

**AMERICAN SKIN ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**

**Bonamassa, Maietta & Cartelli, LLP**  
Certified Public Accountants

**AMERICAN SKIN ASSOCIATION, INC.**

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# Bonamassa, Maietta & Cartelli, LLP

Certified Public Accountants  
9001 Fifth Avenue  
Brooklyn, New York 11209

JAMES D. BONAMASSA, CPA  
LAWRENCE F. MAIETTA, CPA  
VINCENT J. CARTELLI, CPA

TEL: (718) 921-7000  
FAX: (718) 921-0926  
bmccpas.com

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
American Skin Association, Inc.

We have audited the accompanying statement of financial position of the American Skin Association, Inc. as of December 31, 2011 and the related statements of activities, changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the American Skin Association, Inc. as of December 31, 2011 and the results of its operations, changes in net assets, functional expenses and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Bonamassa, Maietta & Cartelli, LLP*

Bonamassa, Maietta & Cartelli, LLP

February 13, 2012

**AMERICAN SKIN ASSOCIATION, INC.**  
**EXHIBIT A**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2011**

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2011 TOTAL	2010 TOTAL
<b>ASSETS</b>					
Cash and cash equivalents	\$ 313,431	\$ 398,525	\$ -	\$ 711,956	\$ 891,869
Investments, at market	10,227	-	189,028	199,255	364,586
Pledges receivable					
unrestricted	43,766	-	-	43,766	21,559
restricted to future periods	-	695,000	-	695,000	1,253,000
Prepaid expenses	18,285	-	-	18,285	10,951
Furniture and equipment, net of accumulated depreciation of \$64,386	10,058	-	-	10,058	14,995
<b>TOTAL ASSETS</b>	<b>\$ 395,767</b>	<b>\$ 1,093,525</b>	<b>\$ 189,028</b>	<b>\$ 1,678,320</b>	<b>\$ 2,556,960</b>
<b>LIABILITIES AND NET ASSETS</b>					
Grants payable	\$ 205,000	\$ 915,000	\$ 1,500	\$ 1,121,500	\$ 1,776,000
Accrued expenses	41,138	-	-	41,138	45,211
Deferred revenue	3,000	75,000	-	78,000	158,500
Total liabilities	249,138	990,000	1,500	1,240,638	1,979,711
Net assets:					
Unrestricted net assets	\$ 146,629	\$ -	\$ -	\$ 146,629	\$ 265,591
Temporarily restricted net assets	-	103,525	-	103,525	122,630
Permanently restricted net assets	-	-	187,528	187,528	189,028
Total net assets	146,629	103,525	187,528	437,682	577,249
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 395,767</b>	<b>\$ 1,093,525</b>	<b>\$ 189,028</b>	<b>\$ 1,678,320</b>	<b>\$ 2,556,960</b>

