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

Financial Statements
(Together with Independent Auditors' Report)

September 30, 2019 and 2018

MARKS PANETH

ACCOUNTANTS & ADVISORS

National Foundation for Facial Reconstruction, Inc.

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

SEPTEMBER 30, 2019 AND 2018

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Marks Paneth LLP
4 Manhattanville Road, Suite 402
Purchase, NY 10577-2119
P 914.524.9000
F 914.524.9185
www.markspaneth.com

MARKS PANETH
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, 2019 **and 2018**, 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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended September 30, 2019, NFFR adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Marks Paneth LLP

Purchase, NY
June 25, 2020

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

	September 30, 2019	September 30, 2018
ASSETS		
Cash and cash equivalents	$ 696,292	$ 292,458
Investments	19,117,752	20,337,732
Pledges receivable	469,097	39,798
Prepaid expenses and other assets	72,353	150,906
Property and equipment, net of accumulated depreciation	1,742,114	1,798,337
TOTAL ASSETS	$ 22,097,608	$ 22,619,231
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 242,472	$ 114,676
COMMITMENTS AND CONTINGENCIES		
Net Assets		
Without donor restrictions	14,651,062	15,595,430
With donor restrictions:		
Restricted for time and purpose	4,153,043	3,840,577
Unappropriated earnings	651,031	668,548
Perpetual in nature	2,400,000	2,400,000
Total with donor restrictions	7,204,074	6,909,125
TOTAL NET ASSETS	21,855,136	22,504,555
TOTAL LIABILITIES AND NET ASSETS	$ 22,097,608	$ 22,619,231

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, 2019			For the Year Ended September 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total 2019	Without Donor Restrictions	With Donor Restrictions	Total 2018
PUBLIC SUPPORT AND REVENUE:						
Contributions and grants	$ 1,286,399	$ 670,543	$ 1,956,942	$ 1,082,880	$ 260,644	$ 1,343,524
Special events (net of direct benefit costs of $230,255 in 2019 and $154,863 in 2018)	618,524	-	618,524	400,520	-	400,520
Investment income	233,807	147,218	381,025	1,804,973	116,713	1,921,686
Donated goods and services	190,262	-	190,262	197,788	-	197,788
Other income	-	-	-	111	-	111
Total public support and revenue before release of restrictions	2,328,992	817,761	3,146,753	3,486,272	377,357	3,863,629
Net assets released from restrictions	522,812	(522,812)	-	2,362,153	(2,362,153)	-
Total public support and revenue	2,851,804	294,949	3,146,753	5,848,425	(1,984,796)	3,863,629
EXPENSES:						
Program services	2,778,699	-	2,778,699	3,189,579	-	3,189,579
Administrative support	455,062	-	455,062	419,325	-	419,325
Fundraising	562,411	-	562,411	593,681	-	593,681
TOTAL EXPENSES	3,796,172	-	3,796,172	4,202,585	-	4,202,585
CHANGE IN NET ASSETS	(944,368)	294,949	(649,419)	1,645,840	(1,984,796)	(338,956)
NET ASSETS - BEGINNING OF YEAR	15,595,430	6,909,125	22,504,555	13,949,590	8,893,921	22,843,511
NET ASSETS - END OF YEAR	$ 14,651,062	$ 7,204,074	$ 21,855,136	$ 15,595,430	$ 6,909,125	$ 22,504,555

