

NATIONAL FOUNDATION FOR FACIAL RECONSTRUCTION, INC.  
D/B/A MYFACE, THE NEW FACE OF THE NFFR



Financial Statements  
(Together with Independent Auditors' Report)

September 30, 2017 and 2016

**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, 2017 AND 2016

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Marks Paneth LLP  
4 Manhattanville Rd,  
4th Floor, Suite 402  
Purchase, NY 10577  
P 914.524.9000  
F 914.524.9185  
markspaneth.com

New York  
New Jersey  
Pennsylvania  
Washington, DC

**M A R K S P A N E T H**  
ACCOUNTANTS & ADVISORS

## 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, 2017 and 2016, 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 controls 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 auditor considers internal controls 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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



Purchase, NY  
April 2, 2018

**NATIONAL FOUNDATION FOR FACIAL RECONSTRUCTION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

	September 30,	
	2017	2016
<b>ASSETS</b>		
Cash and cash equivalents	\$ 195,383	\$ 170,416
Investments	20,823,317	20,343,026
Pledges receivable - Net	48,932	276,594
Prepaid expenses and other assets	49,693	239,951
Property and equipment, net of accumulated depreciation	1,857,229	1,916,447
<b>TOTAL ASSETS</b>	<b>\$ 22,974,554</b>	<b>\$ 22,946,434</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 131,043	\$ 91,714
<b>TOTAL LIABILITIES</b>	131,043	91,714
<b>CONTINGENCY AND COMMITMENTS</b>		
Net Assets		
Unrestricted	13,949,590	12,296,245
Temporarily restricted	6,493,921	8,158,475
Permanently restricted	2,400,000	2,400,000
<b>TOTAL NET ASSETS</b>	22,843,511	22,854,720
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 22,974,554</b>	<b>\$ 22,946,434</b>

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

NATIONAL FOUNDATION FOR FACIAL RECONSTRUCTION, INC.  
STATEMENTS OF ACTIVITIES

	For the Year Ended September 30, 2017			For the Year Ended September 30, 2016			
	Unrestricted	Temporarily		Unrestricted	Temporarily		Total 2016
		Restricted	Permanently Restricted		Restricted	Permanently Restricted	
<b>SUPPORT AND REVENUE:</b>							
Contributions and grants	\$ 1,016,065	\$ 155,000	\$ -	\$ 3,049,406	\$ 995,354	\$ -	\$ 4,044,760
Special events (net of direct benefit costs of \$171,048 in 2017 and \$214,666 in 2016)	300,705	-	300,705	468,787	-	-	468,787
Investment income	1,917,287	189,653	2,106,940	1,390,081	87,243	-	1,477,304
Donated goods and services	414,052	-	414,052	145,401	-	-	145,401
Other income	-	-	-	2,042	-	-	2,042
<b>Total public support and revenue before release of restrictions</b>	<b>3,648,109</b>	<b>344,653</b>	<b>3,992,762</b>	<b>5,055,697</b>	<b>1,082,597</b>	<b>-</b>	<b>6,138,294</b>
Net assets released from restrictions	2,009,207	(2,009,207)	-	910,129	(910,129)	-	-
<b>Total public support and revenue</b>	<b>5,657,316</b>	<b>(1,664,554)</b>	<b>3,992,762</b>	<b>5,965,826</b>	<b>172,468</b>	<b>-</b>	<b>6,138,294</b>
<b>EXPENSES:</b>							
Program services	2,910,394	-	2,910,394	2,908,534	-	-	2,908,534
Administrative support	841,966	-	841,966	420,253	-	-	420,253
Fundraising	251,611	-	251,611	361,443	-	-	361,443
<b>TOTAL EXPENSES</b>	<b>4,003,971</b>	<b>-</b>	<b>4,003,971</b>	<b>3,690,230</b>	<b>-</b>	<b>-</b>	<b>3,690,230</b>
<b>CHANGE IN NET ASSETS</b>	<b>1,653,345</b>	<b>(1,664,554)</b>	<b>(11,209)</b>	<b>2,275,596</b>	<b>172,468</b>	<b>-</b>	<b>2,448,064</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>12,296,245</b>	<b>8,158,475</b>	<b>22,854,720</b>	<b>10,020,649</b>	<b>7,986,007</b>	<b>2,400,000</b>	<b>20,406,656</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 13,949,590</b>	<b>\$ 6,493,921</b>	<b>\$ 22,843,511</b>	<b>\$ 12,296,245</b>	<b>\$ 8,158,475</b>	<b>\$ 2,400,000</b>	<b>\$ 22,854,720</b>