See notes to financial statements

Bonamassa, Maietta & Cartelli, LLP  
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**AMERICAN SKIN ASSOCIATION, INC.**  
**EXHIBIT B**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>2011 TOTAL</u>	<u>2010 TOTAL</u>
<b><u>REVENUES</u></b>					
Public support					
Gifts and grants	\$ 230,208	\$ 299,000	\$ -	\$ 529,208	\$ 1,574,291
Special events	529,505	-	-	529,505	561,795
(Less: event costs)	(138,076)	-	-	(138,076)	(172,877)
Total public support	<u>621,637</u>	<u>299,000</u>	<u>-</u>	<u>920,637</u>	<u>1,963,209</u>
Other revenues,gains					
Interest	116	-	-	116	121
Dividends	6,506	-	-	6,506	9,170
Net realized gains	8,555	-	-	8,555	384
Net unrealized gains	4,971	-	-	4,971	29,238
Grants refunded	137,298	-	-	137,298	-
Total other revenues, gains	<u>157,446</u>	<u>-</u>	<u>-</u>	<u>157,446</u>	<u>38,913</u>
Total public support and other revenues	<u>779,083</u>	<u>299,000</u>	<u>-</u>	<u>1,078,083</u>	<u>2,002,122</u>
<b><u>EXPENSES</u></b>					
Program services:					
Research	357,137	190,000	1,500	548,637	1,256,454
Education	299,715	50,000	-	349,715	580,600
Total program services	<u>656,852</u>	<u>240,000</u>	<u>1,500</u>	<u>898,352</u>	<u>1,837,054</u>
Supporting services:					
Management and general	177,338	-	-	177,338	117,618
Fundraising	141,960	-	-	141,960	109,788
Total supporting services	<u>319,298</u>	<u>-</u>	<u>-</u>	<u>319,298</u>	<u>227,406</u>
Total program and supporting services	<u>976,150</u>	<u>240,000</u>	<u>1,500</u>	<u>1,217,650</u>	<u>2,064,460</u>
<b><u>CHANGE IN NET ASSETS</u></b>	(197,067)	59,000	(1,500)	(139,567)	(62,338)
<b><u>INTERFUND TRANSFERS</u></b>	78,105	(78,105)	-	-	-
<b><u>NET ASSETS, JANUARY 1</u></b>	<u>265,591</u>	<u>122,630</u>	<u>189,028</u>	<u>577,249</u>	<u>639,587</u>
<b><u>NET ASSETS, DECEMBER 31</u></b>	<u>\$ 146,629</u>	<u>\$ 103,525</u>	<u>\$ 187,528</u>	<u>\$ 437,682</u>	<u>\$ 577,249</u>

See notes to financial statements

**AMERICAN SKIN ASSOCIATION, INC.**  
**EXHIBIT C**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	PROGRAM SERVICES			SUPPORTING SERVICES			2011 Total	2010 Total
	Research	Education	Subtotal	Management and general	Fundraising	Subtotal		
Grants and awards	\$ 366,500	\$ 2,750	\$ 369,250	\$ -	\$ -	\$ -	\$ 369,250	\$ 1,041,000
Education and other consultants	7,499	164,998	\$ 172,497	7,081	5,415	\$ 12,496	\$ 184,993	507,800
Salaries, benefits and taxes	96,001	113,750	\$ 209,751	141,632	123,441	\$ 265,073	\$ 474,824	359,826
Marketing and promotion	22,577	11,729	\$ 34,306	-	-	\$ -	\$ 34,306	28,892
Travel and transportation	19,253	8,042	\$ 27,295	-	195	\$ 195	\$ 27,490	18,422
Printing and publications	3,472	9,539	\$ 13,011	-	1,145	\$ 1,145	\$ 14,156	18,668
Rent and related items	13,984	15,982	\$ 29,966	5,993	3,996	\$ 9,989	\$ 39,955	35,681
Office expenses	9,470	10,384	\$ 19,854	3,012	5,080	\$ 8,092	\$ 27,946	25,945
Legal and accounting	-	-	\$ -	10,350	-	\$ 10,350	\$ 10,350	9,825
Telephone	2,010	2,018	\$ 4,028	233	696	\$ 929	\$ 4,957	5,504
Outside service	4,351	6,587	\$ 10,938	1,505	966	\$ 2,471	\$ 13,409	5,223
Miscellaneous	221	166	\$ 387	42	83	\$ 125	\$ 512	2,061
Depreciation	-	-	\$ -	6,076	-	\$ 6,076	\$ 6,076	5,613
Moving	3,299	3,770	\$ 7,069	1,414	943	\$ 2,357	\$ 9,426	-
<b>Total Expenses, 2011</b>	<b>\$ 548,637</b>	<b>\$ 349,715</b>	<b>\$ 898,352</b>	<b>\$ 177,338</b>	<b>\$ 141,960</b>	<b>\$ 319,298</b>	<b>\$ 1,217,650</b>	<b>\$ 2,064,460</b>
<b>Total Expenses, 2010</b>	<b>\$ 1,256,454</b>	<b>\$ 580,600</b>	<b>\$ 1,837,054</b>	<b>\$ 117,618</b>	<b>\$ 109,788</b>	<b>\$ 227,406</b>		

See notes to financial statements.

