

***THE SKIN CANCER FOUNDATION, INC.***

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2021 and 2020**

THE SKIN CANCER FOUNDATION, INC.

DECEMBER 31, 2021 and 2020

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1
Statements of Financial Position	4
Statements of Activities	6
Statements of Cash Flows	7
Statement of Functional Expenses	8
Notes To The Financial Statements	10

## INDEPENDENT AUDITORS' REPORT

To The Board of Directors of  
The Skin Cancer Foundation, Inc.  
New York, NY 10016

### **Opinion**

We have audited the accompanying financial statements of The Skin Cancer Foundation, Inc. (a nonprofit organization) which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Skin Cancer Foundation, Inc. as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Skin Cancer Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Skin Cancer Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Skin Cancer Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Skin Cancer Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## **Other Matters**

The summarized comparative information in the statement of functional expenses for the year ended December 31, 2020 was derived from the financial statements of The Skin Cancer Foundation, Inc. as of December 31, 2020 and 2019 and, in our report dated September 27, 2021, we expressed an unmodified opinion on those financial statements.

*Cooper Arias, LLP*

Mongaup Valley, New York  
June 7, 2022

THE SKIN CANCER FOUNDATION, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31,

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets:		
Cash	\$ 321,223	\$ 245,251
Investments (Note 3)	7,530,656	6,940,339
Contributions Receivable	497,229	568,069
Accounts Receivable	7,223	19,023
Prepaid Expenses	<u>101,212</u>	<u>64,959</u>
Total Current Assets	<u>8,457,543</u>	<u>7,837,641</u>
Fixed Assets:		
Leasehold Improvements	22,064	22,064
Machinery and Equipment	212,011	200,049
Furniture and Fixtures	95,686	95,686
Less: Accumulated Depreciation	<u>(261,376)</u>	<u>(239,253)</u>
Net Fixed Assets	<u>68,385</u>	<u>78,546</u>
TOTAL ASSETS	<u>\$ 8,525,928</u>	<u>\$ 7,916,187</u>

SEE ACCOMPANYING NOTES AND INDEPENDENT AUDITORS' REPORT

THE SKIN CANCER FOUNDATION, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31,

(Continued)

	<u>2021</u>	<u>2020</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 222,349	\$ 243,097
Accrued Liabilities	110,816	95,112
Deferred Revenues	<u>747,500</u>	<u>852,725</u>
Total Current Liabilities	<u>1,080,665</u>	<u>1,190,934</u>
Non-Current Liabilities:		
Accrued Rent Concessions	146,426	168,889
Compensated Absences	<u>57,396</u>	<u>39,178</u>
Total Non-Current Liabilities	<u>203,822</u>	<u>208,067</u>
TOTAL LIABILITIES	<u>1,284,487</u>	<u>1,399,001</u>
NET ASSETS		
Without Donor Restrictions	<u>7,241,441</u>	<u>6,517,186</u>
TOTAL NET ASSETS	<u>7,241,441</u>	<u>6,517,186</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,525,928</u>	<u>\$ 7,916,187</u>

SEE ACCOMPANYING NOTES AND INDEPENDENT AUDITORS' REPORT

THE SKIN CANCER FOUNDATION, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31,

	<u>2021</u>	<u>2020</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES:		
Contributions of Cash and Other Financial Assets:		
Foundation and Corporate Sponsorships	\$ 2,308,154	\$ 1,687,154
Public Contributions	186,120	181,471
Public Information and Medical Education	201,286	490,552
Fundraising Events	72,712	58,179
Special Events (Note 4)		
(Net of Direct Expenses of \$52,844 and \$11,782 respectively)	445,249	102,640
Grant Income	418,680	450,815
Miscellaneous Income	-	10,595
Contributions of Non-Financial Assets:		
In-Kind Contributions	7,427,919	12,912,251
Investment Income (Net)	199,024	149,652
Realized Gain/(Loss) on Investments	187,927	220,404
Unrealized Gain/(Loss) on Investments	<u>583,717</u>	<u>310,486</u>
TOTAL REVENUES WITHOUT DONOR RESTRICTIONS	<u>12,030,788</u>	<u>16,574,199</u>
EXPENSES:		
Program Services	10,315,763	15,714,778
Membership Development	42,504	1,098
Management And General	376,398	352,935
Fundraising	<u>571,868</u>	<u>649,457</u>
TOTAL EXPENSES	<u>11,306,533</u>	<u>16,718,268</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>724,255</u>	<u>(144,069)</u>
INCREASE (DECREASE) IN NET ASSETS	724,255	(144,069)
NET ASSETS – Beginning of Year	<u>6,517,186</u>	<u>6,661,255</u>
NET ASSETS – End of Year	<u>\$ 7,241,441</u>	<u>\$ 6,517,186</u>

