
NATIONAL MEDICAL FELLOWSHIPS, INC.

Financial Statements

For the years ended December 31, 2020 and 2019

NATIONAL MEDICAL FELLOWSHIPS, INC.

Financial Statements

December 31, 2020 and 2019

Contents	Page
Independent Auditors' Report.....	1-2
Statements of Financial Position.....	3
Statements of Activities	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to the Financial Statements	9-22

Independent Auditors' Report

To the Board of Directors of
National Medical Fellowships, Inc.

Report on the financial statements

We have audited the accompanying financial statements of National Medical Fellowships, Inc., which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 National Medical Fellowships, Inc., as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

NCheng LLP

New York, New York
August 2, 2021



NATIONAL MEDICAL FELLOWSHIPS, INC.**Statements of Financial Position**

As of December 31,

	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Cash	\$ 2,125,372	\$ 964,406
Investments, at fair value	868,715	586,512
Receivables and pledges, net	1,306,097	1,744,839
Deferred compensation plan assets	573,987	490,547
Prepaid expenses and deposits	95,583	140,082
Fixed assets, net	15,778	98,392
Total assets	<u>\$ 4,985,532</u>	<u>\$ 4,024,778</u>
<u>Liabilities and Net Assets</u>		
<u>Liabilities</u>		
Accounts and accrued expenses payable	\$ 207,023	\$ 268,807
PPP Loan payable	173,863	-
Deferred revenue	11,590	79,747
Deferred grants revenue	910,000	-
Deferred rent expense	-	3,478
Deferred compensation plan liability	573,987	490,547
Total liabilities	<u>1,876,463</u>	<u>842,579</u>
<u>Net assets</u>		
Without donor restrictions	645,199	196,805
With donor restrictions	2,463,870	2,985,394
Total net assets	<u>3,109,069</u>	<u>3,182,199</u>
Total liabilities and net assets	<u>\$ 4,985,532</u>	<u>\$ 4,024,778</u>

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

NATIONAL MEDICAL FELLOWSHIPS, INC.**Statement of Activities**

For the year ended December 31, 2020

	Without donor restrictions	With donor restrictions	Total
<u>Support and revenue</u>			
Contributions and grants	\$ 1,440,870	\$ 789,176	\$ 2,230,046
Galas and other special events	1,455,754		1,455,754
Less: direct benefit costs	(118,280)		(118,280)
Investment return, net	38,308	14,030	52,338
Net assets released from restrictions	1,324,730	(1,324,730)	-
Total support and revenue	<u>4,141,382</u>	<u>(521,524)</u>	<u>3,619,858</u>
 <u>Expenses</u>			
Program services			
Scholarships and awards	931,641		931,641
Service learning programs	1,527,119		1,527,119
Public information and alumni relations	542,099		542,099
Post-graduation programs	170,526		170,526
Total program services	<u>3,171,385</u>		<u>3,171,385</u>
 Supporting services			
Management and general	187,878		187,878
Fundraising	292,428		292,428
Total supporting services	480,306		480,306
Loss on disposal of fixed assets	41,297		41,297
Total expenses	<u>3,692,988</u>		<u>3,692,988</u>
Change in net assets	448,394	(521,524)	(73,130)
Net assets, beginning of year	196,805	2,985,394	3,182,199
Net assets, end of year	<u>\$ 645,199</u>	<u>\$ 2,463,870</u>	<u>\$ 3,109,069</u>

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

NATIONAL MEDICAL FELLOWSHIPS, INC.**Statement of Activities**

For the year ended December 31, 2019

	Without donor restrictions	With donor restrictions	Total
<u>Support and revenue</u>			
Contributions and grants	\$ 1,365,774	\$ 2,732,796	\$ 4,098,570
Galas and other special events	1,804,605		1,804,605
Less: direct benefit costs	(352,269)		(352,269)
Investment return, net	56,501		56,501
Net assets released from restrictions	977,177	(977,177)	-
Total support and revenue	<u>3,851,788</u>	<u>1,755,619</u>	<u>5,607,407</u>
 <u>Expenses</u>			
Program services			
Scholarships and awards	902,993		902,993
Service learning programs	1,539,190		1,539,190
Public information and alumni relations	963,555		963,555
Total program services	<u>3,405,738</u>		<u>3,405,738</u>
 Supporting services			
Management and general	208,416		208,416
Fundraising	231,572		231,572
Total supporting services	<u>439,988</u>		<u>439,988</u>
Total expenses	<u>3,845,726</u>		<u>3,845,726</u>
Change in net assets	6,062	1,755,619	1,761,681
Net assets, beginning of year	190,743	1,229,775	1,420,518
Net assets, end of year	<u>\$ 196,805</u>	<u>\$ 2,985,394</u>	<u>\$ 3,182,199</u>

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

NATIONAL MEDICAL FELLOWSHIPS, INC.

