

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



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

September 30, 2021 and 2020

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

**National Foundation for Facial Reconstruction, Inc.
D/B/A myFAce**

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

SEPTEMBER 30, 2021 AND 2020

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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, 2021 and 2020, 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 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 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, 2021 and 2020, 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
April 25, 2022

NATIONAL FOUNDATION FOR FACIAL RECONSTRUCTION, INC.
D/B/A MYFACE
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2021 AND 2020

	As of September 30,	
	2021	2020
ASSETS		
Cash and cash equivalents	\$ 4,949,635	\$ 2,496,812
Investments	17,396,852	17,477,817
Pledges receivable	352,313	570,590
Prepaid expenses and other assets	1,036,544	174,181
Property and equipment, net of accumulated depreciation	1,629,668	1,685,891
TOTAL ASSETS	\$ 25,365,012	\$ 22,405,291
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 95,373	\$ 45,421
Paycheck Protection Program and EIDL loans	-	105,185
TOTAL LIABILITIES	95,373	150,606
COMMITMENTS AND CONTINGENCIES		
Net Assets		
Without donor restrictions	18,043,213	15,006,348
With donor restrictions:		
Restricted for time and purpose	3,926,089	4,097,704
Unappropriated earnings	900,337	750,633
Perpetual in nature	2,400,000	2,400,000
Total with donor restrictions	7,226,426	7,248,337
TOTAL NET ASSETS	25,269,639	22,254,685
TOTAL LIABILITIES AND NET ASSETS	\$ 25,365,012	\$ 22,405,291

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

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

	<u>For the Year Ended September 30, 2021</u>			<u>For the Year Ended September 30, 2020</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>2021</u>	<u>Restrictions</u>	<u>Restrictions</u>	<u>2020</u>
PUBLIC SUPPORT AND REVENUE:						
Contributions and grants	\$ 3,097,234	\$ 199,523	\$ 3,296,757	\$ 1,316,118	\$ 273,160	\$ 1,589,278
Special events	3,254	-	3,254	-	-	-
Investment income	2,380,272	240,286	2,620,558	1,262,969	223,740	1,486,709
Donated goods and services	65,536	-	65,536	83,858	-	83,858
Gain on extinguishment of debt - PPP and EIDL loans	105,185	-	105,185	-	-	-
Total public support and revenue before release of restrictions	5,651,481	439,809	6,091,290	2,662,945	496,900	3,159,845
Net assets released from restrictions	461,720	(461,720)	-	452,637	(452,637)	-
Total public support and revenue	6,113,201	(21,911)	6,091,290	3,115,582	44,263	3,159,845
EXPENSES:						
Program services	2,275,052	-	2,275,052	1,990,379	-	1,990,379
Administrative support	401,528	-	401,528	393,140	-	393,140
Fundraising	399,756	-	399,756	376,777	-	376,777
TOTAL EXPENSES	3,076,336	-	3,076,336	2,760,296	-	2,760,296
CHANGE IN NET ASSETS	3,036,865	(21,911)	3,014,954	355,286	44,263	399,549
NET ASSETS - BEGINNING OF YEAR	15,006,348	7,248,337	22,254,685	14,651,062	7,204,074	21,855,136
NET ASSETS - END OF YEAR	\$ 18,043,213	\$ 7,226,426	\$ 25,269,639	\$ 15,006,348	\$ 7,248,337	\$ 22,254,685

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

NATIONAL FOUNDATION FOR FACIAL RECONSTRUCTION, INC.
D/B/A MYFACE
STATEMENT OF FUNCTIONAL EXPENSES

	For the Year Ended September 30, 2021				
		Supporting Services		2021	2020
	Program	Administrative	Fundraising	Total	Total
	Services	Support		Expenses	Expenses
Salaries and wages	\$ 287,353	\$ 55,490	\$ 228,847	\$ 571,690	\$ 492,894
Payroll taxes and employee benefits	57,547	16,497	47,613	121,657	105,210
Total salaries and related costs	344,900	71,987	276,460	693,347	598,104
Support of the Hansjörg Wyss Department of Plastic Surgery and other at NYU Langone Health	1,291,394	-	-	1,291,394	1,414,095
Charity care	134,319	-	-	134,319	-
Direct patient programs	135,091	-	-	135,091	84,019
Education and public awareness	181,139	-	-	181,139	159,184
Food and entertainment	650	-	69,748	70,398	-
Office and other expenses	15,002	114,674	30,675	160,351	156,475
Marketing	103,747	1,568	12,563	117,878	-
Insurance	-	12,110	-	12,110	23,716
Depreciation	-	56,223	-	56,223	56,223
Professional fees	1,510	101,652	9,887	113,049	195,757
Equipment rental	-	9,681	-	9,681	10,779
Travel	-	1,186	423	1,609	9,160
Bad debt expense	-	-	-	-	13,726
Miscellaneous expense	-	7,811	-	7,811	-
SUBTOTAL	2,207,752	376,892	399,756	2,984,400	2,721,238
In-kind expenses:					
Legal	-	24,636	-	24,636	22,706
Donated goods	67,300	-	-	67,300	16,352
Total In-kind expenses	67,300	24,636	-	91,936	39,058
TOTAL EXPENSES	\$ 2,275,052	\$ 401,528	\$ 399,756	\$ 3,076,336	\$ 2,760,296

