

**NATIONAL FOUNDATION
FOR FACIAL RECONSTRUCTION, INC.
D/B/A MYFACE**



**Financial Statements
(Together with Independent Auditors' Report)**

September 30, 2020 and 2019

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

National Foundation for Facial Reconstruction, Inc.

**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

SEPTEMBER 30, 2020 AND 2019

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-16

INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
National Foundation For Facial Reconstruction, Inc.

We have audited the accompanying financial statements of the National Foundation for Facial Reconstruction, Inc. D/B/A myFace ("NFFR"), which comprise the statements of financial position as of September 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NFFR as of September 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Marks Paneth LLP

Purchase, NY
March 31, 2021

NATIONAL FOUNDATION FOR FACIAL RECONSTRUCTION, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2020 AND 2019

	As of September 30,	
	2020	2019
ASSETS		
Cash and cash equivalents	\$ 2,496,812	\$ 1,460,230
Investments	17,477,817	18,353,814
Pledges receivable	570,590	469,097
Prepaid expenses and other assets	174,181	72,353
Property and equipment, net of accumulated depreciation	1,685,891	1,742,114
TOTAL ASSETS	\$ 22,405,291	\$ 22,097,608
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 50,421	\$ 242,472
Paycheck Protection Program loan	100,185	-
TOTAL LIABILITIES	150,606	242,472
COMMITMENTS AND CONTINGENCIES		
Net Assets		
Without donor restrictions	15,006,348	14,651,062
With donor restrictions:		
Restricted for time and purpose	4,097,704	4,153,043
Unappropriated earnings	750,633	651,031
Perpetual in nature	2,400,000	2,400,000
Total with donor restrictions	7,248,337	7,204,074
TOTAL NET ASSETS	22,254,685	21,855,136
TOTAL LIABILITIES AND NET ASSETS	\$ 22,405,291	\$ 22,097,608

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

**NATIONAL FOUNDATION FOR FACIAL RECONSTRUCTION, INC.
STATEMENTS OF ACTIVITIES**

	<u>For the Year Ended September 30, 2020</u>			<u>For the Year Ended September 30, 2019</u>		
	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>
	<u>Restrictions</u>	<u>Restrictions</u>	<u>2020</u>	<u>Restrictions</u>	<u>Restrictions</u>	<u>2019</u>
PUBLIC SUPPORT AND REVENUE						
Contributions and grants	\$ 1,316,118	\$ 273,160	\$ 1,589,278	\$ 1,286,399	\$ 670,543	\$ 1,956,942
Special events (net of direct benefit costs of \$-0- in 2020 and \$230,255 in 2019)	-	-	-	618,524	-	618,524
Investment income	1,262,969	223,740	1,486,709	233,807	147,218	381,025
Donated goods and services	<u>83,858</u>	<u>-</u>	<u>83,858</u>	<u>190,262</u>	<u>-</u>	<u>190,262</u>
 Total public support and revenue before release of restrictions	 2,662,945	 496,900	 3,159,845	 2,328,992	 817,761	 3,146,753
Net assets released from restrictions	<u>452,637</u>	<u>(452,637)</u>	<u>-</u>	<u>522,812</u>	<u>(522,812)</u>	<u>-</u>
 Total public support and revenue	 <u>3,115,582</u>	 <u>44,263</u>	 <u>3,159,845</u>	 <u>2,851,804</u>	 <u>294,949</u>	 <u>3,146,753</u>
EXPENSES:						
Program services	1,990,379	-	1,990,379	2,778,699	-	2,778,699
Administrative support	393,140	-	393,140	455,062	-	455,062
Fundraising	<u>376,777</u>	<u>-</u>	<u>376,777</u>	<u>562,411</u>	<u>-</u>	<u>562,411</u>
 TOTAL EXPENSES	 <u>2,760,296</u>	 <u>-</u>	 <u>2,760,296</u>	 <u>3,796,172</u>	 <u>-</u>	 <u>3,796,172</u>
 CHANGE IN NET ASSETS	 355,286	 44,263	 399,549	 (944,368)	 294,949	 (649,419)
 NET ASSETS - BEGINNING OF YEAR	 <u>14,651,062</u>	 <u>7,204,074</u>	 <u>21,855,136</u>	 <u>15,595,430</u>	 <u>6,909,125</u>	 <u>22,504,555</u>
 NET ASSETS - END OF YEAR	 <u>\$ 15,006,348</u>	 <u>\$ 7,248,337</u>	 <u>\$ 22,254,685</u>	 <u>\$ 14,651,062</u>	 <u>\$ 7,204,074</u>	 <u>\$ 21,855,136</u>