Statement of Functional Expenses

For the year ended December 31, 2020

	Program services					Supporting services			Total program and supporting services
	Scholarships and Awards	Service Learning Programs	Public Information and Alumni Relations	Post-Graduate Programs	Total	Management and general	Fund raising	Total	
Direct program costs	\$ 547,000	\$ 970,430	\$ 49,241	\$ 31,091	\$ 1,597,762	\$ -	\$ -	\$ -	\$ 1,597,762
Salaries	176,149	241,046	231,774	64,897	713,866	74,169	139,065	213,234	927,100
Fringe benefits	42,790	58,555	56,304	15,765	173,414	18,016	33,782	51,798	225,212
Travel, promotion and seminars	1,204	8,061	5,877	444	15,586	506	951	1,457	17,043
Professional fees	32,931	45,063	43,330	12,132	133,456	13,865	25,998	39,863	173,319
Outside services	53,713	99,028	69,754	19,531	242,026	22,321	41,852	64,173	306,199
Telephone and internet	5,594	7,802	7,697	2,061	23,154	2,901	4,416	7,317	30,471
Website development and maintenance	1,220	1,669	1,605	3,114	7,608	514	963	1,477	9,085
Postage and delivery	917	2,471	1,230	338	4,956	385	724	1,109	6,065
Repairs and maintenance	4,659	6,375	6,130	1,716	18,880	1,962	3,678	5,640	24,520
Office supplies and printing	9,614	14,391	10,072	3,101	37,178	3,198	5,995	9,193	46,371
Equipment and leases	1,504	2,058	1,979	554	6,095	634	1,187	1,821	7,916
Occupancy	14,571	31,339	19,172	5,368	70,450	6,135	11,503	17,638	88,088
Insurance	3,859	5,281	5,078	1,422	15,640	1,623	3,047	4,670	20,310
Subscriptions and licenses	19,382	10,927	11,103	2,901	44,313	3,314	6,215	9,529	53,842
Service fees	7,428	10,162	9,771	2,736	30,097	3,130	5,863	8,993	39,090
Bad debt expense	-	-	-	-	-	31,371	-	31,371	31,371
Depreciation	9,106	12,461	11,982	3,355	36,904	3,834	7,189	11,023	47,927
Total expenses	\$ 931,641	\$ 1,527,119	\$ 542,099	\$ 170,526	\$ 3,171,385	\$ 187,878	\$ 292,428	\$ 480,306	\$ 3,651,691

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

MEDICAL FELLOWSHIPS, INC.
Statement of Functional Expenses
For the year ended December 31, 2019

	<u>Program services</u>				<u>Supporting services</u>			Total program and supporting services
	Scholarships and Awards	Service Learning Programs	Public Information and Alumni Relations	Total	Management and general	Fund raising	Total	
Direct program costs	\$ 379,700	\$ 858,964	\$ 73,947	\$ 1,312,611	\$ -	\$ -	\$ -	\$ 1,312,611
Salaries	284,326	323,098	439,413	1,046,837	116,314	129,239	245,553	1,292,390
Fringe benefits	51,966	59,052	80,311	191,329	21,256	23,621	44,877	236,206
Travel, promotion and seminars	20,664	69,143	91,843	181,650	3,993	4,436	8,429	190,079
Professional fees	11,261	12,796	17,403	41,460	4,606	5,118	9,724	51,184
Outside services	80,520	100,840	126,853	308,213	32,163	35,736	67,899	376,112
Telephone and internet	9,702	16,776	17,435	43,913	3,969	4,410	8,379	52,292
Website development and maintenance	553	628	4,049	5,230	227	251	478	5,708
Postage and delivery	1,868	4,900	3,457	10,225	763	849	1,612	11,837
Repairs and maintenance	5,853	6,651	9,045	21,549	2,656	2,660	5,316	26,865
Office supplies and printing	10,855	18,558	18,673	48,086	4,181	4,934	9,115	57,201
Equipment and leases	1,384	6,332	2,140	9,856	567	629	1,196	11,052
Occupancy	17,494	19,879	27,036	64,409	7,156	7,952	15,108	79,517
Insurance	3,901	6,329	6,028	16,258	1,595	1,773	3,368	19,626
Subscriptions and licenses	9,138	19,554	24,583	53,275	3,319	3,688	7,007	60,282
Service fees	9,264	10,527	14,317	34,108	3,792	4,211	8,003	42,111
Depreciation	4,544	5,163	7,022	16,729	1,859	2,065	3,924	20,653
Total expenses	\$ 902,993	\$ 1,539,190	\$ 963,555	\$ 3,405,738	\$ 208,416	\$ 231,572	\$ 439,988	\$ 3,845,726