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**AMERICAN SKIN ASSOCIATION, INC.  
EXHIBIT D  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>
	Decrease in net assets
	Adjustments to reconcile decrease in
	net assets to net cash used by operating activities
	Depreciation
	Net realized gains on investments
	Net unrealized gains on investments
	(Increase) decrease in:
	Pledges receivable
	Prepaid expenses
	Increase (decrease) in:
	Grants payable
	Accrued expenses
	Deferred revenue
	Net cash used by operating activities
	<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>
	Proceeds from sale of investments
	Purchase of investments
	Purchase of furniture and equipment
	Net cash provided by investing activities
	NET DECREASE IN CASH AND CASH EQUIVALENTS
	CASH AND CASH EQUIVALENTS, January 1
	CASH AND CASH EQUIVALENTS, December 31

	<u>\$ (139,567)</u>
	6,076
	(8,555)
	(4,971)
	535,793
	(7,334)
	(654,500)
	(4,073)
	(80,500)
	<u>(357,631)</u>
	185,642
	(6,786)
	(1,138)
	<u>177,718</u>
	(179,913)
	<u>891,869</u>
	<u>\$ 711,956</u>

See notes to financial statements

**AMERICAN SKIN ASSOCIATION, INC.**  
**EXHIBIT E**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	UNRESTRICTED	PERMANENTLY RESTRICTED		TEMPORARILY RESTRICTED					TOTALS		
		Carter Endowment	Psoriasis Endowment	Autoimmune/ Psoriasis	Skin cancer/ Melanoma	Vitiligo	Other Research	Education	Hambrick Fund	2011	2010
Net assets, January 1, 2011	\$ 265,591	\$ 143,791	\$ 45,237	\$ -	\$ -	\$ 45,525	\$ -	\$ -	\$ 77,105	\$ 577,249	\$ 639,587
Revenue	779,083	-	-	100,000	60,000	48,000	30,000	60,000	1,000	1,078,083	2,002,122
Expenses and grants	(976,150)	(1,500)	-	(100,000)	(60,000)	-	(30,000)	(50,000)	-	(1,217,650)	(2,064,460)
Interfund transfers	78,105	-	-	-	-	-	-	-	(78,105)	-	-
Net assets, December 31, 2011	<u>\$ 146,629</u>	<u>\$ 142,291</u>	<u>\$ 45,237</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,525</u>	<u>-</u>	<u>\$ 10,000</u>	<u>-</u>	<u>\$ 437,682</u>	<u>\$ 577,249</u>

See notes to financial statements.

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**AMERICAN SKIN ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

Note 1. Significant Accounting Policies

Nature of Operations: Founded in 1987, American Skin Association works to defeat melanoma and other serious forms of skin disease by advancing research, raising public awareness and championing good skin health- particularly among children.

Basis of Presentation: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. In 1996, the Association adopted Accounting Standards Codification (ASC) Topic 958, "Not-for-Profit Entities", Subtopic 205, "Presentation of Financial Statements." (Formerly Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations") Under ASC 958-205, the organization is required to report information regarding its financial position and activities according to three classes of net assets based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to board or donor-imposed stipulations that may or will be met, either by actions of the organization and/or the passage of time.

Temporarily restricted net assets at December 31, 2011 have been restricted by the organization's board or donors to be spent as follows:

Research	
Vitiligo	\$ 93,525
Education	<u>10,000</u>
	<u>\$ 103,525</u>

In 2011, the Organization released the restrictions on The Hambrick Fund, which was previously temporarily restricted, and such funds were transferred to unrestricted funds.

Permanently restricted net assets - Net assets subject to board or donor-imposed stipulations that they be maintained permanently by the organization. Generally, the organization's board or donors of these assets permit the organization to use all or part of the income earned on any related investments for general or specific purposes.

**AMERICAN SKIN ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

Note 1. Significant Accounting Policies - continued

Permanently restricted endowment funds at December 31, 2011 have been restricted by the organization's board or donors to be spent as follows:

Carter endowment	\$ 142,291
Psoriasis endowment	<u>45,237</u>
	<u>\$ 187,528</u>

Contributions: The organization also adopted ASC Topic 958, "Not-for-Profit Entities", Subtopic 605, "Revenue Recognition" (Formerly SFAS No. 116, "Accounting for Contributions Received and Contributions Made"), in 1996. In accordance with ASC 958-605, contributions received are recorded as restricted, temporarily restricted or permanently restricted support, depending upon the existence and/or nature of any donor imposed restrictions.

