

AMERICAN SKIN ASSOCIATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2020

With Prior Year Summarized Comparative Information

AMERICAN SKIN ASSOCIATION, INC.

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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. (the "Organization") which comprise the statement of financial position as of December 31, 2020 and the related statements of activities, functional expenses, changes in net assets, 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 auditors' 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.

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**To the Board of Directors of
American Skin Association, Inc.
New York, New York**
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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, 2020 and changes in its net assets, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 7, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

New York, New York
April 16, 2021

AMERICAN SKIN ASSOCIATION, INC.
EXHIBIT "A"
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

(With Summarized Comparative Information as of December 31, 2019)

	WITHOUT DONOR IMPOSED RESTRICTIONS	WITH DONOR IMPOSED RESTRICTIONS	2020 TOTAL	2019 TOTAL
ASSETS				
Cash and cash equivalents	\$ 369,967	\$ 471,550	\$ 841,517	\$ 435,266
Investments, at market	-	-	-	25,373
Promises to give	133,775	221,250	355,025	916,881
Prepaid expenses and other assets	133,896	15,000	148,896	87,581
Property and equipment, net of allowance for depreciation	-	-	-	-
Due from without donor imposed	-	-	-	21,284
TOTAL ASSETS	\$ 637,638	\$ 707,800	\$ 1,345,438	\$ 1,486,385
LIABILITIES AND NET ASSETS				
Grants payable	\$ 147,000	\$ 576,250	\$ 723,250	\$ 1,199,250
Deferred revenue	-	-	-	105,000
Accrued expenses	43,206	-	43,206	53,196
Paycheck Protection Program Loan	52,600	-	52,600	-
Due to with donor imposed	-	-	-	21,284
Total liabilities	242,806	576,250	819,056	1,378,730
Net assets:				
Without donor imposed restrictions	394,832	-	394,832	31,605
With donor imposed restrictions	-	131,550	131,550	76,050
Total net assets	394,832	131,550	526,382	107,655
TOTAL LIABILITIES AND NET ASSETS	\$ 637,638	\$ 707,800	\$ 1,345,438	\$ 1,486,385

See notes to financial statements

AMERICAN SKIN ASSOCIATION, INC.
EXHIBIT "B"
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020
(With Summarized Comparative Information for the Year Ended December 31, 2019)

	<u>2020</u>	<u>2019</u>
Changes in Net Assets Without Donor Restrictions		
Support and Revenue		
Gifts and grants	\$ 411,880	\$ 381,717
Special events	522,055	347,805
Less: events costs	(43,777)	(143,025)
Interest and dividends	2,197	5,852
Grants refunded	16,312	33,245
Other revenue	2,000	-
Net unrealized gains	-	182
Total revenues and gains without donor restrictions	<u>910,667</u>	<u>625,776</u>
Net assets released from restrictions		
Satisfaction of time and program restrictions	<u>339,000</u>	<u>558,000</u>
Total Public Support and Revenue without donor restrictions	<u>1,249,667</u>	<u>1,183,776</u>
Expenses		
Program Services		
Research	515,664	789,804
Public Education	164,073	154,110
	<u>679,737</u>	<u>943,914</u>
Supporting Services		
Management and General	77,668	95,033
Fundraising	129,035	150,206
Total Supporting Services	<u>206,703</u>	<u>245,239</u>
Total Expenses	<u>886,440</u>	<u>1,189,153</u>
Increase (decrease) in Net Assets without donor restrictions	<u>363,227</u>	<u>(5,377)</u>
Changes in Net Assets with donor restrictions		
Contributions, and grants refunded	394,500	548,000
Net Assets Released from Restrictions	<u>(339,000)</u>	<u>(558,000)</u>
Increase (decrease) in Net Assets with donor restrictions	<u>55,500</u>	<u>(10,000)</u>
Increase (decrease) in net assets	418,727	(15,377)
Net assets, Beginning of Year	<u>107,655</u>	<u>123,032</u>
Net Assets, End of Year	<u>\$ 526,382</u>	<u>\$ 107,655</u>

AMERICAN SKIN ASSOCIATION, INC.
EXHIBIT "C"