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

NATIONAL MEDICAL FELLOWSHIPS, INC.**Statements of Cash Flows**

For the years ended December 31,

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Changes in net assets	\$ (73,130)	\$ 1,761,681
Adjustments to reconcile changes in net assets to net cash (used in)/provided by operating activities:		
Depreciation	47,927	20,653
Bad debt expense	31,371	-
Loss on disposal of fixed assets	41,297	-
Donated stock	(100,116)	(75,001)
Proceeds from sale of donated stock	100,224	75,127
Realized and unrealized (gain) on investments	(36,528)	(39,996)
Change in receivables and pledges	407,371	(596,434)
Change in prepaid expenses and deposits	44,499	27,721
Change in accounts and accrued expenses payable	(61,784)	(182,380)
Change in deferred rent expense	(3,478)	3,478
Change in deferred grant revenue	910,000	-
Change in deferred revenue	(68,157)	67,624
Net cash provided by operating activities	<u>1,239,496</u>	<u>1,062,473</u>
Cash flows from investing activities		
Purchases of fixed assets	(6,610)	(82,820)
Purchases of investments (including income reinvested)	(467,917)	(220,574)
Proceeds from sale of investments	<u>222,134</u>	<u>124,392</u>
Net cash used in investing activities	<u>(252,393)</u>	<u>(179,002)</u>
Cash flows from financing activities		
Proceeds from loans	<u>173,863</u>	<u>-</u>
Net cash provided by financing activities	<u>173,863</u>	<u>-</u>
Net increase in cash	1,160,966	883,471
Cash, beginning of year	<u>964,406</u>	<u>80,935</u>
Cash, end of year	<u>\$ 2,125,372</u>	<u>\$ 964,406</u>

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

NATIONAL MEDICAL FELLOWSHIPS, INC.
Notes to the Financial Statements
December 31, 2020 and 2019

Note 1 Organization and nature of activities

The mission of National Medical Fellowships, Inc. (“NMF”) is to provide scholarships and support for underrepresented minority students in medicine and the health professions. NMF envisions a diverse healthcare workforce which will have the leadership, commitment, and cultural competency to achieve health equity.

For 75 years, as one of America’s first diversity organizations, NMF is the only national organization solely dedicated to providing scholarships and support to medical and health professions students across multi-ethnic demographic groups underrepresented in healthcare. Those groups include African Americans, Hawaiian and Alaskan Natives, Hispanics/Latinos, Native Americans, Pacific Islanders, Vietnamese and Cambodians. In 2016, NMF extended eligibility to students with DACA status.

NMF is supported by a national network of Alumni who have serviced tens of millions of patients annually. NMF seeks to identify and nurture tomorrow’s diverse healthcare leaders today, who have the knowledge, skills, cultural competency and commitment to achieve excellence in healthcare for all. Today, amidst a global pandemic and international reckoning around racial and social justice, NMF’s mission is more important than ever.

Through its scholarship and service-learning programs, NMF has been instrumental in increasing the number of underrepresented minority physicians, physician scientist and researchers in the US. Most recently, NMF has expanded its programming to provide training and support for minority physicians to become more actively involved in clinical trials. NMF’s new Diversity in Research Programs portfolio is comprised of two major initiatives, which share the ultimate goal of increasing underrepresented minority patient engagement and participation in clinical research to ensure that treatment and preventative regimens are thoroughly investigated across all intended target populations.