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, 2017

	Supporting Services			2017 Total Expenses	2016 Total Expenses
	Program Services	Administrative Support	Fundraising		
Salaries and wages	\$ 209,722	\$ 69,372	\$ 193,947	\$ 473,041	\$ 551,598
Payroll taxes and employee benefits	33,226	17,211	30,102	80,539	95,506
Total salaries and related costs	242,948	86,583	224,049	553,580	647,104
Support of the Hansjörg Wyss Department of Plastic Surgery at NYULMC	2,451,838	-	624	2,452,462	2,489,818
Office and other expenses	740	76,850	7,043	84,633	75,464
Insurance	-	21,443	-	21,443	22,547
Depreciation	-	59,218	-	59,218	59,218
Professional fees	420	141,595	19,604	161,619	184,845
Equipment rental	-	64,600	-	64,600	58,462
Travel	6,620	2,115	291	9,026	7,371
Bad debt expense	-	212,138	-	212,138	-
<b>SUBTOTAL</b>	<u>2,702,566</u>	<u>664,542</u>	<u>251,611</u>	<u>3,618,719</u>	<u>3,544,829</u>
In-kind expenses:					
Advertising and marketing	147,928	-	-	147,928	-
Legal	-	177,424	-	177,424	74,205
Donated goods	59,900	-	-	59,900	71,196
In-kind expenses	<u>207,828</u>	<u>177,424</u>	<u>-</u>	<u>385,252</u>	<u>145,401</u>
<b>TOTAL EXPENSES</b>	<u>\$ 2,910,394</u>	<u>\$ 841,966</u>	<u>\$ 251,611</u>	<u>\$ 4,003,971</u>	<u>\$ 3,690,230</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, 2016			2016 Total Expenses
	Program Services	Administrative Support	Fundraising	
Salaries and wages	\$ 237,377	\$ 82,917	\$ 231,304	\$ 551,598
Payroll taxes and employee benefits	37,134	22,386	35,986	95,506
Total salaries and related costs	274,511	105,303	267,290	647,104
Support of the Hansjörg Wyss Department of Plastic Surgery at NYULMC	2,489,818	-	-	2,489,818
Office and other expenses	4,792	57,500	13,172	75,464
Insurance	-	22,036	511	22,547
Depreciation	20,134	20,134	18,950	59,218
Professional fees	43,456	85,857	55,532	184,845
Equipment rental	-	53,110	5,352	58,462
Travel	4,627	2,108	636	7,371
<b>SUBTOTAL</b>	<b>2,837,338</b>	<b>346,048</b>	<b>361,443</b>	<b>3,544,829</b>
In-kind expenses:				
Legal	-	74,205	-	74,205
Donated goods	71,196	-	-	71,196
In-kind expenses	71,196	74,205	-	145,401
<b>TOTAL EXPENSES</b>	<b>\$ 2,908,534</b>	<b>\$ 420,253</b>	<b>\$ 361,443</b>	<b>\$ 3,690,230</b>

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

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

	Years Ended September 30,	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets:	\$ (11,209)	\$ 2,448,064
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	59,218	59,218
Bad debt expense	212,138	-
Realized and unrealized gain on investments	(1,734,278)	(1,199,380)
Changes in operating assets and liabilities:		
Pledges receivable	15,524	3,109,126
Prepaid expenses and other assets	190,258	(172,589)
Accounts payable and accrued expenses	39,329	(17,211)
Grants payable	-	(500,000)
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(1,229,020)</b>	<b>3,727,228</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(569,932)	(5,313,946)
Proceeds from sale of investments	1,823,919	1,154,117
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>1,253,987</b>	<b>(4,159,829)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>24,967</b>	<b>(432,601)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>170,416</b>	<b>603,017</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 195,383</b>	<b>\$ 170,416</b>

