

AMERICAN SKIN ASSOCIATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2013

Bonamassa, Maietta & Cartelli, LLP
Certified Public Accountants

AMERICAN SKIN ASSOCIATION, INC.

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Bonamassa, Maietta & Cartelli, LLP

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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, 2013 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, 2013 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

April 9, 2014

AMERICAN SKIN ASSOCIATION, INC.
EXHIBIT A
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>2013 TOTAL</u>	<u>2012 TOTAL</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 630,152	\$ 396,725	\$ -	\$ 1,026,877	\$ 802,226
Investments, at market	23,326	-	45,237	68,563	63,117
Pledges receivable					
unrestricted	-	-	-	-	233,000
restricted to future periods	-	592,000	-	592,000	807,000
Prepaid expenses	13,472	-	-	13,472	91,138
TOTAL ASSETS	<u>\$ 666,950</u>	<u>\$ 988,725</u>	<u>\$ 45,237</u>	<u>\$ 1,700,912</u>	<u>\$ 1,996,481</u>
<u>LIABILITIES AND NET ASSETS</u>					
Grants payable	\$ 281,300	\$ 692,700	-	\$ 974,000	\$ 911,420
Accrued expenses	9,328	-	-	9,328	24,500
Deferred revenue	-	225,000	-	225,000	496,000
Total liabilities	<u>290,628</u>	<u>917,700</u>	<u>-</u>	<u>1,208,328</u>	<u>1,431,920</u>
Net assets:					
Unrestricted net assets	\$ 376,322	\$ -	\$ -	\$ 376,322	\$ 415,799
Temporarily restricted net assets	-	71,025	-	71,025	103,525
Permanently restricted net assets	-	-	45,237	45,237	45,237
Total net assets	<u>376,322</u>	<u>71,025</u>	<u>45,237</u>	<u>492,584</u>	<u>564,561</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 666,950</u>	<u>\$ 988,725</u>	<u>\$ 45,237</u>	<u>\$ 1,700,912</u>	<u>\$ 1,996,481</u>

See notes to financial statements

AMERICAN SKIN ASSOCIATION, INC.
EXHIBIT B
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>2013 TOTAL</u>	<u>2012 TOTAL</u>
<u>REVENUES</u>					
Public support					
Gifts and grants	\$ 366,760	\$ 1,397,884	\$ -	\$ 1,764,644	\$ 1,131,607
Special events	591,060	-	-	591,060	-
(Less: event costs)	(147,645)	-	-	(147,645)	-
Total public support	<u>810,175</u>	<u>1,397,884</u>	<u>-</u>	<u>2,208,059</u>	<u>1,131,607</u>
Other revenues, gains					
Interest	-	-	-	-	59
Dividends	1,667	-	-	1,667	3,091
Net realized (losses) gains	(11)	-	-	(11)	10,142
Net unrealized gains (losses)	6,592	-	-	6,592	(1,905)
Grants refunded	58,023	-	-	58,023	-
Total other revenues, gains	<u>66,271</u>	<u>-</u>	<u>-</u>	<u>66,271</u>	<u>11,387</u>
Total public support and other revenues	<u>876,446</u>	<u>1,397,884</u>	<u>-</u>	<u>2,274,330</u>	<u>1,142,994</u>
<u>EXPENSES</u>					
Program services:					
Research	570,448	1,266,700	-	1,837,148	522,693
Education	88,429	163,684	-	252,113	217,956
Total program services	<u>658,877</u>	<u>1,430,384</u>	<u>-</u>	<u>2,089,261</u>	<u>740,649</u>
Supporting services:					
Management and general	115,497	-	-	115,497	153,517
Fundraising	141,549	-	-	141,549	121,949
Total supporting services	<u>257,046</u>	<u>-</u>	<u>-</u>	<u>257,046</u>	<u>275,466</u>
Total program and supporting services	<u>915,923</u>	<u>1,430,384</u>	<u>-</u>	<u>2,346,307</u>	<u>1,016,115</u>
<u>CHANGE IN NET ASSETS</u>	(39,477)	(32,500)	-	(71,977)	126,879
<u>INTERFUND TRANSFERS</u>	-	-	-	-	-
<u>NET ASSETS, JANUARY 1</u>	415,799	103,525	45,237	564,561	437,682
<u>NET ASSETS, DECEMBER 31</u>	\$ 376,322	\$ 71,025	\$ 45,237	\$ 492,584	\$ 564,561