NMF is exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code.

Note 2 Summary of significant accounting policies

Basis of accounting. The financial statements of NMF have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial statements presentation. NMF reports information regarding its financial statements of financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization.

NATIONAL MEDICAL FELLOWSHIPS, INC.
Notes to the Financial Statements
December 31, 2020 and 2019

Note 2 Summary of significant accounting policies – (continued)

Financial statements presentation. – (continued)

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of NMF or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Revenue recognition. Contributions are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions are recorded as net assets with donor restrictions or without donor restrictions when received depending on the existence and/or nature of any donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they are received, they are classified as without donor restrictions.

Donated investments are recorded as contributions at their estimated fair value on the date of donation. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue.

Revenue from non-exchange transactions may be subject to conditions which are defined under ASU No. 2018-08 as both a barrier to entitlement and a right of return of payments or release from obligations. NMF grants are primarily conditional non-exchange transactions and fall under the scope of Topic 605. Revenue from these transactions is recognized when qualifying expenditures are incurred, performance related outcomes are achieved, and other conditions under the agreements are met. Payments received in advance of conditions being met are recorded as deferred grant revenue.

Use of estimates. 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 and disclosures. Accordingly, actual results could differ from those estimates.

NATIONAL MEDICAL FELLOWSHIPS, INC.
Notes to the Financial Statements
December 31, 2020 and 2019

Note 2 Summary of significant accounting policies – (continued)

Concentrations of credit risk. Financial instruments, which potentially subject NMF to concentrations of credit risk include cash and accounts receivable. NMF maintains its cash in bank deposit accounts which, at times, may exceed the current insured amount under the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2020, NMF's cash balance exceeded the current amount insured under FDIC. NMF has not experienced any losses in such accounts and believes it is not exposed to any significant financial risk therein.

The market value of investments is subject to fluctuation; however, management believes that the investment policy is prudent for the long-term welfare of NMF.

Allowance for doubtful accounts. Management has determined that no allowance for uncollectible accounts is necessary as of December 31, 2020 and 2019. Such estimates are based on management's assessments of the creditworthiness of its donors, the age of its receivables, as well as current economic conditions and historical information.

Fixed assets. Equipment and software, furniture and fixtures, leasehold improvements are recorded at cost, less accumulated depreciation or amortization computed on a straight-line basis. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. The estimated useful lives are as follows:

	<u>Estimated life</u>
Equipment	5 years
Furniture and fixtures	5 years
Computers	5 years
Software	3 years
Leasehold improvements	10 years

Donated assets. Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation. Donated investments are promptly sold after receipt.

Fair value measurements. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the least priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that NMF has the ability to access.

NATIONAL MEDICAL FELLOWSHIPS, INC.
Notes to the Financial Statements
December 31, 2020 and 2019

Note 2 Summary of significant accounting policies – (continued)

Fair value measurements. – (continued)

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the assets or liabilities;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Donated services. NMF receives donated services from volunteers who support NMF’s programs and activities. During the years ended December 31, 2020 and 2019, the total number of hours donated by volunteers amounted to approximately 4,236 and 4,134, respectively. No amounts have been reflected in the financial statements for donated services, as they do not meet the criteria for recognition under the accounting standards, although they constitute a significant factor in the operation of NMF.

Functional allocation of expenses. The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of allocation</u>
Salaries	Time and effort
Payroll taxes and benefits	Time and effort
Outside services	Time and effort
Travel and conferences	Time and effort
Professional fees	Time and effort

Income taxes. NMF is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. NMF has analyzed tax positions taken for filing with the Internal Revenue Service and state jurisdictions where it operates. NMF does not anticipate any significant uncertain tax positions that would require recognition in the financial statements. Periods ending December 31, 2017 and subsequent remain subject to examination by the taxing authorities.

NATIONAL MEDICAL FELLOWSHIPS, INC.
Notes to the Financial Statements
December 31, 2020 and 2019

Note 2 Summary of significant accounting policies – (continued)

Operating risk. The coronavirus outbreak may have an adverse effect on the results of operations. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the corona virus and around the imposition or relaxation of protective measures, NMF cannot reasonably estimate the impact to future results of operations.

Recently adopted accounting pronouncements.