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

**NATIONAL FOUNDATION FOR FACIAL RECONSTRUCTION, INC.
STATEMENT OF FUNCTIONAL EXPENSES**

	For the Year Ended September 30, 2020				
	Program Services	Supporting Services		2020 Total Expenses	2019 Total Expenses
Administrative Support		Fundraising			
Salaries and wages	\$ 207,016	\$ 49,289	\$ 236,589	\$ 492,894	\$ 570,546
Payroll taxes and employee benefits	44,188	10,521	50,501	105,210	130,089
Total salaries and related costs	<u>251,204</u>	<u>59,810</u>	<u>287,090</u>	<u>598,104</u>	<u>700,635</u>
Support of the Hansjörg Wyss Department of Plastic Surgery at NYU Langone Health	1,647,085	-	10,213	1,657,298	2,438,084
Food and Entertainment - direct donor benefit costs	-	-	-	-	230,255
Office and other expenses	23,850	103,894	28,731	156,475	149,179
Insurance	-	23,716	-	23,716	27,015
Depreciation	-	56,223	-	56,223	56,223
Professional fees	50,220	95,961	49,576	195,757	182,733
Equipment rental	-	10,779	-	10,779	13,637
Travel	2,820	6,325	15	9,160	16,204
Bad debt expense	-	13,726	-	13,726	-
SUBTOTAL	<u>1,975,179</u>	<u>370,434</u>	<u>375,625</u>	<u>2,721,238</u>	<u>3,813,965</u>
Less: direct benefits to donors recorded on statement of activities	-	-	-	-	(230,255)
In-kind expenses:					
Advertising and marketing	-	-	-	-	73,984
Legal	-	22,706	-	22,706	2,030
Donated goods	15,200	-	1,152	16,352	136,448
In-kind expenses	<u>15,200</u>	<u>22,706</u>	<u>1,152</u>	<u>39,058</u>	<u>212,462</u>
TOTAL EXPENSES	<u>\$ 1,990,379</u>	<u>\$ 393,140</u>	<u>\$ 376,777</u>	<u>\$ 2,760,296</u>	<u>\$ 3,796,172</u>

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

**NATIONAL FOUNDATION FOR FACIAL RECONSTRUCTION, INC.
STATEMENT OF FUNCTIONAL EXPENSES**

	For the Year Ended September 30, 2019			
	Supporting Services			2019 Total Expenses
	Program Services	Administrative Support	Fundraising	
Salaries and wages	\$ 240,728	\$ 50,250	\$ 279,568	\$ 570,546
Payroll taxes and employee benefits	52,075	17,513	60,501	130,089
Total salaries and related costs	292,803	67,763	340,069	700,635
Support of the Hansjörg Wyss Department of Plastic Surgery at NYU Langone Health	2,263,055	-	175,029	2,438,084
Food and Entertainment - direct donor benefit costs	-	-	230,255	230,255
Office and other expenses	204	111,688	37,287	149,179
Insurance	-	26,436	579	27,015
Depreciation	-	56,223	-	56,223
Professional fees	356	172,930	9,447	182,733
Equipment rental	-	13,637	-	13,637
Travel	11,849	4,355	-	16,204
SUBTOTAL	2,568,267	453,032	792,666	3,813,965
Less: direct benefits to donors recorded on statement of activities	-	-	(230,255)	(230,255)
In-kind expenses:				
Advertising and marketing	73,984	-	-	73,984
Legal	-	2,030	-	2,030
Donated goods	136,448	-	-	136,448
In-kind expenses	210,432	2,030	-	212,462
TOTAL EXPENSES	\$ 2,778,699	\$ 455,062	\$ 562,411	\$ 3,796,172