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			
	Program Services	Administrative Support	Fundraising	2019 Total Expenses	2018 Total Expenses
Salaries and wages	$ 240,728	$ 50,250	$ 279,568	$ 570,546	$ 619,882
Payroll taxes and employee benefits	52,075	17,513	60,501	130,089	120,611
Total salaries and related costs	292,803	67,763	340,069	700,635	740,493
Support of the Hansjörg Wyss Department of Plastic Surgery at NYU Langone Health	2,263,055	-	175,029	2,438,084	2,836,764
Food and Entertainment - direct donor benefit costs	-	-	230,255	230,255	154,683
Office and other expenses	204	111,688	37,287	149,179	159,900
Insurance	-	26,436	579	27,015	23,127
Depreciation	-	56,223	-	56,223	58,892
Professional fees	356	172,930	9,447	182,733	156,487
Equipment rental	-	13,637	-	13,637	13,985
Travel	11,849	4,355	-	16,204	18,349
SUBTOTAL	2,568,267	453,032	792,666	3,813,965	4,162,680
Less: direct benefits to donors recorded on statement of activities	-	-	(230,255)	(230,255)	(154,683)
In-kind expenses:					
Advertising and marketing	73,984	-	-	73,984	60,226
Legal	-	2,030	-	2,030	6,465
Donated goods	136,448	-	-	136,448	127,897
In-kind expenses	210,432	2,030	-	212,462	194,588
TOTAL EXPENSES	$ 2,778,699	$ 455,062	$ 562,411	$ 3,796,172	$ 4,202,585

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, 2018			
		Supporting Services		
	Program Services	Administrative Support	Fundraising	2018 Total Expenses
Salaries and wages	$ 254,152	$ 68,187	$ 297,543	$ 619,882
Payroll taxes and employee benefits	42,268	28,858	49,485	120,611
Total salaries and related costs	296,420	97,045	347,028	740,493
Support of the Hansjörg Wyss Department of Plastic Surgery at NYU Langone Health	2,689,235	-	147,529	2,836,764
Food and entertainment - direct donor benefit costs	-	-	154,683	154,683
Office and other expenses	1,899	104,210	53,791	159,900
Insurance	-	22,040	1,087	23,127
Depreciation	-	58,892	-	58,892
Professional fees	4,168	109,105	43,214	156,487
Equipment rental	-	13,985	-	13,985
Travel	12,640	4,677	1,032	18,349
SUBTOTAL	3,004,362	409,954	748,364	4,162,680
Less: direct benefits to donors recorded on statement of activities	-	-	(154,683)	(154,683)
In-kind expenses:				
Advertising and marketing	60,226	-	-	60,226
Legal	-	6,465	-	6,465
Donated goods	124,991	2,906	-	127,897
In-kind expenses	185,217	9,371	-	194,588
TOTAL EXPENSES	$ 3,189,579	$ 419,325	$ 593,681	$ 4,202,585

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, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets:	$ (649,419)	$ (338,956)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	56,223	58,892
Realized and unrealized loss (gain) on investments	34,346	(1,564,466)
Changes in operating assets and liabilities:		
Pledges receivable	(429,299)	9,134
Prepaid expenses and other assets	78,553	(101,213)
Accounts payable and accrued expenses	127,796	(16,367)
Net Cash Used in Operating Activities	(781,800)	(1,952,976)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(1,022,694)	(2,351,905)
Proceeds from sale of investments	2,208,328	4,401,956
Net Cash Provided by Investing Activities	1,185,634	2,050,051
NET INCREASE IN CASH AND CASH EQUIVALENTS	403,834	97,075
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	292,458	195,383
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 696,292	$ 292,458

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

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'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 purchased with a maturity of three months or less to be cash equivalents, except for those held in the investment portfolio.

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.

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, 2019 and 2018, 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.

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 2019 and 2018, NFFR coordinated approximately $3.68 million and $1.47 million, respectively, in donated surgical procedures. Since the NFFR is not the direct recipient of these services, the values are not reported in the accompanying financial statements.

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

K. Reclassification

Certain items in the September 30, 2018 financial statements have been reclassified to conform to the September 30, 2019 presentation. These classifications had no impact on the change in net assets for the year ended September 30, 2018.

L. Recent Authoritative Pronouncements

FASB Accounting Standards Update ("ASU") 2016-14, Not-for- Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities was adopted for the year ended September 30, 2019. ASU 2016-14 provides for a number of changes including the presentation of two classes of net assets and enhanced disclosure of liquid resources and expense allocation. These changes had no impact on the change in net assets for the years ended September 30, 2019 and 2018.