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Depreciation: Equipment and furniture are being depreciated over estimated useful lives using the double declining balance method. Depreciation expense was \$6,076 for 2011.

Income Taxes: Income taxes are not provided for in the financial statements since the organization is exempt from federal and state income taxes under section 501 (c)(3) of the Internal Revenue Code and similar state provisions.

Functional Expenses: Functional expenses have been allocated between program services and supporting services based upon an analysis of personnel time and office space utilized for the related activities.

Cash Equivalents: For purposes of the statement of cash flows, the organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**AMERICAN SKIN ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

Note 1. Significant Accounting Policies - continued

Concentration of Credit Risk – The Company does not have a material concentration of credit risk, with respect to pledges receivable, due to generally short payment terms.

The Association maintains cash balances with one banking institution in excess of the Federal Deposit Insurance Corporation (FDIC) limits. The Association also maintains money market funds. Such balances are not FDIC insured.

Note 2. Investments

Investments consist primarily of securities traded on the national stock exchanges and are summarized as follows:

	<u>Cost or Donated Value</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Fixed Income Mutual Funds	\$ 95,563	\$ 105,506	\$ 9,943
Equity and other mutual funds	95,948	93,749	(2,199)
Total	<u>\$ 191,511</u>	<u>\$ 199,255</u>	<u>\$ 7,744</u>

In 2011, the Association had an unrealized gain of \$4,971 which is included in net unrealized gains and losses on investments.

Note 3. Fair Values of Financial Instruments

The estimated fair value of the organization's financial instruments, none of which are held for trading purposes, are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets:		
Cash	\$ 711,956	\$ 711,956
Investments	199,255	199,255
Unconditional promises to give	738,766	738,766

The following methods and assumptions were used by the organization estimating its fair value disclosures for financial instruments:

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**AMERICAN SKIN ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

Note 3. Fair Values of Financial Instruments - continued

Cash and unconditional promises to give: The carrying amounts reported in the statement of financial position approximate fair value because of the short maturities of those instruments.

Investments securities: The fair values of investment securities are based on quoted market prices for those investments.

Note 4. Pledges Receivable

Pledges receivable consist of contributions pledged but not yet received. Pledges receivable in future periods are as follows:

<u>Year</u>	<u>Amount</u>
2012	\$ 737,766
2013	<u>1,000</u>
Total	<u>\$ 738,766</u>

Note 5. Grants Payable

Grants payable consist of grants awarded but not yet paid. Grants payable in future periods are discounted to present value and are as follows:

<u>Year</u>	<u>Amount</u>
2012	\$ 746,500
2013	250,000
2014	<u>125,000</u>
	<u>\$ 1,121,500</u>

In February 2011 the Organization decided to terminate its agreement to provide supplemental support to fellows funded by the NIAMS due to a lack of applicants. Such termination caused the Organization to recognize \$129,000 of income in 2011 due to the reversal of the previously established liability.

**AMERICAN SKIN ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**Note 6. Deferred Revenue**

Deferred revenue consists of contributions designated for future periods. Deferred revenue for future periods are as follows:

<u>Year</u>	<u>Amount</u>
2012	\$ 77,000
2013	<u>1,000</u>
	<u>\$ 78,000</u>

**Note 7. Commitments**

In 2011, the Organization entered into a lease for office space which calls for monthly rental payments of \$3,223. The lease expires on March 31, 2016. Minimum rental payments for the next five years and in the aggregate are as follows:

<u>Year</u>	<u>Amount</u>
2012	\$ 38,676
2013	38,676
2014	38,676
2015	38,676
2016	<u>9,669</u>
Total	<u>\$ 164,373</u>

Rent expense for the year ended December 31, 2011 was \$ 30,053.

**Note 8. Gifts in Kind**

Included in public support of \$920,637 and \$1,963,209 for the years ending December 31, 2011 and 2010 respectively are gifts in kind amounting to -0- and \$6,255, respectively.