AMERICAN SKIN ASSOCIATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2012

Bonamassa, Maietta & Cartelli, LLP
Certified Public Accountants

AMERICAN SKIN ASSOCIATION, INC.

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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, 2012 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, 2012 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

March 28, 2013

AMERICAN SKIN ASSOCIATION, INC.
EXHIBIT A
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2012 TOTAL	2011 TOTAL
ASSETS					
Cash and cash equivalents	$ 548,131	$ 254,095	$ -	$ 802,226	$ 711,956
Investments, at market	17,880	-	45,237	63,117	199,255
Pledges receivable					
unrestricted	233,000	-	-	233,000	43,766
restricted to future periods	-	807,000	-	807,000	695,000
Prepaid expenses	91,138	-	-	91,138	18,285
Furniture and equipment, net of accumulated depreciation	-	-	-	-	10,058
TOTAL ASSETS	$ 890,149	$ 1,061,095	$ 45,237	$ 1,996,481	$ 1,678,320
LIABILITIES AND NET ASSETS					
Grants payable	$ 128,850	$ 782,570	-	$ 911,420	$ 1,121,500
Accrued expenses	24,500	-	-	24,500	41,138
Deferred revenue	321,000	175,000	-	496,000	78,000
Total liabilities	474,350	957,570	-	1,431,920	1,240,638
Net assets:					
Unrestricted net assets	$ 415,799	$ -	$ -	$ 415,799	$ 146,629
Temporarily restricted net assets	-	103,525	-	103,525	103,525
Permanently restricted net assets	-	-	45,237	45,237	187,528
Total net assets	415,799	103,525	45,237	564,561	437,682
TOTAL LIABILITIES AND NET ASSETS	$ 890,149	$ 1,061,095	$ 45,237	$ 1,996,481	$ 1,678,320

See notes to financial statements

AMERICAN SKIN ASSOCIATION, INC.
EXHIBIT B
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2012 TOTAL	2011 TOTAL
REVENUES					
Public support					
Gifts and grants	$ 873,457	$ 258,150	$ -	$ 1,131,607	$ 529,208
Special events	-	-	-	-	529,505
(Less: event costs)	-	-	-	-	(138,076)
Total public support	873,457	258,150	-	1,131,607	920,637
Other revenues,gains					
Interest	59	-	-	59	116
Dividends	3,091	-	-	3,091	6,506
Net realized gains	10,142	-	-	10,142	8,555
Net unrealized gains (losses)	(1,905)	-	-	(1,905)	4,971
Grants refunded	-	-	-	-	137,298
Total other revenues, gains	11,387	-	-	11,387	157,446
Total public support and other revenues	884,844	258,150	-	1,142,994	1,078,083
EXPENSES					
Program services:					
Research	275,543	247,150	-	522,693	548,637
Education	206,956	11,000	-	217,956	349,715
Total program services	482,499	258,150	-	740,649	898,352
Supporting services:					
Management and general	153,517	-	-	153,517	177,338
Fundraising	121,949	-	-	121,949	141,960
Total supporting services	275,466	-	-	275,466	319,298
Total program and supporting services	757,965	258,150	-	1,016,115	1,217,650
CHANGE IN NET ASSETS	126,879	-	-	126,879	(139,567)
INTERFUND TRANSFERS	142,291	-	(142,291)	-	-
NET ASSETS, JANUARY 1	146,629	103,525	187,528	437,682	577,249
NET ASSETS, DECEMBER 31	$ 415,799	$ 103,525	$ 45,237	$ 564,561	$ 437,682

See notes to financial statements

AMERICAN SKIN ASSOCIATION, INC.
EXHIBIT C
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

	PROGRAM SERVICES			SUPPORTING SERVICES				
	Research	Education	Subtotal	Management and general	Fundraising	Subtotal	2012 Total	2011 Total
Grants and awards	$ 385,550	$ -	$ 385,550	$ -	$ -	$ -	$ 385,550	$ 369,250
Education and other consultants	21,154	87,231	108,385	14,811	2,112	16,923	125,308	184,993
Salaries, benefits and taxes	71,862	86,235	158,097	107,794	93,421	201,215	359,312	474,824
Marketing and promotion	461	237	698	-	14,282	14,282	14,980	34,306
Travel and transportation	10,954	4,538	15,492	-	157	157	15,649	27,490
Printing and publications	750	2,010	2,760	-	240	240	3,000	14,156
Rent and related items	12,973	14,827	27,800	5,560	3,707	9,267	37,067	39,955
Office expenses	11,171	12,157	23,328	3,614	5,914	9,528	32,856	27,946
Legal and accounting	-	-	-	9,500	-	9,500	9,500	10,350
Telephone	2,228	2,228	4,456	271	707	978	5,434	4,957
Outside service	5,506	8,430	13,936	1,893	1,376	3,269	17,205	13,409
Miscellaneous	84	63	147	16	33	49	196	512
Depreciation	-	-	-	10,058	-	10,058	10,058	6,076
Moving	-	-	-	-	-	-	-	9,426
Total Expenses, 2012	$ 522,693	$ 217,956	$ 740,649	$ 153,517	$ 121,949	$ 275,466	$ 1,016,115	$ 1,217,650
Total Expenses, 2011	$ 548,637	$ 349,715	$ 898,352	$ 177,338	$ 141,960	$ 319,298		