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

**NATIONAL FOUNDATION FOR FACIAL RECONSTRUCTION, INC.
STATEMENTS OF CASH FLOWS**

	For the Years Ended September 30,	
	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets:	\$ 399,549	\$ (649,419)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	56,223	56,223
Realized and unrealized (gain) loss on investments	(938,290)	34,346
Changes in operating assets and liabilities:		
Pledges receivable	(101,493)	(429,299)
Prepaid expenses and other assets	(101,828)	78,553
Accounts payable and accrued expenses	<u>(192,051)</u>	<u>127,796</u>
Net Cash Used in Operating Activities	<u>(877,890)</u>	<u>(781,800)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(356,979)	(1,249,350)
Proceeds from sale of investments	<u>2,171,266</u>	<u>2,208,328</u>
Net Cash Provided by Investing Activities	<u>1,814,287</u>	<u>958,978</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program loan	<u>100,185</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,036,582	177,178
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,460,230</u>	<u>1,283,052</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,496,812</u>	<u>\$ 1,460,230</u>

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

NATIONAL FOUNDATION FOR FACIAL RECONSTRUCTION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The National Foundation for Facial Reconstruction, Inc. ("NFFR" or the "Organization") operates under the name myFace ("myFace"). myFace is dedicated to transforming the lives of patients with facial differences and their families. With a special focus on children, myFace funds medical, surgical, dental, speech and psychosocial services as well as research, and raises public awareness.

NFFR was incorporated in 1951 in the State of New York and is exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code and from state and local taxes under comparable laws.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting and Use of Estimates

The accompanying financial statements of the NFFR have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, revenues, and expenses, as well as the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from those estimates.

B. Basis of Presentation

NFFR's financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") guidance on reporting information regarding its financial position and activities for not-for-profit organizations. Under that guidance, NFFR is required to report information regarding its net assets and revenues, gains, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of NFFR and changes therein are classified and reported as follows:

- Without donor restrictions – Net assets that are not subject to donor-imposed stipulations, including board designated funds functioning as endowment.
- With donor restrictions – Net assets subject to donor-imposed stipulations, including stipulations that will be met either by actions of NFFR or the passage of time, stipulations that they be maintained in perpetuity by NFFR, and investment earnings from endowments not yet appropriated for spending. When time and purpose restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled, the stipulated time period has elapsed, or endowment earnings are appropriated) are reported as net assets released from restrictions.

C. Cash and Cash Equivalents

NFFR considers all highly liquid financial investments acquired with a maturity of three months or less to be cash equivalents.

NATIONAL FOUNDATION FOR FACIAL RECONSTRUCTION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Investments

Investments are carried at fair value. Unrealized gains and losses are recognized as changes in net assets in the period in which they occur, and investment income is recognized as revenue in the period earned. 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 measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy provides observable and unobservable inputs used to measure fair value into three levels, as described in Note 4. Donated securities are recorded at their fair values on the dates of the gifts.

E. Contributions and Grants

In accordance with GAAP, contributions received are classified depending on the existence or the nature of any donor restrictions. All contributions are considered support without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions and increase that net asset class. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions to be received over periods greater than one year are discounted at an appropriate interest rate commensurate with the risk involved. Contribution revenue has been recognized based on the present value of the estimated future payments to be made to NFFR.

Bequests are recorded as income when the will has cleared probate and the sum is certain.

Foundation grants and contracts are nonexchange transactions and accounted for under FASB Accounting Standards Update “ASU” 2018-08. Foundation grants and contracts are recognized when barriers within the contract are overcome, and there is no longer a right of return/release from obligation.