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

**NATIONAL FOUNDATION FOR FACIAL RECONSTRUCTION, INC.
D/B/A MYFACE
STATEMENT OF FUNCTIONAL EXPENSES**

	For the Year Ended September 30, 2020			
	Supporting Services			
	Program Services	Administrative Support	Fundraising	2020 Total Expenses
Salaries and wages	\$ 207,016	\$ 49,289	\$ 236,589	\$ 492,894
Payroll taxes and employee benefits	44,188	10,521	50,501	105,210
Total salaries and related costs	<u>251,204</u>	<u>59,810</u>	<u>287,090</u>	<u>598,104</u>
Support of the Hansjörg Wyss Department of Plastic Surgery at NYU Langone Health	1,403,882	-	10,213	1,414,095
Direct patient programs	84,019	-	-	84,019
Education and public awareness	159,184	-	-	159,184
Office and other expenses	23,850	103,894	28,731	156,475
Insurance	-	23,716	-	23,716
Depreciation	-	56,223	-	56,223
Professional fees	50,220	95,961	49,576	195,757
Equipment rental	-	10,779	-	10,779
Travel	2,820	6,325	15	9,160
Bad debt expense	<u>-</u>	<u>13,726</u>	<u>-</u>	<u>13,726</u>
SUBTOTAL	<u>1,975,179</u>	<u>370,434</u>	<u>375,625</u>	<u>2,721,238</u>
In-kind expenses:				
Legal	-	22,706	-	22,706
Donated goods	<u>15,200</u>	<u>-</u>	<u>1,152</u>	<u>16,352</u>
Total In-kind expenses	<u>15,200</u>	<u>22,706</u>	<u>1,152</u>	<u>39,058</u>
TOTAL EXPENSES	<u>\$ 1,990,379</u>	<u>\$ 393,140</u>	<u>\$ 376,777</u>	<u>\$ 2,760,296</u>

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

**NATIONAL FOUNDATION FOR FACIAL RECONSTRUCTION, INC.
D/B/A MYFACE
STATEMENTS OF CASH FLOWS**

	For the Years Ended September 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets:	\$ 3,014,954	\$ 399,549
Adjustments to reconcile change in net assets to net cash Provided by (Used in) operating activities:		
Depreciation	56,223	56,223
Realized and unrealized gain on investments	(2,096,871)	(938,290)
Gain on extinguishment of debt - PPP and EIDL loan	(105,185)	-
Changes in operating assets and liabilities:		
Pledges receivable	218,277	(101,493)
Prepaid expenses and other assets	(862,363)	(101,828)
Accounts payable and accrued expenses	49,952	(197,051)
Net Cash Provided by (Used in) Operating Activities	<u>274,987</u>	<u>(882,890)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(403,611)	(356,979)
Proceeds from sale of investments	2,581,447	2,171,266
Net Cash Provided by Investing Activities	<u>2,177,836</u>	<u>1,814,287</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program and EIDL loans	-	105,185
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,452,823	1,036,582
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,496,812</u>	<u>1,460,230</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,949,635</u>	<u>\$ 2,496,812</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, 2021 AND 2020

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 changing the faces and transforming the lives of children and adults with facial differences by providing access to holistic comprehensive care, education, resources and support that pave the way for improved outcomes.

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 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, 2021 AND 2020

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 net assets 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 net assets 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 Receivable

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, 2021 and 2020, 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, 2021 AND 2020

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 program 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. Uncertainty in Income Taxes

NFFR evaluates all significant tax positions as required by accounting principles generally accepted in the United States of America. As of September 30, 2021, NFFR does not believe that it has taken any positions that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next year.

K. Reclassification

Certain items in the September 30, 2020 financial statements have been reclassified to conform to the September 30, 2021 presentation. These classifications had no impact on the change in net assets for the year ended September 30, 2020.

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, 2021 AND 2020

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 statements of financial position date, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 4,949,635	\$ 2,496,812
Investments	17,396,852	17,477,817
Pledges receivable	254,043	374,049
Less: endowment assets	(3,300,337)	(3,150,633)
Less: restricted for time and purpose	<u>(3,745,775)</u>	<u>(3,961,970)</u>
	<u>\$ 15,554,418</u>	<u>\$ 13,236,075</u>

NOTE 4 – INVESTMENTS

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

	September 30,			
	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and short-term investments	\$ 228,654	\$ 228,654	\$ 152,954	\$ 152,954
Fixed-income securities	6,873,615	7,054,615	7,112,353	7,750,946
Equity securities	<u>5,552,770</u>	<u>10,113,583</u>	<u>6,405,899</u>	<u>9,573,917</u>
	<u>\$ 12,655,039</u>	<u>\$ 17,396,852</u>	<u>\$ 13,671,206</u>	<u>\$ 17,477,817</u>