See notes to financial statements.

AMERICAN SKIN ASSOCIATION, INC.
EXHIBIT D
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase in net assets	$ 126,879
Adjustments to reconcile decrease in net assets to net cash used by operating activities	
Depreciation	10,058
Net realized gains on investments	(10,142)
Net unrealized losses on investments	1,905
(Increase) decrease in:	
Pledges receivable	(301,234)
Prepaid expenses	(72,853)
Increase (decrease) in:	
Grants payable	(210,080)
Accrued expenses	(16,638)
Deferred revenue	418,000
Net cash used by operating activities	(54,105)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sale of investments	152,599
Purchase of investments	(8,224)
Net cash provided by investing activities	144,375
NET INCREASE IN CASH AND CASH EQUIVALENTS	90,270
CASH AND CASH EQUIVALENTS, January 1	711,956
CASH AND CASH EQUIVALENTS, December 31	$ 802,226

See notes to financial statements

AMERICAN SKIN ASSOCIATION, INC.
EXHIBIT E
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2012

	UNRESTRICTED	PERMANENTLY RESTRICTED		TEMPORARILY RESTRICTED					TOTALS	
		Carter Endowment	Psoriasis Endowment	Autoimmune/ Psoriasis	Skin cancer/ Melanoma	Vitiligo	Other Research	Education	2012	2011
Net assets, January 1, 2012	$ 146,629	$ 142,291	$ 45,237	$ -	$ -	$ 93,525	$ -	$ 10,000	$ 437,682	$ 577,249
Revenue	884,844	-	-	75,000	80,000	25,000	77,150	1,000	1,142,994	1,078,083
Expenses and grants	(757,965)	-	-	(75,000)	(80,000)	(15,000)	(77,150)	(11,000)	(1,016,115)	(1,217,650)
Interfund transfers	142,291	(142,291)	-	-	-	-	-	-	-	-
Net assets, December 31, 2012	$ 415,799	$ -	$ 45,237	$ -	$ -	$ 103,525	$ -	$ -	$ 564,561	$ 437,682

See notes to financial statements.

Bonamassa, Maietta & Cartelli, LLP
Certified Public Accountants

AMERICAN SKIN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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, 2012 have been restricted by the organization's board or donors to be spent as follows:

Research	
Vitiligo	$ 103,525
	$ 103,525

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 or the income earned on any related investments for general or specific purposes.

Note 1. Significant Accounting Policies - continued

Permanently restricted endowment funds at December 31, 2012 have been restricted by the organization's board or donors to be spent as follows:

Psoriasis endowment	$ 45,237
	$ 45,237

In 2012, the organization released the restrictions on the Carter endowment fund, which was previously permanently restricted, and such funds were transferred to unrestricted funds.

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 $10,058 for 2012.

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.

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:

	Cost or Donated Value	Fair Value	Unrealized Appreciation
Fixed Income Mutual Funds	$ 29,891	$ 33,100	$ 3,209
Equity and other mutual funds	27,387	30,017	2,630
Total	$ 57,278	$ 63,117	$ 5,839

In 2012, the Association had an unrealized loss of $1,905 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:

	Carrying Amount	Fair Value
Financial assets:		
Cash	$ 802,226	$ 802,226
Investments	63,117	63,117
Unconditional promises to give	1,040,000	1,040,000

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

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:

Year	Amount
2013	$ 965,000
2014	75,000
Total	$ 1,040,000

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:

Year	Amount
2013	$ 786,420
2014	125,000
	$ 911,420

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.

Note 6. Deferred Revenue

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

Year	Amount
2013	$ 421,000
2014	75,000
	$ 496,000

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:

Year	Amount
2013	$ 38,676
2014	38,676
2015	38,676
2016	9,669
Total	$ 125,697

Rent expense for the year ended December 31, 2012 was $ 37,066.