SEE ACCOMPANYING NOTES AND INDEPENDENT AUDITORS' REPORT



THE SKIN CANCER FOUNDATION, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31,

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) In Net Assets	\$ 724,255	\$ (144,069)
Adjustments To Reconcile Change In Net Assets To Net Cash Used By Operating Activities:		
Depreciation	22,123	20,013
Investment Income (Net)	(199,024)	(149,652)
Realized (Gain)/Loss On Investments	(187,927)	(220,404)
Unrealized (Gain)/Loss On Investments	(583,717)	(310,486)
(Increase) Decrease In Operating Assets:		
Contributions Receivable	70,840	(371,235)
Accounts Receivable	11,800	(19,023)
Prepaid Expenses	(36,253)	(60,759)
Increase (Decrease) In Operating Liabilities:		
Accounts Payable	(20,748)	206,626
Accrued Liabilities	15,704	(105,631)
Deferred Revenues	(105,225)	380,225
Accrued Rent Concessions	(22,463)	18,492
Compensated Absences	<u>18,218</u>	<u>18,178</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(292,417)</u>	<u>(737,725)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(11,962)	(9,088)
Sale of Investments	<u>380,351</u>	<u>674,010</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>368,389</u>	<u>664,922</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	75,972	(72,803)
CASH AND CASH EQUIVALENTS – Beginning of Year	<u>245,251</u>	<u>318,054</u>
CASH AND CASH EQUIVALENTS – End of Year	<u>\$ 321,223</u>	<u>\$ 245,251</u>

SEE ACCOMPANYING NOTES AND INDEPENDENT AUDITORS' REPORT

THE SKIN CANCER FOUNDATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2021  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020)

	<u>Program Services</u>	<u>Membership Development</u>	<u>Management And General</u>	<u>Fundraising</u>	<u>Totals</u>	<u>2020 Totals</u>
Outsource Fees and Expenses	\$ 1,473,061	\$ 39,610	\$ 350,764	\$ 532,922	\$ 2,396,357	\$ 2,581,623
Research and Fellowship	139,345	-	-	-	139,345	144,962
Public and Medical Education	561,869	-	-	-	561,869	359,664
Seminars and Conferences	11,029	-	-	-	11,029	30,616
Professional Fees	58,127	240	2,121	3,222	63,710	20,504
Office Supplies	2,866	12	105	159	3,142	4,983
Postage and Shipping	1,339	6	49	74	1,468	1,789
Rent	457,199	1,884	16,682	25,345	501,110	486,328
Electricity	5,806	24	212	322	6,364	7,747
Dues and Subscriptions	1,869	8	68	104	2,049	4,317
Insurance	17,513	72	639	971	19,195	19,133
Miscellaneous	24,415	99	890	1,353	26,757	12,283
Administrative Expenses	14,444	60	527	801	15,832	26,145
Repairs and Maintenance	2,406	10	88	133	2,637	3,474
Computer Expense and Telephone	73,356	302	2,677	4,067	80,402	77,272
Interest and Bank Charges	598	2	22	33	655	434
Registration Fees	22,418	92	818	1,243	24,571	4,730
In-Kind Contributions	7,427,919	-	-	-	7,427,919	12,912,251
Depreciation	<u>20,184</u>	<u>83</u>	<u>736</u>	<u>1,119</u>	<u>22,122</u>	<u>20,013</u>
<b>TOTAL EXPENSES</b>	<b><u>\$ 10,315,763</u></b>	<b><u>\$ 42,504</u></b>	<b><u>\$ 376,398</u></b>	<b><u>\$ 571,868</u></b>	<b><u>\$ 11,306,533</u></b>	<b><u>\$ 16,718,268</u></b>

SEE ACCOMPANYING NOTES AND INDEPENDENT AUDITORS' REPORT

THE SKIN CANCER FOUNDATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2020  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019)