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, 2017 AND 2016**

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

The National Foundation for Facial Reconstruction, Inc. ("NFFR") 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 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 maintains its net assets under the following classes:

- Unrestricted – represents resources available for support of the NFFR's operations over which the Board of Trustees has discretionary control.
- Temporarily Restricted – represents assets that are subject to donor-imposed stipulations. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- Permanently restricted – represents those resources the principal of which is originally restricted into perpetuity by donors. The purposes for which the income and net capital appreciation arising from the underlying assets may be used depend on the wishes of those donors. Under the terms of the New York Prudent Management of Institution Fund Act ("NYPMIFA"), those earnings are classified as temporarily restricted in the accompanying statements of activities, pending appropriation by the Board of Trustees.

**NATIONAL FOUNDATION FOR FACIAL RECONSTRUCTION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Cash and Cash Equivalents**

NFFR considers all highly liquid financial investments purchased with a maturity of three months or less to be cash equivalents, except for those held in the investment portfolio.

**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 3. Donated securities are recorded at their fair values on the dates of the gifts.

**E. Contributions and Grants**

Contributions are considered available for unrestricted use, unless the donors restrict the use thereof, either on a temporary or permanent basis. 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.

**F. Allowance for Uncollectible Pledges Receivables**

NFFR determines whether an allowance for uncollectible contributions and grants receivables should be provided based on prior years' experience and management's analysis of specific promises to give. As of September 30, 2017, and 2016, NFFR determined that no allowance was necessary.

**G. Donated Services**

Those donated services that meet the requirements for recognition under accounting principles generally accepted in the United States of America are recorded as both revenue and expense 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.

NFFR coordinates pro bono surgical procedures contributed by medical professionals for those who are affected by facial differences and from low-income families. These low-income families either have no health insurance or limited government-aided insurance, resulting in slight to no reimbursement. During fiscal years 2017 and 2016, NFFR coordinated approximately \$1.5 million and \$1.4 million, respectively, in donated surgical procedures. Since the NFFR is not the direct recipient of these services, the values are not reported in the accompany financial statements.

**NATIONAL FOUNDATION FOR FACIAL RECONSTRUCTION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

**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 dates 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.

**J. Income Taxes**

NFFR follows Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") Topic 740, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

**NOTE 3 – INVESTMENTS**

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

	September 30,			
	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Cash	\$ 312,358	\$ 312,358	\$ 52,307	\$ 52,307
Fixed-income securities	8,655,194	8,593,072	8,762,446	8,911,457
Equity securities	7,626,178	9,513,976	8,354,643	9,122,405
Alternative investments	2,150,122	2,403,911	2,371,369	2,256,857
	<u>\$ 18,743,852</u>	<u>\$ 20,823,317</u>	<u>\$ 19,540,765</u>	<u>\$ 20,343,026</u>

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

	Year Ended September 30,	
	2017	2016
Interest and dividends	\$ 372,662	\$ 277,924
Net realized gains	480,441	171,170
Net unrealized gains	1,253,837	1,028,210
	<u>\$ 2,106,940</u>	<u>\$ 1,477,304</u>

**NATIONAL FOUNDATION FOR FACIAL RECONSTRUCTION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

**NOTE 3 – INVESTMENTS (CONTINUED)**

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:

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 lowest priority to Level 3 inputs.

**Other investments**

Other investments are valued at the net asset value (NAV) of units of the entity. The NAV, as provided by the entities, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. The practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV. Participant transactions (purchases and sales) may occur daily. Were NFFR to initiate a full redemption of the other investments the investment advisor reserves the right to temporarily delay withdrawal from the trust in order to ensure that securities liquidations will be carried out in an orderly business manner.