- **Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958).** In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update clarifies and improves current guidance by providing criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred, which, depending on the outcome, determines whether NMF follows contribution guidance or exchange transactions guidance in the revenue recognition and other applicable standards. The ASU also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The ASU is effective for transactions in which the entity serves as the resource recipient. The ASU has been adopted for the year ended December 31, 2020 for all periods presented. There was no significant impact on the financial statements.
- **Revenue from Contracts with Customers (Topic 606).** In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which is a comprehensive new revenue recognition standard that supersedes existing revenue recognition guidance. The core principle of the guidance is 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 FASB issued ASU 2020-05, which deferred the effective date for NMF until annual periods beginning after December 15, 2019. This ASU is required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. NMF adopted ASC 606 and all related amendments using the modified retrospective transition method. NMF concluded that the adoption of the new standard did not require an adjustment to the opening net assets balance as there was no significant impact on the financial statements.

NATIONAL MEDICAL FELLOWSHIPS, INC.
Notes to the Financial Statements
December 31, 2020 and 2019

Note 3 Availability and liquidity

The following represents NMF's financial assets at December 31,:

Financial assets at year-end:	2020	2019
Cash	\$ 2,125,372	\$ 964,406
Investments, at fair value	868,715	586,512
Receivables and pledges, net	1,306,097	1,744,839
Total financial assets	<u>4,300,184</u>	<u>3,295,757</u>
Adjustments: amounts not available to be used within one year:		
Net assets with donor restrictions	<u>(2,463,870)</u>	<u>(2,985,394)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,836,314</u>	<u>\$ 310,363</u>

As part of NMF's liquidity management, NMF has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. Excess cash is invested in short-term investments, including money market accounts and other marketable securities. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year.

Note 4 Investments

Investment in mutual funds and ETFs are measured using Level 1 inputs, which is defined as those that are the quoted prices in active markets for identical assets. The following summarizes the composition of investments:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 138,149	\$ 138,149	\$ 11,636	\$ 11,636
Mutual funds and ETFs - Equities	406,673	273,913	180,761	188,418
Mutual funds and ETFs - Fixed income	262,065	456,653	376,299	386,458
	<u>\$ 806,887</u>	<u>\$ 868,715</u>	<u>\$ 568,696</u>	<u>\$ 586,512</u>

NATIONAL MEDICAL FELLOWSHIPS, INC.
Notes to the Financial Statements
December 31, 2020 and 2019

Note 4 Investments – (continued)

Investments consist of the following:

	<u>2020</u>	<u>2019</u>
Endowment:		
Corpus	\$ 626,993	\$ 451,038
Unappropriated earnings	<u>107,598</u>	<u>62,431</u>
Total endowment	734,591	513,469
Unrestricted	<u>134,124</u>	<u>73,043</u>
Total	<u>\$ 868,715</u>	<u>\$ 586,512</u>

The following summarizes investment return:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 15,471	\$ 16,273
Net unrealized gain	44,121	41,884
Net realized loss	(7,593)	(1,888)
Other interest	<u>339</u>	<u>232</u>
Net investment gain	<u>\$ 52,338</u>	<u>\$ 56,501</u>

Note 5 Receivables and pledges

Receivables and pledges include grants and contributions receivable which are recorded as support when pledged unless designated otherwise. All grants and contributions are deemed fully collectible. Accordingly, no allowance for uncollectible receivables has been recorded as of December 31, 2020 and 2019. A discount rate of 1.92% has been used to calculate the present value of future collections of grants and contributions receivable. Receivables are expected to be realized in the following periods:

	<u>2020</u>	<u>2019</u>
In one year or less	\$ 1,059,575	\$ 1,387,820
Between one and three years, net of discount	<u>246,522</u>	<u>357,019</u>
	<u>\$ 1,306,097</u>	<u>\$ 1,744,839</u>

Discount applied to grants and contributions receivable as of December 31, 2020 and 2019 was \$11,541 and \$8,362, respectively.

