<u>\$ 4,379,991</u>

The cost basis and estimated fair value of investments held as available for sale by the Center at December 31, 2023 and 2022 are as follows:

#### December 31, 2023:

	<u>Cost</u>	<u>Gross Unrealized Holdings Gains</u>	<u>Gross Unrealized Holdings Losses</u>	<u>Fair Value</u>
Mutual funds:				
Bond funds	\$ 2,937,919	\$ 39,152	\$ 60,135	\$ 2,916,936
Stock funds	3,375,369	378,949	31,610	3,722,708
Total	<u>\$ 6,313,288</u>	<u>\$ 418,101</u>	<u>\$ 91,745</u>	<u>\$ 6,639,644</u>

#### December 31, 2022:

	<u>Cost</u>	<u>Gross Unrealized Holdings Gains</u>	<u>Gross Unrealized Holdings Losses</u>	<u>Fair Value</u>
Mutual funds:				
Bond funds	\$ 1,814,478	\$ 2,136	\$ 182,124	\$ 1,634,490
Stock funds	2,987,163	83,318	376,443	2,694,038
Certificates of Deposit	51,358	105	-	51,463
Total	<u>\$ 4,852,999</u>	<u>\$ 85,559</u>	<u>\$ 558,567</u>	<u>\$ 4,379,991</u>

# ADLER APHASIA CENTER, INC

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2023 AND 2022 (CONTINUED)

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### 3. FAIR VALUE OF FINANCIAL INSTRUMENTS AND INVESTMENTS (CONT.)

The Center's investment income consisted of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 159,222	\$ 120,993
Realized (losses)	(201,525)	(54,914)
Unrealized gains (losses)	793,392	(684,627)
Less: investment expenses	<u>(31,584)</u>	<u>(21,966)</u>
	<u>\$ 719,505</u>	<u>\$ (640,514)</u>

### 4. UNCONDITIONAL PROMISE TO GIVE:

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

	<u>2023</u>	<u>2022</u>
Promises without donor restrictions	\$ 250,000	\$ 512,750
Promises with donor restrictions		
Time restricted	<u>100,000</u>	<u>75,000</u>
Gross unconditional promises to give	350,000	587,750
Less: Discount for long-term pledges	<u>1,101</u>	<u>30,251</u>
Net unconditional promises to give	<u>\$ 348,899</u>	<u>\$ 557,499</u>
Amounts due in:		
Less than one year	\$ 340,000	\$ 312,750
One to five years	<u>8,899</u>	<u>244,749</u>
Total	<u>\$ 348,899</u>	<u>\$ 557,499</u>

### 5. NON-CASH CONTRIBUTIONS

The Center records contributed use of the facility located at 60 West Hunter Avenue, Maywood, NJ on its fair value. For the years ended December 31, 2023 and 2022, the Center recognized as both unconditional contribution and expense amounts for rent totaling \$257,475 in each year. The expense is categorized as an occupancy expense. All of the above contributions have been donated by a founding board member's related entities.

# ADLER APHASIA CENTER, INC

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2023 AND 2022 (CONTINUED)

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### 6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 247,850	\$ 236,400
Furniture and equipment	<u>181,166</u>	<u>172,693</u>
	429,016	409,093
Less: accumulated depreciation	<u>281,837</u>	<u>260,715</u>
Net property and equipment	<u>\$ 147,179</u>	<u>\$ 148,378</u>

Depreciation expense amounted to \$21,122 and \$19,744 for the years ended December 31, 2023 and 2022, respectively.

### 7. MEMBERSHIP INCOME

For the years ended December 31, 2023 and 2022, membership revenue and scholarship expense was as follows:

	<u>2023</u>	<u>2022</u>
Membership revenue	\$ 935,337	\$ 673,502
Less: scholarship expense	<u>725,425</u>	<u>515,466</u>
Membership revenue, net of scholarships	<u>\$ 209,912</u>	<u>\$ 158,037</u>

### 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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Time restriction	\$ 365,000	\$ 575,000
Endowment income, unappropriated	129,458	126,360
Endowment contribution	<u>535,000</u>	<u>535,000</u>
	<u>\$ 1,029,458</u>	<u>\$ 1,236,360</u>

Net assets released from donor restrictions during the years ended December 31, 2023 and 2022 were for:

	<u>2023</u>	<u>2022</u>
Time restriction	\$ 385,000	\$ 100,000
Endowment income, appropriation	<u>23,410</u>	<u>26,092</u>
	<u>\$ 408,410</u>	<u>\$ 126,092</u>

# ADLER APHASIA CENTER, INC

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2023 AND 2022 (CONTINUED)

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### 8. NET ASSETS (CONT.)