**NATIONAL FOUNDATION FOR FACIAL RECONSTRUCTION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

**NOTE 3 – INVESTMENTS (CONTINUED)**

Fair Value of Investments in Entities that Use Net Asset Value

The following table summarizes investments measured at fair value based on net assets value (NAVs) per share:

	As of September 30, 2017			
	Fair Market Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
JP Morgan Intrepid International Fund (1)	\$ 1,223,296	None	None	None
Deutsche X-trackers MSCI EAFE Hedged Equity (2)	1,180,615	None	None	None
	<u>\$ 2,403,911</u>			

  

	As of September 30, 2016			
	Fair Market Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
JP Morgan Intrepid International Fund (1)	\$ 1,141,221	None	None	None
Deutsche X-trackers MSCI EAFE Hedged Equity (2)	1,115,636	None	None	None
	<u>\$ 2,256,857</u>			

(1) JP Morgan Intrepid International Fund – The Fund was designed to provide long-term capital growth primarily from a portfolio of foreign equity securities.

(2) Deutsche X-trackers MSCI EAFE Hedged Equity - The Fund seeks investment results that correspond to the performance of the MSCI EAFE 100% Hedged to USD Index. The underlying index is designed to provide exposure to equity securities in developed international stock markets, while mitigating exposure to fluctuations between U.S. dollar and non-U.S. currencies

**NATIONAL FOUNDATION FOR FACIAL RECONSTRUCTION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

**NOTE 3 – INVESTMENTS (CONTINUED)**

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, 2017			
	Level 1	Level 2	Level 3	Total
Cash and short-term investments	\$ 312,358	\$ -	\$ -	\$ 312,358
Fixed-income securities	-	8,593,072	-	8,593,072
Equity securities	9,513,976	-	-	9,513,976
Alternative investments	-	-	2,403,911	2,403,911
	\$ 9,826,334	\$ 8,593,072	\$ 2,403,911	\$ 20,823,317

	September 30, 2016			
	Level 1	Level 2	Level 3	Total
Cash and short-term investments	\$ 52,307	\$ -	\$ -	\$ 52,307
Fixed-income securities	-	8,911,457	-	8,911,457
Equity securities	9,122,405	-	-	9,122,405
Alternative investments	-	-	2,256,857	2,256,857
	\$ 9,174,712	\$ 8,911,457	\$ 2,256,857	\$ 20,343,026

**Level 3 – Gains and Losses**

The following table sets forth a summary of changes in the fair value of the Level 3 assets for the years ended September 30, 2017 and 2016:

	Level 3 Asset	
	2017	2016
Balance, beginning of year	\$ 2,256,857	\$ 766,295
Unrealized gain (loss) relating to instruments still held at the reporting date	363,464	776,245
Purchases	12,598	732,955
Sales	(229,008)	(18,638)
Balance, end of year	\$ 2,403,911	\$ 2,256,857

**NATIONAL FOUNDATION FOR FACIAL RECONSTRUCTION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

**NOTE 4 – PLEDGES RECEIVABLE**

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

	September 30,	
	2017	2016
Gross amounts due in:		
One year	\$ 48,932	\$ 246,779
One to five years	-	30,000
	\$ 48,932	\$ 276,779
 Discount of pledges due in excess of one year	-	(185)
	\$ 48,932	\$ 276,594

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

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

	September 30,	
	2017	2016
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	(466,615)	(407,397)
	\$ 1,857,229	\$ 1,916,447

Depreciation expense for fiscal years 2017 and 2016 was \$59,218.

**NATIONAL FOUNDATION FOR FACIAL RECONSTRUCTION, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

**NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following:

	September 30,	
	2017	2016
Patient care	5,942,087	\$ 7,795,158
Investment net assets appreciation	551,834	363,317
	\$ 6,493,921	\$ 8,158,475

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

	September 30,	
	2017	2016
Patient Care	\$ 2,009,207	\$ 910,129

NFFR's permanently restricted net assets 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 permanently restricted net assets 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 investments needs of NFFR.