	<u>Program Services</u>	<u>Membership Development</u>	<u>Management And General</u>	<u>Fundraising</u>	<u>Totals</u>	<u>2019 Totals</u>
Outsource Fees and Expenses	\$ 1,620,598	\$ -	\$ 338,370	\$ 622,655	\$ 2,581,623	\$ 2,585,998
Research and Fellowship	144,355	607	-	-	144,962	177,566
Public and Medical Education	359,664	-	-	-	359,664	832,064
Seminars and Conferences	30,616	-	-	-	30,616	99,213
Professional Fees	19,266	-	436	802	20,504	65,317
Office Supplies	4,682	-	106	195	4,983	9,248
Postage and Shipping	1,221	491	27	50	1,789	3,767
Rent	457,176	-	10,264	18,888	486,328	468,843
Electricity	7,279	-	165	303	7,747	7,763
Dues and Subscriptions	4,056	-	92	169	4,317	5,200
Equipment Rental	-	-	-	-	-	13,723
Insurance	17,978	-	407	748	19,133	16,700
Miscellaneous	11,541	-	261	481	12,283	23,329
Board Expenses	-	-	-	-	-	213
Administrative Expenses	24,567	-	555	1,023	26,145	20,915
Repairs and Maintenance	3,264	-	74	136	3,474	7,093
Computer Expense and Telephone	72,607	-	1,643	3,022	77,272	71,078
Interest and Bank Charges	408	-	9	17	434	168
Registration Fees	4,444	-	101	185	4,730	6,927
In-Kind Contributions	12,912,251	-	-	-	12,912,251	7,768,782
Depreciation	<u>18,805</u>	<u>-</u>	<u>425</u>	<u>783</u>	<u>20,013</u>	<u>35,074</u>
<b>TOTAL EXPENSES</b>	<b><u>\$ 15,714,778</u></b>	<b><u>\$ 1,098</u></b>	<b><u>\$ 352,935</u></b>	<b><u>\$ 649,457</u></b>	<b><u>\$ 16,718,268</u></b>	<b><u>\$ 12,218,981</u></b>

SEE ACCOMPANYING NOTES AND INDEPENDENT AUDITORS' REPORT

THE SKIN CANCER FOUNDATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 and 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**A. Organization**

The Skin Cancer Foundation, Inc. (“Foundation”) was incorporated as a non-profit organization in New York State in 1977. The Foundation’s purpose is to conduct public and medical education programs regarding the incidence, morbidity and mortality of skin cancer. This is accomplished by the development and distribution of informational materials to the general public, the media and the medical professions. Additionally, the Foundation provides support for medical training and research to help reduce skin cancer.

**B. Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net assets and revenues, and gains and losses, are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. The Foundation’s board may designate assets without donor restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

**C. Cash And Cash Equivalents**

For purposes of the statements of cash flows, the Foundation considers all highly liquid, unrestricted cash held in the Foundation’s various bank accounts as cash equivalents. Money market accounts are reported as investments (Note 3).

**D. Contributions**

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are

THE SKIN CANCER FOUNDATION, INC.  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2021 and 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

designated for future periods or restricted by the donor for specific purposes are reported as donor restricted support. When a temporary restriction expires, net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**E. Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated partially between program services and supporting services include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Outsource Fees and Expenses	Actual Purpose
Professional Fees	Percentage based on direct expense allocations
Office Supplies	Percentage based on direct expense allocations
Postage and Shipping	Percentage based on direct expense allocations
Rent	Percentage based on direct expense allocations
Electricity	Percentage based on direct expense allocations
Dues and Subscriptions	Percentage based on direct expense allocations
Insurance	Percentage based on direct expense allocations
Miscellaneous	Percentage based on direct expense allocations
Administrative Expenses	Percentage based on direct expense allocations
Repairs and Maintenance	Percentage based on direct expense allocations
Computer and Telephone	Percentage based on direct expense allocations
Interest and Bank Charges	Percentage based on direct expense allocations
Registration Fees	Percentage based on direct expense allocations
Depreciation	Percentage based on direct expense allocations

**F. Estimates**

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

THE SKIN CANCER FOUNDATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 and 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**G. Revenues**

The Foundation generates its revenues from corporate and individual contributions and sponsorships. Additionally, the Foundation generates revenues from earnings on investments and special events held during the year.