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

	Years Ended	
	September 30,	
	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 523,687	\$ 548,419
Net realized gains (losses)	289,507	(30,347)
Net unrealized gains	<u>1,807,364</u>	<u>968,637</u>
	<u>\$ 2,620,558</u>	<u>\$ 1,486,709</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, 2021 AND 2020

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, 2021			
	Level 1	Level 2	Level 3	Total
Cash and short-term investments	\$ 228,654	\$ -	\$ -	\$ 228,654
Fixed-income securities	7,054,615	-	-	7,054,615
Equity securities	10,113,583	-	-	10,113,583
Investments measured at fair value	<u>\$ 17,396,852</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,396,852</u>

	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>\$ 17,477,817</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,477,817</u>

NOTE 5 – PLEDGES RECEIVABLE

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

	September 30,	
	2021	2020
Gross amounts due in:		
One year	\$ 254,043	\$ 374,049
One to five years	100,000	200,000
	354,043	574,049
Less: present value discount	(1,730)	(3,459)
	<u>\$ 352,313</u>	<u>\$ 570,590</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, 2021 AND 2020**

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of:

	September 30,	
	2021	2020
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	(694,176)	(637,953)
	\$ 1,629,668	\$ 1,685,891

Depreciation expense for each fiscal year 2021 and 2020 was \$56,223.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	September 30,	
	2021	2020
Patient care	\$ 3,926,089	\$ 4,097,704
Unappropriated earnings	900,337	750,633
Endowment corpus	2,400,000	2,400,000
	\$ 7,226,426	\$ 7,248,337

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

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

	September 30,	
	2021	2020
Patient Care	\$ 461,720	\$ 452,637

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, 2021 AND 2020

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, 2021		
	Unappropriated Earnings	Endowment Corpus	Total
Investment net assets and the earnings thereon, beginning of year	\$ 750,633	\$ 2,400,000	\$ 3,150,633
Investment return:			
Investment income	143,547	-	143,547
Net appreciation (realized and unrealized)	96,739	-	96,739
Total investment gain	240,286	-	240,286
Amount appropriated to operations	(90,582)	-	(90,582)
Investment net assets and the earnings thereon, end of year	<u>\$ 900,337</u>	<u>\$ 2,400,000</u>	<u>\$ 3,300,337</u>
	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>

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.

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NOTE 8 – ENDOWMENT FUNDS (CONTINUED)

Net assets with donor restrictions of \$2,400,000 at both September 30, 2021 and 2020 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 \$13,859 and \$4,458 to the plan for the years ended September 30, 2021 and 2020, respectively.

NOTE 10 – DONATED GOODS AND SERVICES

NFFR received donated goods and services in connection with a special event during fiscal years 2021 and 2020. Estimated fair values for amounts received were approximately \$92,000 and \$40,000, respectively. During fiscal years 2021 and 2020, NFFR received donated legal services, for various initiatives, of approximately \$25,000 and \$23,000, 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 exceeded the FDIC insurance limit as of September 30, 2021 and 2020 by approximately \$2,189,000 and \$484,000, respectively. Investment balances in excess of SIPC coverage were approximately \$18,943,000 and \$18,476,000, respectively.

B. Concentration of Revenues and Receivables

For the year ended September 30, 2021, two major donors contributed 30% of the total support and revenues (excluding in-kind contributions). At September 30, 2021, pledges receivable included receivables from two donors, in the amount of \$255,000, that represented approximately 72% of the total pledges receivable. As of 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.

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NOTE 12 – 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, 2021 are as follows:

	<u>Rental Property</u>	<u>Office Equipment</u>	<u>Total</u>
2022	\$ 69,300	\$ 10,000	\$ 79,300
2023	59,625	9,000	68,625
2024	-	8,000	8,000
	<u>\$ 128,925</u>	<u>\$ 27,000</u>	<u>\$ 155,925</u>

The expense for rental property and office equipment for the years ended September 30, 2021 and 2020 amounted to approximately \$311,000 and \$132,000, respectively.

NOTE 13 – PAYCHECK PROTECTION PROGRAM (PPP) AND ECONOMIC INJURY DISTASTER LOAN

During 2020, the Company received loan proceeds of \$100,185 under the Paycheck Protection Program (“PPP”) and \$5,000 under the Economic Injury Disaster Loan (“EIDL”). The PPP was established under the recent congressionally approved Coronavirus Aid, Relief and Economic Security Act (“CARES Act”) and is administered by the U.S. Small Business Administration (“SBA”). The PPP loan to the Organization was funded by JP Morgan.

Under the terms of the CARES Act, PPP Loan recipients may apply for and be granted forgiveness for all or a portion of loans granted under the PPP. Such forgiveness will be determined, subject to limitations, based on the use of loan proceeds for payroll costs and mortgage interest, rent or utility costs and the maintenance of employee and compensation levels. On March 25, 2021, the Organization was informed that their PPP loan had been fully forgiven.

NOTE 14 – RISKS AND UNCERTAINTIES

The COVID-19 pandemic remains an 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 15 – 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 April 25, 2022, the date the financial statements were available to be issued.