**NOTE 7 – PERMANENTLY RESTRICTED NET ASSETS**

**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.



**NATIONAL FOUNDATION FOR FACIAL RECONSTRUCTION, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

**NOTE 7 – PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)**

**Changes in restricted net assets during each fiscal year:**

	Year Ended September 30, 2017		
	Temporarily Restricted	Permanently Restricted	Total
Investment net assets and the earnings thereon, beginning of year	\$ 363,317	\$ 2,400,000	\$ 2,763,317
Investment return:			
Investment income	63,756	-	63,756
Net appreciation (realized and unrealized)	125,897	-	125,897
Total investment gain	189,653	-	189,653
Amount Appropriated to Operations	(1,135)	-	(1,135)
Investment net assets and the earnings thereon, end of year	\$ 551,835	\$ 2,400,000	\$ 2,951,835

	Year Ended September 30, 2016		
	Temporarily Restricted	Permanently Restricted	Total
Investment net assets and the earnings thereon, beginning of year	\$ 276,074	\$ 2,400,000	\$ 2,676,074
Investment return:			
Investment income	53,938	-	53,938
Net appreciation (realized and unrealized)	33,305	-	33,305
Total investment gain	87,243	-	87,243
Investment net assets and the earnings thereon, end of year	\$ 363,317	\$ 2,400,000	\$ 2,763,317

**Funds with deficiencies:**

In the event of unfavorable market fluctuations, from time to time the fair value of assets associated with individual donor-restricted funds may decline below the historic dollar value of the donor's original, permanently restricted contribution. Under the terms of NYPMIFA, NFFR has no responsibility to restore such decrease in value. There were no funds with deficiencies as of September 30, 2017 or 2016.

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**NOTE 8 – 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 maximum amount of three percent (3%) of the employee's compensation.

**NOTE 9 – DONATED GOODS AND SERVICES**

NFFR received donated goods and services in connection with a special event during fiscal years 2017 and 2016. Estimated fair values for amounts received were approximately \$208,000 and \$71,000, respectively. During fiscal years 2017 and 2016, NFFR received donated legal services, for various initiatives, of approximately \$177,000 and \$74,000, respectively. These goods and services are recognized as revenue and corresponding expenses in the accompanying financial statements.

**NOTE 10 – 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 Federal Deposit Insurance Corporation ("FDIC") insurance limit amount of \$250,000 per depositor. NFFR had insured cash accounts that exceed FDIC insurance limit for the years ended 2017 and 2016 by approximately \$-0- and \$93,000, respectively.

***B. Concentration of Revenues and Receivables***

Included in total contributions and grants in 2017 and 2016 is a bequest of \$105,000 and \$1,920,000, respectively, that was received from an unrelated donor.

**NOTE 11 – RELATED PARTY TRANSACTIONS**

Four members of NFFR's Board of Trustees are employees of New York University Langone Medical Center ("NYULMC"). Additionally, a member of NFFR's Board of Trustees is also a partner at the law firm which provided donated legal services as described in Note 9. During fiscal years 2017 and 2016, grants of \$2,452,462 and \$2,489,818, respectively, were made to the Hansjörg Wyss Department of Plastic Surgery at NYULMC.

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

NFFR is committed under two non-cancelable operating leases through 2018. In addition, NFFR leases certain equipment under agreements expiring through 2019.

Approximate minimum annual payments remaining on the leases for the years ending after September 30, 2017 are as follows:

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**NOTE 12 – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

	<u>Rental Property</u>	<u>Office Equipment</u>	<u>Total</u>
2018	\$ 73,800	\$ 12,000	\$ 85,800
2019		4,000	4,000
	<u>\$ 73,800</u>	<u>\$ 16,000</u>	<u>\$ 89,800</u>

The expense for rental property and office equipment for the years ended September 30, 2017 and 2016 amounted to approximately \$171,000 and \$152,000, respectively.

**NOTE 13 – SUBSEQUENT EVENTS**

Management has evaluated events subsequent to the date of the financial statements through April 2, 2018, the date the financial statements were available to be issued.