In addition to the cash revenues, the Foundation receives in-kind contributions from various donors for materials used in conjunction with public service announcements and benefit events. For the years ended December 31, 2021 and 2020, the Foundation recognized \$7,427,919 and \$12,912,251, respectively, in in-kind revenues and a corresponding amount as program expenses.

In-kind contributions included in the statements of activities are comprised of the following:

	<u>2021</u>	<u>2020</u>
TV/Cable Advertisements	\$ 6,828,664	\$ 12,272,878
Magazine Advertisements	-	35,000
Google Adwords Advertisements	516,805	484,373
In-Kind Labor (Doctors) – Destination Healthy Skin Tour	10,950	-
CURE Strategic Alliance Partner Program – Collaborative Information (via media platforms)	<u>71,500</u>	<u>120,000</u>
Total In-kind Donations	<u>\$ 7,427,919</u>	<u>\$ 12,912,251</u>

**Revenue Recognition and Receivables:**

In accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 606, Revenue from Contracts with Customers (“ASC 606”), the Foundation recognizes revenue when control of the promised goods or services is transferred to the Foundation’s sponsors, customers or outside parties in an amount that reflects the consideration the Foundation expects to be entitled to in exchange for those goods or services. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied.

ASC 606 also requires new and expanded disclosures regarding revenue recognition to ensure an understanding as to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Foundation has identified program revenues as revenue categories subject to the principles of ASC 606. The Foundation recognizes contracts with customers, as goods or services are transferred or provided in accordance with ASC 606.

THE SKIN CANCER FOUNDATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 and 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Foundation has multiple revenue sources that are accounted for as exchange transactions, including special event ticket sales, sponsorships, advertisements, public information and medical education, seminars and conferences and other revenue.

**Special event ticket sales, advertisements, public information and medical education, seminars and conferences.**

The Foundation recognizes revenue from special event ticket sales, advertisements, public information and medical education, seminars and conferences upon date of sale or date of service as applicable

**Sponsorships**

The Foundation offers sponsorships of various categories that typically last for a term of one year. The Foundation divides fees from these sponsorships between contributions and exchange transactions and recognizes revenue for the contribution upon receipt and for the exchange portion of the transaction ratably over the term of the sponsorship.

**Auxiliary Activities**

Revenue from auxiliary activities includes sales and other revenue from brochures, posters, books of \$44,322 and \$24,480 at December 31, 2021 and 2020, respectively. The Foundation recognizes revenue from these sources upon sale.

**Miscellaneous Fees and Other Revenue**

Miscellaneous fees and other revenue include interest income and refunds for cancelled events. The Foundation recognizes revenue upon receipt.

**Contributions, Grants and Contracts**

The Foundation recognizes revenue from grants and contracts in accordance with ASU 2018-08, Not-For-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. In accordance with ASU 2018-08, the Foundation evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the Foundation applies guidance under ASC 606. If the transfer of assets is determined to be a contribution, the Foundation evaluates where the contribution

THE SKIN CANCER FOUNDATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 and 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the Foundation is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

Grants and contracts for research, education and other purposes have been deemed to be conditional contributions are included in contributions and grants without donor restrictions. Revenue from grants and contracts is recognized when earned, that is, generally as the related costs are incurred under the terms of the grant or contract agreements.

Contributions and grants, including donations of cash, property, in-kind contributions and unconditional promises to give (pledges), are reported in the period received at fair value.

**Disaggregation of Revenue**

The Foundation elects not to disclose the disaggregate revenue information required by ASC 606-10-50-5.

**H. Income Taxes**

The Skin Cancer Foundation, Inc. is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and, therefore, has made no provision for federal income taxes in the accompanying financial statements.

**I. Capital Assets**

Assets with a useful life of more than one year are capitalized and depreciated over their estimated useful life. Capital assets are carried at cost for purchases and at fair market value for contributions, less accumulated depreciation. For financial reporting purposes, the costs of capital assets are depreciated over their estimated useful lives, ranging from 5 to 7 years for equipment and 10 years for leasehold improvements, using the straight-line method.

**J. Receivables**

Receivables are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since management believes that such an allowance would be immaterial. All receivables are expected to be collected within the next year.