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

(With Summarized Comparative Information for the Year Ended December 31, 2019)

	PROGRAM SERVICES			SUPPORTING SERVICES			2020 Total	2019 Total
	Research	Education	Subtotal	Management and general	Fundraising	Subtotal		
Grants and awards	\$ 337,000	\$ 40,000	\$ 377,000	\$ -	\$ -	\$ -	\$ 377,000	\$ 568,000
Salaries, benefits and taxes	118,523	82,307	200,830	42,800	85,600	128,400	329,230	405,173
Marketing and promotion	1,735	1,205	2,940	627	1,253	1,880	4,820	13,316
Travel and meetings	6,048	4,200	10,248	2,184	4,367	6,551	16,799	57,031
Printing and postage	1,370	951	2,321	495	989	1,484	3,805	6,246
Rent and related items	13,923	9,669	23,592	5,028	10,056	15,084	38,676	38,676
Office expenses	7,812	5,425	13,237	2,820	5,642	8,462	21,699	17,958
Professional fees	-	-	-	13,150	-	13,150	13,150	19,925
Telephone and internet	2,276	1,581	3,857	822	1,644	2,466	6,323	4,200
Outside services	22,413	15,565	37,978	8,094	16,187	24,281	62,259	41,192
Computer expenses	4,564	3,170	7,734	1,648	3,297	4,945	12,679	17,436
Total Expenses, 2020	\$ 515,664	\$ 164,073	\$ 679,737	\$ 77,668	\$ 129,035	\$ 206,703	\$ 886,440	\$ 1,189,153
Total Expenses, 2019	\$ 789,804	\$ 154,110	\$ 943,914	\$ 95,033	\$ 150,206	\$ 245,239		

See notes to financial statements

AMERICAN SKIN ASSOCIATION, INC.
EXHIBIT "D"

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020**

(With Summarized Comparative Information for the Year Ended December 31, 2019)

	WITHOUT DONOR IMPOSED RESTRICTIONS		WITH DONOR IMPOSED RESTRICTIONS				TOTALS	
			Skin cancer/ Melanoma	Vitiligo	Other Research	Education	2020	2019
Net assets, January 1,	\$ 31,605	\$ -	\$ -	\$ 76,050	\$ -	\$ -	\$ 107,655	\$ 123,032
Revenue	910,667	120,000	92,500	120,000	60,000	2,000	1,305,167	1,173,776
Expenses and grants	<u>(547,440)</u>	<u>(120,000)</u>	<u>(82,000)</u>	<u>(75,000)</u>	<u>(60,000)</u>	<u>(2,000)</u>	<u>(886,440)</u>	<u>(1,189,153)</u>
Net assets, December 31,	<u>\$ 394,832</u>	<u>\$ -</u>	<u>\$ 10,500</u>	<u>\$ 121,050</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 526,382</u>	<u>\$ 107,655</u>

See notes to financial statements

AMERICAN SKIN ASSOCIATION, INC.
EXHIBIT "E"
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Increase in net assets	\$ 418,727
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Decrease (increase) in:	
Promises to give	61,856
Prepaid expenses	(61,315)
Increase (decrease) in:	
Grants payable	24,000
Accrued expenses	(9,990)
Deferred revenue	<u>(105,000)</u>
Net cash provided by operating activities	<u>328,278</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>	
Proceeds from sale of investments	<u>25,373</u>
Net cash provided by investing activities	<u>25,373</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>	
Proceeds of paycheck protection program loan	<u>52,600</u>
Net cash provided by financing activities	<u>52,600</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	406,251
CASH AND CASH EQUIVALENTS, January 1	<u>435,266</u>
CASH AND CASH EQUIVALENTS, December 31	<u><u>\$ 841,517</u></u>
Non cash items:	
Cancellation of pledge receivable	<u>\$ 500,000</u>
Cancellation of grant payable	<u>\$ (500,000)</u>

See notes to financial statements

AMERICAN SKIN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 1. Significant Accounting Policies

a. Nature of Operations:

Founded in 1987, American Skin Association, Inc. (the "Organization") 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.