F. Allowance for Uncollectible Pledges Receivables

NFFR determines whether an allowance for uncollectible contributions and grants receivable should be provided based on prior years’ experience and management’s analysis of specific promises to give. As of September 30, 2020 and 2019, NFFR determined that no allowance was necessary.

G. Donated Goods and Services

Those donated goods and services that meet the requirements for recognition under accounting principles generally accepted in the United States of America are recorded as both revenues and expenses in the accompanying statements of activities, at amounts determined by management to be reasonable for acquiring such services. A number of volunteers have routinely made significant contributions of their time to NFFR. However, such contributed services do not meet the criteria for recognition under generally accepted accounting principles, and thus they are not included in the accompanying financial statements.

The Organization receives contributed goods and services and records them at their estimated fair value on the date of receipt. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

NATIONAL FOUNDATION FOR FACIAL RECONSTRUCTION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Property and Equipment

Property and equipment are stated at their original costs at the date of acquisition or at their fair values at the date of donation. NFFR capitalizes property and equipment with a cost of \$1,000 or more and a useful life greater than one year. Depreciation is provided using the straight-line method over the assets' estimated useful lives, which range from 3 to 40 years.

I. Functional Allocation of Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the accompanying statements of activities. Accordingly, expenses have been allocated among the programs and supporting services using appropriate measurement methodologies developed by management.

The expenses that are allocated include salaries, payroll taxes and employee benefits, which are based on the estimates of time and effort spent on direct administration or supervision of program supporting services. Other expenses that are allocated include office related expenses, insurance, professional fees and travel, which are allocated based on usage when possible.

J. Income Taxes

NFFR follows FASB Accounting Standards Codification ("ASC") Topic 740, Income Taxes, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

K. Reclassification

Certain items in the September 30, 2019 financial statements have been reclassified to conform to the September 30, 2020 presentation. These classifications had no impact on the change in net assets for the year ended September 30, 2019.

L. Recent Authoritative Pronouncements

FASB ASU 2018-08, "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made", was adopted for the year ended September 30, 2020. ASU 2018-08 aims to assist entities in evaluating whether contributions should be accounted for as contributions or exchange transactions and determination as to whether a contribution is conditional.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES FOR GENERAL EXPENDITURES

NFFR regularly monitors liquidity required to meet its operating needs, while also striving to maximize the investment of its available funds. NFFR has various sources of liquidity at its disposal, including cash and cash equivalents and marketable debt and equity securities. For purposes of analyzing resources available to meet general expenditures over a 12-month period, NFFR considers all expenditures related to its ongoing activities as well as services undertaken to support those activities to be general expenditures.

NATIONAL FOUNDATION FOR FACIAL RECONSTRUCTION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES FOR GENERAL EXPENDITURES
(CONTINUED)

As of September 30, NFFR's financial assets available for general expenditure which are available to NFFR without donor or other restrictions that limit their use, within one year of the statement of financial position date, comprise the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,496,812	\$ 1,460,230
Investments	17,477,817	18,353,814
Pledges receivable	374,049	174,286
Less: endowment assets	<u>(3,150,633)</u>	<u>(3,051,031)</u>
	<u>\$ 17,198,045</u>	<u>\$ 16,937,299</u>

NOTE 4 – INVESTMENTS

At each fiscal year-end, investments consisted of the following:

	<u>September 30,</u>			
	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash	\$ 152,954	\$ 152,954	\$ 17,671	\$ 17,671
Fixed-income securities	7,112,353	7,750,946	7,444,210	7,617,681
Equity securities	<u>6,405,899</u>	<u>9,573,917</u>	<u>8,238,143</u>	<u>10,718,462</u>
	<u>\$ 13,671,206</u>	<u>\$ 17,477,817</u>	<u>\$ 15,700,024</u>	<u>\$ 18,353,814</u>

During each fiscal year, net investment income consisted of the following:

	<u>Years Ended</u>	
	<u>September 30,</u>	
	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 548,419	\$ 415,371
Net realized (loss) gains	(30,347)	376,930
Net unrealized gains (loss)	<u>968,637</u>	<u>(411,276)</u>
	<u>\$ 1,486,709</u>	<u>\$ 381,025</u>

ASC Topic 820-10-05 establishes a three-level valuation hierarchy of fair-value measurements. These valuation techniques are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

NATIONAL FOUNDATION FOR FACIAL RECONSTRUCTION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

NOTE 4 – INVESTMENTS (CONTINUED)

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

The following tables summarize the fair values of NFFR's assets at each fiscal year-end, in accordance with the fair value hierarchy:

	September 30, 2020			
	Level 1	Level 2	Level 3	Total
Cash and short-term investments	\$ 152,954	\$ -	\$ -	\$ 152,954
Fixed-income securities	-	7,750,946	-	7,750,946
Equity securities	9,573,917	-	-	9,573,917
Investments measured at fair value	<u>\$ 9,726,871</u>	<u>\$ 7,750,946</u>	<u>\$ -</u>	<u>\$ 17,477,817</u>

	September 30, 2019			
	Level 1	Level 2	Level 3	Total
Cash and short-term investments	\$ 17,671	\$ -	\$ -	\$ 17,671
Fixed-income securities	-	7,617,681	-	7,617,681
Equity securities	10,718,462	-	-	10,718,462
Investments measured at fair value	<u>\$ 10,736,133</u>	<u>\$ 7,617,681</u>	<u>\$ -</u>	<u>\$ 18,353,814</u>

NOTE 5 – PLEDGES RECEIVABLE

At each fiscal year-end, pledges receivable consisted of the following:

	September 30,	
	2020	2019
Gross amounts due in:		
One year	\$ 374,049	\$ 174,286
One to five years	200,000	300,000
	<u>574,049</u>	<u>474,286</u>
Less: present value discount	<u>(3,459)</u>	<u>(5,189)</u>
	<u>\$ 570,590</u>	<u>\$ 469,097</u>

Management considers these receivables to be fully collectible; accordingly, no allowance for uncollectible pledges has been established.

**NATIONAL FOUNDATION FOR FACIAL RECONSTRUCTION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of:

	September 30,	
	2020	2019
Condominium office and improvements	\$ 2,241,860	\$ 2,241,860
Furniture and fixtures	56,581	56,581
Computer equipment	25,403	25,403
	2,323,844	2,323,844
Less: accumulated depreciation	(637,953)	(581,730)
	\$ 1,685,891	\$ 1,742,114

Depreciation expense for fiscal years 2020 and 2019 was \$56,223.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	September 30,	
	2020	2019
Patient care	\$ 4,097,704	\$ 4,153,043
Unappropriated earnings	750,633	651,031
Endowment corpus	2,400,000	2,400,000
	\$ 7,248,337	\$ 7,204,074

Net assets released from restrictions resulting from satisfying the donor restrictions are as follows:

	September 30,	
	2020	2019
Patient Care	\$ 452,637	\$ 522,812

NFFR's endowment corpus consists of three donor-restricted funds established for a variety of purposes.

Return objectives, risk parameters and spending policy:

The Board of Trustees has adopted investment and spending policies for NFFR's endowment corpus that attempt to maintain the purchasing power of those assets in the future, while being mindful of the cash-flow and liquidity requirements of NFFR. Investment funds are invested in such a way as to help in meeting the future capital and other investment needs of NFFR.

NATIONAL FOUNDATION FOR FACIAL RECONSTRUCTION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

NOTE 8 – ENDOWMENT FUNDS

Strategies employed for achieving objectives:

To satisfy its long-term rate-of-return objectives, NFFR seeks to ensure an appropriate diversification of the portfolio by asset class, sector, geographic region, and by investment managers, unless it is prudently determined that, because of special circumstances, the purposes of the investment funds are better served without diversification. Diversification decisions are reviewed at least quarterly.

