

AMERICAN SKIN ASSOCIATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2016

AMERICAN SKIN ASSOCIATION, INC.

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Bonamassa, Maietta & Cartelli, LLP

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
American Skin Association, Inc.
New York, New York

We have audited the accompanying financial statements of American Skin Association, Inc. which comprise the statements of financial position as of December 31, 2016 and the related statements of activities, changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Managements' 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 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 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 organization'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 organization'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 American Skin Association, Inc. as of December 31, 2016 and the changes in its net assets, functional expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Bonamassa, Maietta & Cartelli, LLP

Bonamassa, Maietta & Cartelli, LLP
Certified Public Accountants

March 17, 2017

AMERICAN SKIN ASSOCIATION, INC.
EXHIBIT A
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2016 TOTAL	2015 TOTAL
ASSETS					
Cash and cash equivalents	\$ 513,163	\$ 309,050	\$ -	\$ 822,213	\$ 815,594
Investments, at market	36,731	-	45,237	81,968	124,216
Pledges receivable					
unrestricted	20,933	-	-	20,933	106,645
restricted to future periods	-	294,500	-	294,500	232,000
Prepaid expenses	74,442	-	-	74,442	51,885
Furniture & equipment, net of allowance for depreciation	668	-	-	668	5,279
TOTAL ASSETS	\$ 645,937	\$ 603,550	\$ 45,237	\$ 1,294,724	\$ 1,335,619
LIABILITIES AND NET ASSETS					
Grants payable	\$ 241,000	\$ 497,500	-	\$ 738,500	\$ 724,000
Accrued expenses	11,917	-	-	11,917	19,925
Deferred revenue	-	-	-	-	75,000
Total liabilities	252,917	497,500	-	750,417	818,925
Net assets:					
Unrestricted net assets	\$ 393,020	\$ -	\$ -	\$ 393,020	\$ 420,407
Temporarily restricted net assets	-	106,050	-	106,050	51,050
Permanently restricted net assets	-	-	45,237	45,237	45,237
Total net assets	393,020	106,050	45,237	544,307	516,694
TOTAL LIABILITIES AND NET ASSETS	\$ 645,937	\$ 603,550	\$ 45,237	\$ 1,294,724	\$ 1,335,619

See notes to financial statements

AMERICAN SKIN ASSOCIATION, INC.
EXHIBIT B
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>2016 TOTAL</u>	<u>2015 TOTAL</u>
<u>REVENUES</u>					
Public support					
Gifts and grants	\$ 309,292	\$ 692,293	\$ -	\$ 1,001,585	\$ 564,000
Special events	563,048	-	-	563,048	749,272
(Less: event costs)	(147,472)	-	-	(147,472)	(164,468)
Total public support	<u>724,868</u>	<u>692,293</u>	<u>-</u>	<u>1,417,161</u>	<u>1,148,804</u>
Other revenues, gains					
Dividends	4,335	-	-	4,335	2,065
Net realized (losses) gains	(482)	-	-	(482)	33
Net unrealized gains (losses)	4,052	-	-	4,052	(1,044)
Grants refunded	8,461	-	-	8,461	18,246
Total other revenues, gains	<u>16,366</u>	<u>-</u>	<u>-</u>	<u>16,366</u>	<u>19,300</u>
Total public support and other revenues	<u>741,234</u>	<u>692,293</u>	<u>-</u>	<u>1,433,527</u>	<u>1,168,104</u>
<u>EXPENSES</u>					
Program services:					
Research	360,525	610,293	-	970,818	695,327
Education	161,584	27,000	-	188,584	201,360
Total program services	<u>522,109</u>	<u>637,293</u>	<u>-</u>	<u>1,159,402</u>	<u>896,687</u>
Supporting services:					
Management and general	88,535	-	-	88,535	99,792
Fundraising	157,977	-	-	157,977	177,857
Total supporting services	<u>246,512</u>	<u>-</u>	<u>-</u>	<u>246,512</u>	<u>277,649</u>
Total program and supporting services	<u>768,621</u>	<u>637,293</u>	<u>-</u>	<u>1,405,914</u>	<u>1,174,336</u>
<u>CHANGE IN NET ASSETS</u>	(27,387)	55,000	-	27,613	(6,232)
<u>NET ASSETS, JANUARY 1</u>	420,407	51,050	45,237	516,694	522,926
<u>NET ASSETS, DECEMBER 31</u>	<u>\$ 393,020</u>	<u>\$ 106,050</u>	<u>\$ 45,237</u>	<u>\$ 544,307</u>	<u>\$ 516,694</u>