b. Basis of Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. The Organization reports information regarding its financial position and activities according to two 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:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - 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.

c. Cash and Cash Equivalents:

The Organization considers all highly liquid debt instruments, purchased with a maturity of three months or less, to be cash equivalents. The Organization invests in US Treasury Bills with initial maturities of three months or less. Such investments are classified as cash equivalents.

d. Promises to Give:

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increase in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

AMERICAN SKIN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 1. Significant Accounting Policies - continued

e. Property and Equipment:

Purchased property and equipment is capitalized at cost. Property and equipment is depreciated using the straight-line method over an estimated useful life of five years. There were no donor imposed restrictions on property and equipment as of December 31, 2020.

f. Contributed Services:

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

g. Contributions:

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions.

h. Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

i. In-kind Contributions:

Contributions of donated non-cash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received.

j. Tax Status:

The Organization is a not-for-profit organization, exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation. Management has determined that the Organization has no uncertain tax positions. Tax years since 2017 remain open to examination.

AMERICAN SKIN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 1. Significant Accounting Policies - continued

k. Comparative Data:

The financial statements include certain prior year summarized comparative information in total but not by net assets class and does not include a comparative statement of cash flows and comparative notes. As such it does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements as of and for the year ended December 31, 2019 from which the summarized information was derived.

l. Cost Allocation:

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits and occupancy which are allocated on the basis of estimates of time and effort.

m. Concentration of Credit Risk:

The Organization does not have a material concentration of credit risk, with respect to unrestricted promises to give, due to generally short payment terms.

The Organization maintains cash balances with one institution in excess of the Federal Deposit Insurance Corporation (FDIC) limits. The Organization has not experienced any losses on its cash accounts.

Note 2. Restrictions on Net Assets

The Organization's net assets with donor imposed restrictions as of December 31, 2020 consists of donations to be used specifically for Vitiligo and Melanoma Research. These funds will be disbursed in future periods for the specific programs in which they were intended by the donors. As of December 31, 2020, such donor imposed restricted fund balances are as follows:

Vitiligo Research	\$ 121,050
Melanoma Research	<u>10,500</u>
	<u>\$ 131,550</u>

**AMERICAN SKIN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

Note 3. Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less at time of purchase to be cash equivalents.

Note 4. 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 and cash equivalents	\$ 841,517	\$ 841,517
Unconditional promises to give	355,025	355,025

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.

Note 5. Promises to Give

Promises to give consist of contributions pledged but not yet received. A total of \$355,025 is due to the Organization at December 31, 2020. Of such amount, \$131,250 relates to grant funding programs provided for in past years, where the grant recipients has delayed the program, and therefore his or her ability to currently accept such funding has been delayed as well. The donor has deferred providing funding to the Organization until such time as the grant recipient has met the requirements to receive the additional funding. In 2020, the Organization cancelled a grant payable of \$500,000 due to the grantee's continued delay in meeting such grant acceptance requirements. The corresponding promise to give to the Organization for \$500,000 was also cancelled by the Organization and the donor at that time. Such cancellation of the promise to give, and the related grant payable, have been accompanying shown on a "net" basis in the financial statements. See note 9, Grants Payable.

Note 6. In kind Contributions

In 2020, the Organization received in kind contributions in the form of free rent at its offices. Such rent was valued at its fair value, \$38,676. Such amount has been included in the accompanying financial statements as contribution revenue and rent expense for the year ended December 31, 2020. See note 2.

**AMERICAN SKIN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

Note 7. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

Financial assets at year-end:	
Cash and cash equivalents	\$ 841,517
Promises to give	355,025
Less those unavailable for general expenditures within one year, due to:	
Donor restricted grants payable	(576,250)
Donor restricted contributions	<u>(131,550)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 488,742</u>

As part of the Organization's liquidity management, it invests cash in excess of daily requirements in short-term investments.

Note 8. Property and Equipment

Property and equipment consist of the following at December 31, 2020:

Equipment	\$ 13,833
Less: Accumulated Depreciation	<u>(13,833)</u>
	\$ <u>-0-</u>

Depreciation expense amounted to \$-0- in 2020.