NATIONAL MEDICAL FELLOWSHIPS, INC.
Notes to the Financial Statements
December 31, 2020 and 2019

Note 6 Fixed assets

Fixed assets are as follows at December 31,:

	2020	2019
Equipment	\$ 4,365	\$ 4,365
Furniture and fixtures	62,035	32,356
Computers and related equipment	95,524	88,913
Software	2,032	2,032
Leasehold improvements	-	110,463
Total fixed assets	163,956	238,129
Less: accumulated depreciation	(148,178)	(139,737)
Fixed assets, net	\$ 15,778	\$ 98,392

Note 7 PPP loan payable

During 2020, the federal government established the Paycheck Protection Program (“PPP”), administered by the Small Business Administration to provide relief efforts to nonprofits and other small businesses with certain qualified business expenses pursuant to the Coronavirus Aid Relief and Economic Security Act (“CARES Act”). In June 2020, NMF obtained a \$173,863 loan under the PPP. The loan accrues interest at 1% per annum and matures on June 17, 2022. Payments are not required for the first six months after the funding of the loan. The loan is uncollateralized and may be forgiven if certain requirements are met.

On March 29, 2021, the PPP loan was officially forgiven in the full amount of \$173,863.

Note 8 Retirement plans

401(k) Plan. NMF has a Safe Harbor defined contribution salary deferral 401(k) plan (the “Plan”) covering eligible employees. Pursuant to the Plan document, participants may elect to defer the maximum amount, as defined by the Internal Revenue Code. NMF contributes 3% of the employee’s compensation for the year. Plan expense for the years ended December 31, 2020 and 2019 amounted to \$58,404 and \$56,895, respectively.

Rabbi Trust. In 2009, NMF established a nonqualified deferred compensation plan (Rabbi Trust) for the benefit of the executive director. The assets of the plan are maintained under the control of NMF. For the years ended December 31, 2020 and 2019, NMF contributed \$26,250 and \$35,000, respectively.

In 2009, NMF established a 457(b) Plan for a key employee, which is designed to permit employee elective deferrals. The combined value of the Rabbi Trust and the 457(b) Plan has been reflected as a deferred compensation asset and liability.

NATIONAL MEDICAL FELLOWSHIPS, INC.
Notes to the Financial Statements
December 31, 2020 and 2019

Note 9 Net assets with donor restrictions

Changes in net assets with donor restrictions for the year ended December 31, 2020 are as follows:

	Balance at 12/31/19	Additions	Releases	Balance at 12/31/20
Restrictions for specific purposes:				
Scholarships & awards:				
Hugh J. Andersen Scholarships	\$ 28,435	\$ -	\$ (12,500)	\$ 15,935
New York Community Trust	50,000	-	(50,000)	-
AAMC/Darrell Kirch Scholarships	235,507	-	(80,000)	155,507
Dr. Fred Parrott Scholarships	100,000	-	(100,000)	-
Cardiothoracic Surgery Scholarship Fund	-	6,500	-	6,500
Dr. Daniel Laroche, Sr. Scholarship Fund	-	22,262	-	22,262
Dr. Darrell L. Edwards, MD Scholarship Fund	-	15,000	-	15,000
Emergency Scholarship Fund	-	20,127	-	20,127
Florida Scholarship Fund	-	5,657	(1,794)	3,863
Dr. Joe Hargrove Scholarship	-	16,000	(5,750)	10,250
James McCune Smith Medical Student Fund	-	16,412	(6,126)	10,286
Theodore Miller Scholarship Fund	-	7,195	-	7,195
William Merrill Scholarship Fund	-	12,511	-	12,511
Dr. Richard Zapanta Scholarship Fund	-	24,958	(8,625)	16,333
Anarcha, Betsey & Lucy Scholarship	-	5,500	-	5,500
Mary Ball Carrerra Scholarship	-	6,000	(3,000)	3,000
Endowment income restricted for scholarship	-	14,030	-	14,030
Service learning programs:				
United Health Foundation	662,890	506,304	(289,667)	879,527
Genentech	198,268	-	(198,268)	-
GE Foundation	1,160,000	-	(569,000)	591,000
Total restricted for specific purposes	<u>2,435,100</u>	<u>678,456</u>	<u>(1,324,730)</u>	<u>1,788,826</u>
Restricted for endowment:				
Molina Family Fund	350,000	-	-	350,000
Felecia Williams Scholarship Fund	125,000	-	-	125,000
Genita Evangelista Johnson Endowed Scholarship Fund	27,280	-	-	27,280
David D. McDonogh Endowed Scholarship Fund	-	124,750	-	124,750
Total restricted for endowment	<u>502,280</u>	<u>124,750</u>	<u>-</u>	<u>627,030</u>
Other permanently restricted funds				
Aura E. Severinghaus	35,288	-	-	35,288
Lawrence Brown	12,726	-	-	12,726
Total other permanently restricted funds	<u>48,014</u>	<u>-</u>	<u>-</u>	<u>48,014</u>
Total permanently restricted funds	<u>550,294</u>	<u>124,750</u>	<u>-</u>	<u>675,044</u>
Total net assets with donor restrictions	<u>\$ 2,985,394</u>	<u>\$ 803,206</u>	<u>\$ (1,324,730)</u>	<u>\$ 2,463,870</u>