See notes to financial statements

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AMERICAN SKIN ASSOCIATION, INC.
EXHIBIT C
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>PROGRAM SERVICES</u>			<u>SUPPORTING SERVICES</u>			2013 Total	2012 Total
	Research	Education	Subtotal	Management and general	Fundraising	Subtotal		
Grants and awards	\$ 1,717,500	\$ -	\$ 1,717,500	\$ -	\$ -	\$ -	\$ 1,717,500	\$ 385,550
Education and other consultants	-	121,965	121,965	-	-	-	121,965	125,308
Salaries, benefits and taxes	73,332	83,808	157,140	87,300	104,759	192,059	349,199	359,312
Marketing and promotion	-	-	-	-	7,766	7,766	7,766	14,980
Travel and transportation	9,004	3,002	12,006	-	-	-	12,006	15,649
Printing and postage	1,946	2,920	4,866	2,085	6,951	9,036	13,902	3,000
Rent and related items	14,242	16,276	30,518	4,069	6,104	10,173	40,691	37,067
Office expenses	12,267	14,020	26,287	3,505	5,257	8,762	35,049	32,856
Legal and accounting	-	-	-	9,750	-	9,750	9,750	9,500
Telephone	1,619	1,851	3,470	463	694	1,157	4,627	5,334
Outside service	6,918	7,905	14,823	8,234	9,881	18,115	32,938	17,205
Miscellaneous	320	366	686	91	137	228	914	196
Depreciation	-	-	-	-	-	-	-	10,058
Total Expenses, 2013	<u>\$ 1,837,148</u>	<u>\$ 252,113</u>	<u>\$ 2,089,261</u>	<u>\$ 115,497</u>	<u>\$ 141,549</u>	<u>\$ 257,046</u>	<u>\$ 2,346,307</u>	<u>\$ 1,016,015</u>
Total Expenses, 2012	<u>\$ 522,693</u>	<u>\$ 217,956</u>	<u>\$ 740,649</u>	<u>\$ 153,517</u>	<u>\$ 121,949</u>	<u>\$ 275,466</u>		

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, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:

Decrease in net assets	\$ (71,977)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities	
Net realized losses on investments	11
Net unrealized gains on investments	(6,592)
Decrease in:	
Pledges receivable	448,000
Prepaid expenses	77,666
Increase (decrease) in:	
Grants payable	62,580
Accrued expenses	(15,172)
Deferred revenue	<u>(271,000)</u>
Net cash provided by operating activities	<u>223,516</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sale of investments	30,022
Purchase of investments	<u>(28,887)</u>
Net cash provided by investing activities	<u>1,135</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS	224,651
CASH AND CASH EQUIVALENTS, January 1	<u>802,226</u>
CASH AND CASH EQUIVALENTS, December 31	<u><u>\$ 1,026,877</u></u>

See notes to financial statements

AMERICAN SKIN ASSOCIATION, INC.
EXHIBIT E
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013

	UNRESTRICTED	PERMANENTLY RESTRICTED			TEMPORARILY RESTRICTED			TOTALS	
		Psoriasis Endowment	Autoimmune/ Psoriasis	Skin cancer/ Melanoma	Vitiligo	Other Research	Education	2013	2012
Net assets, January 1, 2013	\$ 415,799	\$ 45,237	\$ -	\$ -	\$ 103,525	\$ -	-	\$ 564,561	\$ 437,682
Revenue	876,446	-	75,000	100,000	27,500	1,031,700	163,684	2,274,330	1,142,994
Expenses and grants	(915,923)	-	(75,000)	(100,000)	(60,000)	(1,031,700)	(163,684)	(2,346,307)	(1,016,115)
Net assets, December 31, 2013	<u>\$ 376,322</u>	<u>\$ 45,237</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,025</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 492,584</u>	<u>\$ 564,561</u>

See notes to financial statements.

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AMERICAN SKIN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

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, 2013 have been restricted by the organization's board or donors to be spent as follows:

Research	
Vitiligo	<u>\$ 71,025</u>
	<u>\$ 71,025</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 where they remain.

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, 2013**

Note 1. Significant Accounting Policies - continued

Permanently restricted endowment funds at December 31, 2013 have been restricted by the organization's board or donors to be spent as follows:

Psoriasis endowment	\$ 45,237
	<u>\$ 45,237</u>

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.

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, 2013**

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</u>
Fixed Income Mutual Funds	\$ 30,782	\$ 32,390	\$ 1,608
Equity and other mutual funds	25,351	36,174	10,823
Total	<u>\$ 56,133</u>	<u>\$ 68,564</u>	<u>\$ 12,431</u>

In 2013, the Association had an unrealized gain of \$6,592 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	\$ 1,026,877	\$ 1,026,877
Investments	68,563	68,563
Unconditional promises to give	592,000	592,000

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

AMERICAN SKIN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

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>
2014	\$ 292,000
2015	225,000
2016	<u>75,000</u>
Total	<u>\$ 592,000</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>
2014	\$ 824,000
2015	<u>150,000</u>
	<u>\$ 974,000</u>

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>
2014	\$ 75,000
2015	75,000
2016	<u>75,000</u>
	<u>\$ 225,000</u>

AMERICAN SKIN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

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>
2014	\$ 38,676
2015	38,676
2016	<u>9,669</u>
Total	<u>\$ 87,021</u>

Rent expense for the year ended December 31, 2013 was \$ 40,691.