#### 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.

### 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:

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;



# ADLER APHASIA CENTER, INC

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2023 AND 2022 (CONTINUED)

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### 9. ENDOWMENTS (CONT.)

- 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

As of December 31, 2023, 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	-	129,458	129,458
December 31, 2023, endowment net assets	<u>\$ -</u>	<u>\$ 664,458</u>	<u>\$ 664,458</u>

# ADLER APHASIA CENTER, INC

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2023 AND 2022 (CONTINUED)

### 9. ENDOWMENTS (CONT.)

As of December 31, 2022, 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	-	126,360	126,360
December 31, 2022, endowment net assets	<u>\$ -</u>	<u>\$ 661,360</u>	<u>\$ 661,360</u>

Changes in endowment net assets for the year ended December 31, 2023, consist of the following:

	<u>Original gift amount</u>	<u>Accumulated gains and other</u>	<u>Total with donor restriction</u>
Endowment net assets, beginning of year	\$ 535,000	\$ 126,360	\$ 661,360
Investment return	-	26,508	26,508
Amounts appropriated for expenditure	-	(23,410)	(23,410)
December 31, 2023, endowment net assets	<u>\$ 535,000</u>	<u>\$ 129,458</u>	<u>\$ 664,458</u>

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

	<u>Original gift amount</u>	<u>Accumulated gains and other</u>	<u>Total with donor restriction</u>
Endowment net assets, beginning of year	\$ 535,000	\$ 218,313	\$ 753,313
Investment return	-	(65,861)	(65,861)
Amounts appropriated for expenditure	-	(26,092)	(26,092)
December 31, 2022, endowment net assets	<u>\$ 535,000</u>	<u>\$ 126,360</u>	<u>\$ 661,360</u>

# ADLER APHASIA CENTER, INC

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2023 AND 2022 (CONTINUED)

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### 9. ENDOWMENTS (CONT.)

#### *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, 2023 and 2022, there were no funds with deficiencies.

### 10. EMPLOYEE BENEFITS

The Organization's fringe benefit package is offered to all full-time employees who are regularly scheduled to work at least thirty (30) hours per week. These benefits include medical insurance, dental insurance, prescription drug plan and group term life insurance. For the years ended June 30, 2023 and 2022 total benefits expenses incurred by the Center were \$103,814 and \$85,370, respectively.

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, 2023 and 2022, the Center made total contributions (including non-elective) on behalf of its employees that totaled \$26,207 and \$20,208, respectively.

### 11. RISK AND UNCERTAINTIES

#### Support and revenue

For the years ended December 31, 2023 and 2022, the Center received support and non-cash contributions revenue from one major donor of approximately \$873,605 (49%) and \$813,279 (42%), as detailed in Note 14.

#### 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. During any given year, cash and cash equivalents held in banks may exceeded FDIC limits.

# ADLER APHASIA CENTER, INC

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2023 AND 2022 (CONTINUED)

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### 12. 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. 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 investments to maximize earned interest opportunities and in Level 1, mutual funds. Interest rates and investment options are reviewed regularly by management and the board of directors to determine the best investment options. 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>2023</u>	<u>2022</u>
Financial assets at year-end	\$ 7,902,169	\$ 7,643,325
Less those unavailable for general expenditures within one year, due to:		
Donor-restricted funding	1,029,458	1,236,360
Prepaid expenses	<u>2,382</u>	<u>2,386</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 6,870,329</u>	<u>\$ 6,404,579</u>

### 13. NON-OPERATING INCOME

*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.

### 14. RELATED PARTY TRANSACTIONS

The Center has transactions with its founding board member. The founding board member has been on the Center's board since 2003 until she passed away in August 2023. Details of the related transactions are described in Note 11.

### 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.

**ADLER APHASIA CENTER, INC**

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
AS OF DECEMBER 31, 2023 AND 2022**

<b>Grantor/ Program title/ Pass-through grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>State Grant/ Contract Number</b>	<b>Grant Period</b>	<b>Grant Award</b>	<b>Passed Through to Subrecipients</b>	<b>Current Year's Expenditures</b>
New Jersey Department of Health, Division of Family Health Services						
Dedicated Grant-in-Aid 2023	n/a	MGMT23GIA005	07/01/22-06/30/23	200,000	-	100,000
Dedicated Grant-in-Aid 2024	n/a	MGMT24GIA002	07/01/23-06/30/24	200,000	-	100,000
<b>Total State Expenditures</b>					<b>\$ -</b>	<b>\$ 200,000</b>

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

# **ADLER APHASIA CENTER, INC**

## **NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE YEAR ENDED DECEMBER 31, 2023**

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### **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 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, 2023, 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, 2023, 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, 2023, 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 13, 2024.

#### **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.



Westwood, New Jersey  
August 13, 2024

STEVEN T. CIRILLO, CPA, LLC  
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