NATIONAL MEDICAL FELLOWSHIPS, INC.
Notes to the Financial Statements
December 31, 2020 and 2019

Note 9 Net assets with donor restrictions – (continued)

Changes in net assets with donor restrictions for the year ended December 31, 2019 are as follows:

	Balance at 12/31/18	Additions	Releases	Balance at 12/31/19
Restrictions for specific purposes:				
Scholarships & awards:				
Hugh J. Andersen Scholarships	\$ 40,935	\$ -	\$ (12,500)	\$ 28,435
Fitz Butler Jones Scholarships	2,050	-	(2,050)	-
NYU School of Medicine	5,000	-	(5,000)	-
New York Community Trust	-	100,000	(50,000)	50,000
AAMC/Darrell Kirch Scholarships	-	315,507	(80,000)	235,507
Dr. Fred Parrott Scholarships	-	100,000	-	100,000
Service Learning programs:				
United Health Foundation	658,776	358,521	(354,407)	662,890
Genentech	-	198,268	-	198,268
GE Foundation	-	1,630,000	(470,000)	1,160,000
Total restricted for specific purposes	<u>706,761</u>	<u>2,702,296</u>	<u>(973,957)</u>	<u>2,435,100</u>
Restricted for endowment:				
Molina Family Fund	350,000	-	-	350,000
Felecia Williams Scholarship Fund	125,000	-	-	125,000
Genita Evangelista Johnson Endowed Scholarship Fund	-	30,500	(3,220)	27,280
Total restricted for endowment	<u>475,000</u>	<u>30,500</u>	<u>(3,220)</u>	<u>502,280</u>
Other permanently restricted funds				
Aura E. Severinghaus	35,288	-	-	35,288
Lawrence Brown	12,726	-	-	12,726
Total other permanently restricted funds	<u>48,014</u>	<u>-</u>	<u>-</u>	<u>48,014</u>
Total permanently restricted funds	523,014	30,500	(3,220)	550,294
Total net assets with donor restrictions	<u>\$ 1,229,775</u>	<u>\$ 2,732,796</u>	<u>\$ (977,177)</u>	<u>\$ 2,985,394</u>

NATIONAL MEDICAL FELLOWSHIPS, INC.

Notes to the Financial Statements

December 31, 2020 and 2019

Note 10 Investments held for endowments

NMF's endowment includes various fund to be held indefinitely, unless specific donor stipulations allow for specific usage. NMF established a separate investment account for these funds. The income from these investments can be used to support specific activities and provide scholarships.

Interpretation of relevant law

NMF follows New York Prudent Management of Institutional Funds Act ("NYPMIFA"), which the board of directors has interpreted as requiring certain amounts to be retained permanently. Absent explicit donor stipulations to the contrary, NMF will preserve the fair value of the original gift as of the gift date for all donor-restricted endowment funds. However, under certain circumstances, NMF has the right to appropriate for expenditure the fair value of the original gift in a manner consistent with the standard of prudence specifically prescribed by NYPMIFA.

As a result of this interpretation, NMF classifies as endowment corpus (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

When endowment funds have earnings in excess of amounts that need to be retained as part of the corpus, their earnings are restricted until the board appropriates for expenditures, therefore, they have been classified in the class of net assets with donor restrictions.

Spending policies

In accordance with NYPMIFA, NMF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purposes of NMF and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation or deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of NMF;
7. The investment policies of NMF;
8. When appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on NMF.

NMF spending policy dictates that the authorized expenditures during the year shall be 4% of the average total market value of the endowment for the trailing three-year period. The first distribution may occur after December 31, 2020. The Executive Committee shall have the discretion over whether or not the distribution is made.