The FASB has issued new standards that NFFR must consider for adoption over the next four years. Those standards include the following:

1) ASU 2018-08 on *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* effective for the fiscal year ended September 30, 2020; which 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, and 2) *Leases*, effective for the year ended September 30, 2023, which aims to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In May 2014, the FASB issued ASU 2014-09, (Topic 606*): Revenue from Contracts with Customers*, which provides guidance for revenue recognition. The pronouncement requires that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The two permitted transition methods under the guidance are the full retrospective approach or a cumulative effect adjustment to the opening retained earnings in the year of adoption. The new standard is effective for annual periods beginning after December 15, 2018.

On February 25, 2016, the FASB issued ASU 2016-02 Leases (Topic 842), which is intended to improve financial reporting regarding leasing transactions. The ASU affects all companies and other organizations that lease assets such as real estate and equipment. The ASU will require organizations that lease assets, referred to as lessees to recognize on the balance sheet (or statement of financial position) the present value of the assets and liabilities for the rights and obligations created by those leases. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months.

On June 3, 2020, FASB issued a new accounting standard that grants a one-year delay on leases and revenue recognition accounting rules for a subset of companies, many of which lack resources and are pressed by work constraints brought on by the coronavirus crisis. The board issued Accounting Standards Update (ASU) No. 2020-05, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities, to defer two standards: ASU. 2014-09, Revenue from Contracts with Customers (Topic 606), for privately owned companies and nonprofits that have not yet adopted the standard, and ASU No. 2016-12, Leases (Topic 842) for all private companies, private not-for-profit organizations, and public nonprofits that have not yet adopted the rules. Under the deferral, private companies and not-for-profit organizations that qualify can choose to apply Topic 606, Revenue from Contracts with Customers, to annual reporting periods beginning after December 15, 2019, and interim reporting periods within annual reporting periods beginning after December 15, 2020. For leases rules, private companies not-for-profit organizations can apply the standard to fiscal years beginning after December 15, 2021, and to interim periods within fiscal years beginning after December 15, 2022. Public not-for-profit organizations that have not yet issued (or made available to issue) financial statements reflecting the adoption of the leases guidance can apply the standard to fiscal years beginning after December 15, 2019, including interim periods within those fiscal years.

NFFR is currently evaluating the impact of the adoption of these standards on its financial statements.

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.

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

As of September 30, 2019, 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:

Cash and cash equivalents	$ 696,292
Investments	19,117,752
Pledges receivable	174,286
Less: with donor restrictions	(4,153,043)
Less: endowment assets	(2,400,000)
	$ 13,435,287

NOTE 4 – INVESTMENTS

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

	September 30,			
	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Cash	$ 781,609	$ 781,609	$ 1,063,229	$ 1,063,229
Fixed-income securities	7,444,210	7,617,681	8,050,609	7,750,543
Equity securities	8,238,143	10,718,462	8,235,834	11,523,960
	$ 16,463,962	$ 19,117,752	$ 17,349,672	$ 20,337,732

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

	Year Ended September 30,	
	2019	2018
Interest and dividends	$ 415,371	$ 357,220
Net realized gains	376,930	690,856
Net unrealized (loss) gains	(411,276)	873,610
	$ 381,025	$ 1,921,686

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:

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, 2019			
	Level 1	Level 2	Level 3	Total
Cash and short-term investments	$ 781,609	$ -	$ -	$ 781,609
Fixed-income securities	-	7,617,681	-	7,617,681
Equity securities	10,718,462	-	-	10,718,462
Investments measured at fair value	11,500,071	7,617,681	-	19,117,752

	September 30, 2018			
	Level 1	Level 2	Level 3	Total
Cash and short-term investments	$ 1,063,229	$ -	$ -	$ 1,063,229
Fixed-income securities	-	7,750,543	-	7,750,543
Equity securities	11,523,960	-	-	11,523,960
Investments measured at fair value	12,587,189	7,750,543	-	20,337,732