See notes to financial statements

Bonamassa, Maietta & Cartelli, LLP
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AMERICAN SKIN ASSOCIATION, INC.
EXHIBIT C
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>PROGRAM SERVICES</u>			<u>SUPPORTING SERVICES</u>			<u>2016 Total</u>	<u>2015 Total</u>
	<u>Research</u>	<u>Education</u>	<u>Subtotal</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Subtotal</u>		
Grants and awards	\$ 796,000	\$ -	\$ 796,000	\$ -	\$ -	-	\$ 796,000	\$ 516,000
Salaries, benefits and taxes	98,168	98,168	196,336	47,392	94,784	142,176	338,512	349,757
Marketing and promotion	8,378	8,378	16,756	-	11,172	11,172	27,928	17,670
Travel and meetings	20,545	34,311	54,856	2,968	5,938	8,906	63,762	73,313
Printing and postage	7,750	7,750	15,500	3,742	7,484	11,226	26,726	30,872
Rent and related items	14,788	14,788	29,576	7,139	14,278	21,417	50,993	45,133
Office expenses	8,653	8,653	17,306	4,177	8,355	12,532	29,838	40,992
Legal and accounting	-	-	-	10,525	-	10,525	10,525	13,250
Telephone	1,662	1,662	3,324	802	1,606	2,408	5,732	5,241
Outside services	8,026	8,026	16,052	3,874	7,748	11,622	27,674	48,090
Computer expenses	6,848	6,848	13,696	3,306	6,612	9,918	23,614	29,407
Depreciation	-	-	-	4,610	-	4,610	4,610	4,611
Total Expenses, 2016	<u>\$ 970,818</u>	<u>\$ 188,584</u>	<u>\$ 1,159,402</u>	<u>\$ 88,535</u>	<u>\$ 157,977</u>	<u>\$ 246,512</u>	<u>\$ 1,405,914</u>	<u>\$ 1,174,336</u>
Total Expenses, 2015	<u>\$ 695,327</u>	<u>\$ 201,360</u>	<u>\$ 896,687</u>	<u>\$ 99,792</u>	<u>\$ 177,857</u>	<u>\$ 277,649</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, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets	\$ 27,613
Adjustments to reconcile decrease in net assets to net cash used in operating activities	
Net realized loss on investments	482
Net unrealized gains on investments	(4,052)
Depreciation	4,610
Contributions of marketable securities	(25,293)
Decrease (increase) in:	
Pledges receivable	23,212
Prepaid expenses	(22,557)
Increase (decrease) in:	
Grants payable	14,500
Accrued expenses	(8,008)
Deferred revenue	<u>(75,000)</u>
Net cash used in operating activities	<u>(64,493)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sale of investments	<u>71,112</u>
Net cash provided by investing activities	<u>71,112</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS	6,619
CASH AND CASH EQUIVALENTS, January 1	<u>815,594</u>
CASH AND CASH EQUIVALENTS, December 31	<u><u>\$ 822,213</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, 2016

	UNRESTRICTED	PERMANENTLY RESTRICTED			TEMPORARILY RESTRICTED			TOTALS	
		Psoriasis Endowment	Autoimmune/ Psoriasis	Skin cancer/ Melanoma	Vitiligo	Other Research	Education	2016	2015
Net assets, January 1, 2016	\$ 420,407	\$ 45,237	\$ -	\$ -	\$ 51,050	\$ -	-	\$ 516,694	\$ 522,926
Revenue	741,234	-	100,293	80,000	115,000	370,000	27,000	1,433,527	1,168,104
Expenses and grants	(768,621)	-	(100,293)	(80,000)	(60,000)	(370,000)	(27,000)	(1,405,914)	(1,174,336)
Net assets, December 31, 2016	<u>\$ 393,020</u>	<u>\$ 45,237</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 106,050</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 544,307</u>	<u>\$ 516,694</u>

See notes to financial statements.

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AMERICAN SKIN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, 2016 have been restricted by the organization's board or donors to be spent as follows:

Research	
Vitiligo	<u>\$ 106,050</u>
	<u>\$ 106,050</u>

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, 2016

Note 1. Significant Accounting Policies - continued

Permanently restricted endowment funds at December 31, 2015 have been restricted by the organization's board or donors to be spent as follows:

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

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.

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.

**AMERICAN SKIN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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	\$ 33,493	\$ 35,329	\$ 1,836
Equity and other mutual funds	27,897	46,639	18,742
Total	\$ 61,390	\$ 81,968	\$ 20,578

In 2016, the Association had an unrealized gain of \$4,052 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	\$ 822,213	\$ 822,213
Investments	81,968	81,968
Unconditional promises to give	315,433	315,433

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

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.

AMERICAN SKIN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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>
2017	\$ 227,933
2018	<u>87,500</u>
Total	<u>\$ 315,433</u>

Note 5. Grants Payable

Grants payable consist of grants awarded but not yet paid. Grants payable in future periods are as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 651,000
2018	<u>87,500</u>
Total	<u>\$ 738,500</u>

Note 6. Deferred Revenue

Deferred revenue consists of contributions designated for future periods.

Note 7. Commitments

In 2011, the Organization entered into a lease for office space which calls for monthly rental payments of \$3,223 plus additional costs passed through for real estate taxes and operational expenses. The lease expires on March 31, 2017. Minimum rental payments for the next five years and in the aggregate are as follows:

Year	Amount
2017	<u>9,669</u>
Total	<u>\$ 9,669</u>

Rent expense for the year ended December 31, 2016 was \$ 50,993.