NATIONAL MEDICAL FELLOWSHIPS, INC.
Notes to the Financial Statements
December 31, 2020 and 2019

Note 10 Investments held for endowments – (continued)

Changes in endowment for the years ended December 31, 2020 and 2019 are as follows:

	December 31, 2020		
	Endowment	Endowment	Total
	Corpus	Earnings	
Endowment net assets, beginning of year	\$ 451,038	\$ 62,431	\$ 513,469
Contributions	175,955	-	175,955
Investment income	-	45,167	45,167
Endowment net assets, end of year	<u>\$ 626,993</u>	<u>\$ 107,598</u>	<u>\$ 734,591</u>

	December 31, 2019		
	Endowment	Endowment	Total
	Corpus	Earnings	
Endowment net assets, beginning of year	\$ 375,000	\$ 12,417	\$ 387,417
Contributions	76,038	-	76,038
Investment income	-	50,014	50,014
Endowment net assets, end of year	<u>\$ 451,038</u>	<u>\$ 62,431</u>	<u>\$ 513,469</u>

Endowment investment policies

NMF has adopted an investment policy for endowment assets that relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). NMF targets a diversified asset allocation that places a greater emphasis on equity based and fixed income investments to achieve its long-term return objectives within prudent risk constraints.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires NMF to retain as a fund of perpetual duration. At December 31, 2020, there were no deficiencies in the individual endowment funds.

NATIONAL MEDICAL FELLOWSHIPS, INC.

Notes to the Financial Statements

December 31, 2020 and 2019

Note 11 Deferred grant revenue

Certain grantors provide funding for certain programs ahead of incurring the specified costs; in those cases, the amount received in excess of amount spent on those programs is reported as deferred grant revenue. As of December 31, 2020 and 2019, deferred grant revenue balance was \$910,000 and \$0, respectively, as detailed as follows:

Conditional contributions collected in advance	
Clinical Research University Program grants	\$ 600,000
Pharmaceutical Medicine Scholarship Program grant	250,000
Primary Care Leadership Program grant	60,000
Less: revenue recognized due to satisfaction of grant conditions	<u>-</u>
Deferred revenue, end of year	<u><u>\$ 910,000</u></u>

Note 12 Commitments

Operating lease. NMF has an operating lease agreement for office space in New York City, which commenced January 23, 2019 with maturity date of October 31, 2025. Under the terms of the lease agreement, NMF received a rent abatement for the first six months of the lease term. Payments on the new lease started July 2019.

NMF also leased office space in New Orleans, LA. The original lease from January 2012 expired in December 2013 and has been renewed automatically since then with one-year lease renewals. The lease payments during the current year were \$1,900 per month.

Due to COVID-19 pandemic, NMF terminated the leases for both New York and New Orleans office in 2020. Total occupancy expense for the years ended December 31, 2020 and 2019 amounted to \$88,088 and \$79,517, respectively.

Related party. In January 2012, NMF entered into a lease agreement for office space in Louisiana, commencing January 2012 for a term of two years through December 2013. The lease automatically renews after the termination date for additional terms of one-year periods. A security deposit of \$2,400 was delivered by NMF to the landlord at lease commencement. The lease requires payments of \$1,900 per month. A Board Member of NMF was a partial owner of a company that owns the building in which space is leased.

NATIONAL MEDICAL FELLOWSHIPS, INC.
Notes to the Financial Statements
December 31, 2020 and 2019

Note 13 New Initiatives

In 2020, NMF partnered with the Bristol Myers Squibb Foundation (“BMSF”) to launch the Bristol Myers Squibb Foundation Diversity in Clinical Trials Career Development Program (“BMSF DCTCDP”), an innovative and bold new initiative designed to transform the clinical research landscape by building and strengthening partnerships between clinical investigators and communities to increase diversity of patients enrolled in clinical trials, and ultimately enhance the development of therapeutics for all populations.

BMSF DCTCDP is designed to develop and train a new generation of first-rate clinical trialists with the additional knowledge, skills, and competencies to effectively engage with communities to foster active community participation in clinical research. As part of the partnership in the initiative, NMF was awarded a 7-year technical assistance grant in the total amount of \$16,160,108.

Note 14 Subsequent events

Management has evaluated subsequent events occurring after December 31, 2020 through August 2, 2021, the date the financial statements were available to be issued. Based on this evaluation, management has determined that no subsequent events have occurred which require recognition or disclosure in the financial statements.