Endowment activities during each fiscal year:

	Year Ended September 30, 2020		
	Unappropriated Earnings	Endowment Corpus	Total
Investment net assets and the earnings thereon, beginning of year	\$ 651,031	\$ 2,400,000	\$ 3,051,031
Investment return:			
Investment income	134,949	-	134,949
Net appreciation (realized and unrealized)	88,791	-	88,791
Total investment gain	223,740	-	223,740
Amount appropriated to operations	(124,138)	-	(124,138)
Investment net assets and the earnings thereon, end of year	<u>\$ 750,633</u>	<u>\$ 2,400,000</u>	<u>\$ 3,150,633</u>
	Year Ended September 30, 2019		
	Unappropriated Earnings	Endowment Corpus	Total
Investment net assets and the earnings thereon, beginning of year	\$ 668,548	\$ 2,400,000	\$ 3,068,548
Investment return:			
Investment income	71,576	-	71,576
Net appreciation (realized and unrealized)	75,642	-	75,642
Total investment gain	147,218	-	147,218
Amount appropriated to operations	(164,735)	-	(164,735)
Investment net assets and the earnings thereon, end of year	<u>\$ 651,031</u>	<u>\$ 2,400,000</u>	<u>\$ 3,051,031</u>

NATIONAL FOUNDATION FOR FACIAL RECONSTRUCTION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

NOTE 8 – ENDOWMENT FUNDS (CONTINUED)

NFFR recognizes that New York State adopted as law the New York Prudent Management of Institutional Funds Act ("NYPMIFA") on September 17, 2010. NYPMIFA replaced the prior law which was the Uniform Management of Institutional Funds Act ("UMIFA"). In addition, NYPMIFA created a rebuttable presumption of imprudence if an organization appropriates more than 7% of a donor-restricted endowment fund's fair value (averaged over a period of not less than the preceding five years) in any year. Any unappropriated earnings that would otherwise be considered without donor restrictions will be reflected as with donor restrictions until appropriated.

Net assets with donor restrictions of \$2,400,000 at September 30, 2020 and 2019 are restricted in perpetuity. NFFR's Board has interpreted NYPMIFA as allowing NFFR to appropriate for expenditure or accumulate so much of an endowment fund as NFFR determines to be prudent for the uses, benefits, purposes and duration for which the endowment was established, subject to the intent to the donor as expressed in the gift instrument.

NOTE 9 – PENSION EXPENSE

NFFR sponsors a 401(k) savings plan, which covers all eligible employees, in compliance with the Employee Retirement Income Security Act of 1974. The plan provides for NFFR to match an employee's contribution up to a maximum amount of three percent (3%) of the employee's compensation.

NFFR contributed \$4,458 and \$8,177 to the plan for the years ended September 30, 2020 and 2019, respectively.

NOTE 10 – DONATED GOODS AND SERVICES

NFFR received donated goods and services in connection with a special event during fiscal years 2020 and 2019. Estimated fair values for amounts received were approximately \$61,000 and \$188,000, respectively. During fiscal years 2020 and 2019, NFFR received donated legal services, for various initiatives, of \$22,706 and \$2,030, respectively. These goods and services are recognized as revenue and corresponding expenses in the accompanying financial statements.

NOTE 11 – CONCENTRATIONS

A. Concentration of Credit Risk

Financial instruments that potentially subject NFFR to concentrations of credit risk consist principally of cash and cash-equivalent amounts deposited in accounts at high-credit-quality financial institutions, the balances of which, from time to time, may exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limit amount of \$250,000 per depositor. Additionally, NFFR maintains investment accounts with major investment firms that are covered by Securities Investor Protection Corporation ("SIPC") insurance. NFFR had insured cash accounts that exceed the FDIC insurance limit for the years ended 2020 and 2019 by approximately \$484,000 and \$473,000, respectively. Investment balances in excess of SIPC coverage were approximately \$18,476,000 and \$18,117,000.