THE SKIN CANCER FOUNDATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 and 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**K. Fair Value Measurements**

Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs. Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

Level 2: Valuations based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from, or corroborated with, observable market data. Also included in Level 2 are investments measured using a net asset value (“NAV”) per share, or its equivalent, that may be redeemed at that NAV at the statement of financial position date or in the near term, which is generally considered to be 90 days.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

In determining fair value, the Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

**L. Deferred Revenues**

Deferred revenues represent sponsorships either pledged or paid prior to the end of the year that are attributable to the subsequent year. The Foundation reported deferred revenues of \$747,500 and \$852,725 for the years ended December 31, 2021 and 2020, respectively.

THE SKIN CANCER FOUNDATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 and 2020

**M. Compensated Absences**

Foundation employees are granted sick, vacation, personal and compensatory time in varying amounts throughout the year. Employees are permitted to carryover a maximum of 10 vacation days into the following year. Sick, personal and compensatory time cannot be carried over from year to year. The Foundation reported compensated absences of \$57,396 and \$39,178 as of December 31, 2021 and 2020, respectively.

**N. Comparative Data**

The financial statements include certain prior year comparative information. With respect to the statement of functional expenses, expenses for the year ended December 31, 2019 are presented in total rather than by functional category. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the years ended December 31, 2020 and 2019, from which the summarized information was derived.

**O. New Accounting Pronouncement**

The Financial Accounting Standards Board ("FASB") has issued Accounting Standards Update ("ASU") No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The purpose of this update is to improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for Not-for-Profits, including additional disclosure requirements for recognized contributed services. The Foundation has adopted Topic 958 for the year ended December 31, 2021.

The Financial Accounting Standards Board ("FASB") has issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The Foundation has adopted Topic 606 for the year ended December 31, 2020.

**P. Reclassifications**

Certain items at December 31, 2020 have been reclassified to conform to the presentation at December 31, 2021. The reclassifications have no effect on the change in net assets for the year ended December 31, 2020.

THE SKIN CANCER FOUNDATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 and 2020

NOTE 2- OPERATING LEASE

The Foundation entered into a lease agreement that covers the period from November 15, 2017 through June 15, 2028. The annual lease payments are \$472,133 for the initial year and are subject to 2.25% annual escalations and a \$20,528 one-time increase in year five of the lease. Additionally, the lease allows the Foundation six months of free rent during the term of the lease. The free rent applies to months 1 through 4 and months 25 and 26 of the lease term, for total rent concessions of \$239,647. The rent concessions are being amortized on a straight-line basis over the term of the lease. Rent expense for the years ended December 31, 2021 and 2020 were \$501,110 and \$486,328, respectively.

The new lease agreement includes an irrevocable standby letter of credit in the amount of \$102,296 as security on the lease.

The minimum required payments on the operating lease are as follows:

<u>Year Ended</u>	<u>Amount</u>
2022	\$ 538,077
2023	550,183
2024	562,562
2025	575,221
2026	588,163
2027-2028	<u>908,284</u>
Total	<u>\$ 3,722,490</u>

Due to hardships caused by the COVID-19 shutdowns (See Note 8), the Foundation fell behind several months on rent payments. As of December 31, 2020, accounts payable included \$165,958 for unpaid rent for the months of September through December 2020.

The Foundation entered into an agreement with the landlord on June 9, 2021 which requires additional payments of \$25,000 per month for the eleven month period from July 2021 through May 2022, and the remaining arrears to be paid in June 2022. These payments are to be made in addition to the regular monthly rent due for that period. As of December 31, 2021 accounts payable included \$151,340 in unpaid rent.

THE SKIN CANCER FOUNDATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 and 2020

NOTE 3 – INVESTMENTS

Investments as of December 31, 2021 and 2020 are all classified as Level 1 (See Note 1-K) and are valued as follows:

	2021 <u>Fair Market Value</u>	<u>Cost</u>	Cumulative <u>Unrealized Gains</u>
Money Market Accounts	\$ 163,380	\$ 163,380	\$ -
Common Stocks	265,325	177,482	87,843
Mutual Funds	<u>7,101,951</u>	<u>4,547,458</u>	<u>2,554,493</u>
Total Investments	<u>\$ 7,530,656</u>	<u>\$ 4,888,320</u>	<u>\$ 2,642,336</u>
	2020		Cumulative
	<u>Fair Market Value</u>	<u>Cost</u>	<u>Unrealized Gains</u>
Money Market Accounts	\$ 121,611	\$ 121,611	\$ -
Common Stocks	204,299	166,939	37,360
Mutual Funds	<u>6,614,429</u>	<u>4,593,170</u>	<u>2,021,259</u>
Total Investments	<u>\$ 6,940,339</u>	<u>\$ 4,881,720</u>	<u>\$ 2,058,619</u>

