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.

Bonariasoa, Maietta & Cartelli, LLP

Bonamassa, Maietta & Cartelli, LLP

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

	UNRESTRICTED		TEMPORARILY RESTRICTED		PERMANENTLY RESTRICTED		2013 TOTAL			2012 TOTAL
<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		666,950		988,725	\$	45,237	_\$_	1,700,912	_\$_	1,996,481
LIABILITIES AND NET ASSETS										
Grants payable	\$	281,300	\$	692,700		-	\$	974,000	\$	911,420
Accrued expenses	•	9,328		0,2,700		•	.,,	9,328	••	24,500
Deferred revenue		-		225,000				225,000		496,000
Total liabilities		290,628		917,700		•		1,208,328		1,431,920
		· ·								
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		376,322		71,025		45,237		492.584		564,561
TOTAL LIABILITIES AND NET ASSETS	\$	666,950	<u> </u>	988,725	_\$	45,237		1,700,912	\$	1,996,481

See notes to financial statements

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

	UNRESTRICTED			MPORARILY ESTRICTED	NENTLY RICTED	2013 TOTAL		 2012 TOTAL
REVENUES								
Public support	•							
Gifts and grants	\$	366,760	\$	1,397,884	\$ _	\$ 1,764	.644	\$ 1,131,607
Special events		591,060		-	-		,060	•
(Less: event costs)		(147,645)		_	-		(645)	•
Total public support		810,175		1,397,884	 	2.208		 1,131.607
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		66,271		-	 	66	,271	 11.387
Total public support and other revenues		876,446		1,397,884	 	2,274	,330	 1,142,994
EXPENSES_								
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		658,877		1,430,384	 	2,089	,261	 740,649
Supporting services:								
Management and general		115,497		-	-	115	,497	153,517
Fundraising		141,549			-		.549	121.949
Total supporting services		257,046		-	 	257	,046	 275,466
Total program and supporting services		915,923		1.430,384		2,346	,307	1.016.115
CHANGE IN NET ASSETS		(39,477)		(32,500)	-	(71	.977)	126.879
INTERFUND TRANSFERS		-		-	-	•		-
NET ASSETS, JANUARY I		415,799		103,525	 45,237	564	.561	 437,682
NET ASSETS, DECEMBER 31	\$	376,322	_\$_	71,025	\$ 45,237	\$ 492	.584	\$ 564.561

See notes to financial statements

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

	PI	ROGRAM SERVIC	ES	SUP	PORTING SERV			
				Management			2013	2012
	Research	Education	Subtotal	and general	Fundraising	Subtotal	Total	Total_
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	\$ 1,837,148	\$ 252,113	\$ 2.089.261	\$ 115.497	\$ 141.549	\$ 257,046	\$ 2.346,307	\$ 1.016.015
Total Expenses, 2012	\$ 522.693	\$ 217.956	\$ 740.649	\$ 153.517	\$ 121.949	\$ 275,466		

See notes to financial statements.

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		(271,000)
Net cash provided by operating activities		223,516
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments		30,022
Purchase of investments		(28,887)
Net cash provided by investing activities		1,135
NET INCREASE IN CASH AND CASH EQUIVALENTS		224,651
CASH AND CASH EQUIVALENTS, January 1		802,226
CASH AND CASH EQUIVALENTS, December 31	<u>\$</u>	1,026,877

See notes to financial statements

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

	UNR	ESTRICTED	IANENTLY TRICTED	 				TEMPO RESTR					 ТОТА	<u>.LS</u>	
			soriasis Iowment	 oimmune/ soriasis		n cancer/ elanoma		Vitiligo		Other tesearch	E	ducation_	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	_\$	376,322	\$ 45,237	\$ 	\$	-	\$_	71.025	\$		\$		\$ 492.584	\$_	564.561

Note 1. <u>Significant Accounting Policies</u>

<u>Nature of Operations:</u> 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.

<u>Temporarily restricted net assets</u> - 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

\$ 71,025 \$ 71,025

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.

<u>Permanently restricted net assets</u> - 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. <u>Significant Accounting Policies - continued</u>

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 \$ 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.

<u>Income Taxes:</u> 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.

<u>Functional Expenses:</u> 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.

<u>Cash Equivalents:</u> 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.

<u>Estimates:</u> 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. <u>Significant Accounting Policies - continued</u>

<u>Concentration of Credit Risk</u> – 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. <u>Investments</u>

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

	Cost or Donated Value		Fair Value	Jnrealized ppreciation
Fixed Income Mutual Funds Equity and other	\$	30,782	\$ 32,390	\$ 1,608
mutual funds Total	\$	25,351 56,133	\$ 36,174 68,564	\$ 10,823 12,431

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>	Fair Value
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:

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. <u>Pledges Receivable</u>

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	75,000
Total	\$ 592,000

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:

<u>Year</u>	<u>Amount</u>
2014	\$ 824,000
2015	150,000
	\$ 974,000

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>
	\$ 225,000

Note 7. <u>Commitments</u>

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 Year	Amount			
2014	\$ 38,676			
2015	38,676			
2016	9,669			
Total	\$ 87,021			

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