Note 9. Grants Payable

Grants payable consist of grants awarded but not yet paid. A total of \$723,250 is payable by the Organization at December 31, 2020. Of such amount, \$131,250 is payable to recipients provided for in past years has been delayed due to delays caused by the grant recipients in meeting his or her requirements under the programs. See note 5, Promises to Give.

Note 10. Retirement Plan

The Organization maintains a defined contribution pension plan under IRS Code Section 403(B). For the year ended December 31, 2020 the Organization contributed 10% of salary for eligible employees.

Contributions totaling \$23,500 for the year ended December 31, 2020 were made by the Organization, in addition to the elective deferrals made by employees.

AMERICAN SKIN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 11. Paycheck Protection Program Loan

On April 21, 2020, the Organization received loan proceeds in the amount of \$52,600 under the Paycheck Protection Program (the "PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), provides for loans to qualifying entities for amounts up to 2.5 times their 2019 average monthly payroll expenses of the qualifying entity. On February 9, 2021, the Organization received loan proceeds in the amount of \$52,600 under Second Draw provisions of the PPP as authorized by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (the "Economic Aid Act"). The Second Draw provisions of the Economic Aid Act provides for loans to qualifying entities for amounts up to 2.5 times their 2019 or 2020 average monthly payroll expenses. The PPP loans bear an interest rate of 1% per annum.

All or a portion of the PPP loans principal and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, as described in the CARES Act as amended by the Economic Aid Act, over a period between eight to twenty-four weeks from the date the loan proceeds are received (the "Covered Period"). The amount of loan forgiveness could be reduced if the borrower terminates employees or reduces salaries below a certain threshold during the Covered Period and does not qualify for certain safe harbors. The unforgiven portion of the First Draw PPP Loan, if any, is payable within two years from the date of the PPP loan with a deferral of payments of principal or interest until the amount of loan forgiveness is approved by the SBA. The unforgiven portion of the Second Draw PPP Loan, if any, is payable within five years from the date of the PPP loan with a deferral of payments of principal or interest until the amount of loan forgiveness is approved by the SBA. If the Organization does not apply for forgiveness, payments begin approximately 16 months after the loan date.

As of December 31, 2020, the first PPP loan is recognized as debt on the statement of financial position. The Organization will recognize the income from the forgiveness of the PPP loans when it receives the notification of forgiveness from SBA in accordance with Accounting Standards Codification ("ASC") 470, Debt. Although, the Organization believes these loans will be substantially or fully forgiven, there can be no guarantee that the United States Small Business Administration ("SBA") will approve the loan forgiveness.

Note 12. Commitments and Contingencies

The Organization had leased its office space on a month to month basis and the monthly rent expense was \$3,223. In 2020, the Organization received in kind contributions in the form of free rent for such office space. See note 6.

Rent expense for the year ended December 31, 2020 was \$38,676.

AMERICAN SKIN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 12. Commitments and Contingencies - continued

The Organization's operations and financial performance may be affected by the COVID-19 outbreak, which has spread globally and has adversely affected economic conditions throughout the world. If the outbreak continues and conditions worsen, the Organization may experience a disruption in operations as well as a decline in revenue activities. The outbreak may adversely affect the Organization's operations, financial conditions and results of operation on the interim basis. Management is currently unable to estimate the financial impact, if any, related to this matter.

Note 13. Evaluation of Subsequent Events

The Organization has evaluated subsequent events through April 16, 2021 the date which the financial statements were available to be issued.

On date February 9, 2021, the Organization received loan proceeds in the amount of \$52,600 under Second Draw provisions of the PPP as authorized by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (the "Economic Aid Act"). The amount of loan forgiveness could be reduced if the borrower terminates employees or reduces salaries below a certain threshold during the Second Draw Covered Period and does not qualify for certain safe harbors. The unforgiven portion of the Second Draw PPP Loan, if any, is payable within five years from the date of the PPP loan with a deferral of payments of principal or interest until the amount of loan forgiveness is approved by the SBA. If the Organization does not apply for forgiveness, payments begin approximately 16 months after the loan date.