B. Concentration of Revenues and Receivables

At September 30, 2020, pledges receivable included receivables from two donors, in the amount of \$450,000, that represented approximately 79% of the total pledges receivable. For the year ended September 30, 2019, one major donor contributed approximately 16% of the total support and revenues (excluding in-kind contributions). At September 30, 2019, pledges receivable included receivables from one donor, in the amount of \$400,000, that represented approximately 85% of the total pledges receivable.

**NATIONAL FOUNDATION FOR FACIAL RECONSTRUCTION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

NOTE 12 – RELATED-PARTY TRANSACTIONS

A member of NFFR’s Board of Trustees is also a former partner at the law firm which provided donated legal services, as described in Note 10.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

NFFR is committed under three non-cancelable operating leases through 2021. In addition, NFFR leases certain equipment under agreements expiring through 2024.

Approximate minimum annual payments remaining on the leases for the years ending after September 30, 2020 are as follows:

	<u>Rental Property</u>	<u>Office Equipment</u>	<u>Total</u>
2021	\$ 59,000	\$ 10,000	\$ 69,000
2022	-	10,000	10,000
2023	-	9,000	9,000
2024	-	8,000	8,000
	<u>\$ 59,000</u>	<u>\$ 37,000</u>	<u>\$ 96,000</u>

The expense for rental property and office equipment for the years ended September 30, 2020 and 2019 amounted to approximately \$132,000 and \$152,000, respectively.

NOTE 14 – PAYCHECK PROTECTION PROGRAM (PPP) LOAN

On March 27, 2020, in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Stability Act (“CARES Act”). Among many other provisions, to help businesses retain employees, the CARES Act provides relief to qualifying businesses through a program called the Paycheck Protection Program (“PPP”). Participating in the PPP enables the business to obtain a loan from the Small Business Administration sector of the government. The term of the loan is two years and bears interest at a fixed rate of 1% per annum. Unless material, NFFR does not accrue or impute interest on PPP loan.

If the proceeds from the loan are used for specific purposes, some or all of the loan can be forgiven, based on how much is spent in either the eight or twenty-four week period immediately following funding of the loan times a forgiveness factor that is based on employee headcount and amounts paid to the NFFR’s employees. The Organization applied for this loan through JP Morgan Chase and received \$100,185 in April 2020. In accounting for the terms of the PPP Loan, the Organization is guided by ASC 470, Debt, and ASC 450-30, Gain Contingency. Accordingly, it recorded the proceeds of the PPP Loan of \$100,185 as debt and it will derecognize the liability when the loan is paid off or it believes forgiveness is reasonably certain. The Organization believes that the possibility of loan forgiveness is to be regarded as a contingent gain and therefore, will not recognize the gain until all uncertainty is removed. As of the date of issuance, the Organization has not applied for loan forgiveness.

NATIONAL FOUNDATION FOR FACIAL RECONSTRUCTION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

NOTE 14 – PAYCHECK PROTECTION PROGRAM (PPP) LOAN (CONTINUED)

Principle payments on this debt, if not forgiven, will be as follows:

2021	\$	60,849
2022		<u>39,336</u>
Total PPP Loan Payable	\$	<u><u>100,185</u></u>

NOTE 15 – RISKS AND UNCERTAINTIES

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Organization's business and financial results will depend on future developments, including the duration and spread of the outbreak. Due to the rapidly changing business environment, unprecedented market volatility, and other circumstances resulting from the COVID-19 pandemic, the Organization is currently unable to fully determine the extent of COVID-19's impact on its business in future periods. The Organization's performance in future periods will be heavily influenced by the timing, length, and intensity of the economic recoveries in the United States. The Organization continues to monitor evolving economic and general business conditions and the actual and potential impacts on its financial position and results of operations.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events and transactions that occurred subsequent to the date of the statement of financial position through March 31, 2021, the date the financial statements were available to be issued.