NOTE 5 – PLEDGES RECEIVABLE

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

	September 30,	
	2019	2018
Gross amounts due in:		
One year	$ 174,286	$ 39,798
One to five years	300,000	-
	474,286	39,798
Less: present value discount	(5,189)	-
	$ 469,097	$ 39,798

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

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	September 30, 2019	September 30, 2018
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	(581,730)	(525,507)
	$ 1,742,114	$ 1,798,337

Depreciation expense for fiscal years 2019 and 2018 was $56,223 and $58,892, respectively.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	September 30, 2019	September 30, 2018
Patient care	$ 4,153,043	$ 3,840,577
Unappropriated earnings	651,031	668,548
Endowment corpus	2,400,000	2,400,000
	$ 7,204,074	$ 6,909,125

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

	September 30, 2019	September 30, 2018
Patient Care	$ 522,812	$ 2,362,153

NFFR’s endowment corpus consist 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.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS – PERPETUAL IN NATURE ("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.

Changes in net assets with donor restrictions during each fiscal year:

	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	$ 651,031	$ 2,400,000	$ 3,051,031

	Year Ended September 30, 2018		
	Unappropriated Earnings	Endowment Corpus	Total
Investment net assets and the earnings thereon, beginning of year	$ 811,269	$ 2,400,000	$ 3,211,269
Investment return:			
Investment income	64,414	-	64,414
Net appreciation (realized and unrealized)	78,755	-	78,755
Total investment gain	143,169	-	143,169
Amount appropriated to Operations	(285,890)	-	(285,890)
Investment net assets and the earnings thereon, end of year	$ 668,548	$ 2,400,000	$ 3,068,548

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS – PERPETUAL IN NATURE (“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 that 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, 2019 and 2018 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.

NOTE 10 – DONATED GOODS AND SERVICES

NFFR received donated goods and services in connection with a special event during fiscal years 2019 and 2018. Estimated fair values for amounts received were approximately $188,000 and $191,000, respectively. During fiscal years 2019 and 2018, NFFR received donated legal services, for various initiatives, of $2,030 and $6,465, 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. NFFR had insured cash accounts that exceed the FDIC insurance limit for the years ended 2019 and 2018 by approximately $473,000 and $60,000, respectively.

B. Concentration of Revenues and Receivables

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.

NOTE 12 – RELATED PARTY - TRANSACTIONS

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 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, 2019 are as follows:

	Rental Property	Office Equipment	Total
2020	$ 112,000	$ 10,000	$ 122,000
2021	28,000	10,000	38,000
2022	-	10,000	10,000
2023	-	9,000	9,000
2024	-	8,000	8,000
	$ 140,000	$ 47,000	$ 187,000

The expense for rental property and office equipment for the years ended September 30, 2019 and 2018 amounted to approximately $152,000 and $155,000, respectively.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events and transactions that occurred subsequent to the date of the financial position through June 25, 2020, the date the financial statements were available to be issued.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a pandemic, which continues to spread throughout the United States. NFFR could be materially and adversely affected by the risks, or the public perception of the risks, related to an epidemic, pandemic, outbreak, or other public health crisis, such as the recent outbreak of COVID-19. The ultimate extent of the impact of any epidemic, pandemic or other health crisis on NFFR’s, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of such epidemic, pandemic or other health crisis and actions taken to contain or prevent their further spread, among others. Accordingly, NFFR cannot predict the extent to which its financial condition and results of operations will be affected.

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 maximum loan amount is equal to the lesser of (a) 2.5 times the entity’s average monthly payroll costs, as defined and incurred during the one-year period before the date on which the loan is made; or (b) $10 million. The term of the loan is two years and bears interest at a fixed rate of 1% per annum. If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven, based on how much is spent in the eight week period immediately following funding of the loan times a forgiveness factor that is based on employee headcount and amounts paid to NFFR employees. NFFR applied for this loan through an SBA authorized lender. As of April 13, 2020, the loan had been approved and received for $100,185.