Net investment income for the years ended December 31, 2021 and 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Investment Income	\$ 243,065	\$ 187,866
Less: Investment Expenses	<u>(44,041)</u>	<u>(38,214)</u>
Net Investment Income	199,024	149,652
Realized Gains (Losses) on Investments	187,927	220,404
Unrealized Gains (Losses) on Investments	<u>583,717</u>	<u>310,486</u>
Total Net Investment Income	<u>\$ 970,668</u>	<u>\$ 680,542</u>

THE SKIN CANCER FOUNDATION, INC.  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2021 and 2020

NOTE 4 – SPECIAL EVENTS

The Foundation holds various special events throughout the course of the year. The events are a way to further the Foundation’s exempt purpose as well as raising money for future programs. The Foundation’s special events for the years ended December 31, 2021 and 2020 are as follows:

<u>2021 Events</u>	<u>Revenues</u>	<u>Direct Expenses</u>	<u>Net Income/(Loss)</u>
Skin Sense Award Gala	<u>\$ 498,093</u>	<u>\$ 52,844</u>	<u>\$ 445,249</u>

<u>2020 Events</u>	<u>Revenues</u>	<u>Direct Expenses</u>	<u>Net Income/(Loss)</u>
Skin Sense Award Gala	<u>\$ 114,422</u>	<u>\$ 11,782</u>	<u>\$ 102,640</u>

NOTE 5 – RETIREMENT PLAN

401 (k) PROFIT SHARING PLAN

The Skin Cancer Foundation, Inc. adopted The Skin Cancer Foundation 401 (k) Profit Sharing Plan (the “Plan”) effective January 1, 2019, which combines the Foundation’s previous retirement plans into one plan. The Plan offers employees the opportunity to defer a portion of their salary pre-tax (Salary Deferrals) or after tax (Roth Deferrals) up to certain statutory limits. All eligible employees of the Foundation are eligible to make deferrals into the Plan. Employees must be at least 21 years of age, complete one year of service with the Foundation and work at least 1000 hours during the Plan year in order to receive employer contributions. The Foundation made employer contributions of \$65,638 and \$53,171 to the Plan for the years ended December 31, 2021 and 2020, respectively.

NOTE 6 – LIQUIDITY

The Foundation’s financial assets available within one year of the balance sheet date for general expenditures are as follows:

	<u>2021</u>	<u>2020</u>
Cash	\$ 321,223	\$ 245,251
Investments	7,530,656	6,940,339
Contributions Receivable	497,229	568,069
Accounts Receivable	<u>7,223</u>	<u>19,023</u>
Total	<u>\$ 8,356,331</u>	<u>\$ 7,772,682</u>

THE SKIN CANCER FOUNDATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 and 2020

NOTE 6 – LIQUIDITY (Continued)

As part of the Foundation’s liquidity management, it structures its financial assets to be available as its general expenditures, liabilities and other obligations come due.

NOTE 7 – EVENTS OCCURRING AFTER REPORTING DATE

The Foundation has evaluated events and transactions that occurred between December 31, 2021 and June 7, 2022, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

NOTE 8 – COVID-19

During the 2020 fiscal year, the COVID – 19 pandemic spread quickly around the world, causing significant shutdowns of economic activity in 2020 and 2021. Since the Foundation’s operations are heavily dependent on contributions and sponsorships, a severe recession may affect the ability of businesses to support the Foundation at the same levels as before. The long term effects, if any, on future support is unknown.

In 2020, the Foundation received a Paycheck Protection Program Loan (PPP) for \$450,815 to cover payroll costs during the pandemic. Since the Foundation met the payroll requirements of the loan, the Small Business Administration (SBA) authorized its forgiveness. The loan was converted into a grant and reported as revenue in the 2020 year.

In 2021, the Foundation received a second PPP loan for \$418,680. This loan was also forgiven and converted into grant revenue in the 2021 year.

NOTE 9 – CONCENTRATIONS OF RISK

The Foundation had cash deposits in one banking institution that exceeded federally insured limits by \$60,168 as of December 31, 2021.