

Audited Financial Statements

Pediatric Dermatology Research Alliance Inc

December 31, 2022 and 2021



Pediatric Dermatology Research Alliance Inc

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Donovan CPAs

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Pediatric Dermatology Research Alliance Inc
Portland, Oregon

Opinion

We have audited the accompanying financial statements of Pediatric Dermatology Research Alliance Inc, (PeDRA), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, cash flows, and functional expenses 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 positions of PeDRA as of December 31, 2022 and 2021, and the statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 PeDRA 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 the 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 PeDRA'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, including omissions, 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.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 PeDRA'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 PeDRA'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.



Donovan CPAs
Indianapolis, Indiana

April 28, 2023

Pediatric Dermatology Research Alliance Inc

Statements of Financial Position December 31, 2022 and 2021

	2022	2021
ASSETS		
Current Assets		
Cash	\$ 658,210	\$ 496,380
Accounts receivable	47,371	230,516
Prepaid expenses	15,963	3,537
Total current assets	721,544	730,433
Long-term assets		
Investments	657,738	709,806
Total long-term assets	657,738	709,806
Total Assets	\$ 1,379,282	\$ 1,440,239
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 12,973	\$ 31,182
Accrued payroll	67,844	25,758
Accrued payroll-related expenses	5,234	11,687
Accrued grants payable	268,388	227,105
Deferred revenue	130,550	133,025
Total Liabilities	484,989	428,757
Net Assets		
Without donor restrictions	835,233	966,962
With donor restrictions	59,060	44,520
Total Net Assets	894,293	1,011,482
Total Liabilities and Net Assets	\$ 1,379,282	\$ 1,440,239

Pediatric Dermatology Research Alliance Inc

Statement of Activities and Changes in Net Assets For the Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Total</u>
Operating Revenue			
Member dues	\$ 30,925	\$ -	\$ 30,925
Grants and awards	461,415	25,000	486,415
Sponsorships	807,735	-	807,735
Event registrations	29,030	-	29,030
Contributions	2,936	34,060	36,996
Interest and dividends	10,983	-	10,983
Other income	239	-	239
Net assets released from restrictions	44,520	(44,520)	-
Total operating revenue	<u>1,387,783</u>	<u>14,540</u>	<u>1,402,323</u>
Operating Expenses			
Program services			
Conference	357,909	-	357,909
Outreach and education	260,518	-	260,518
Research	536,524	-	536,524
Total research programs	<u>1,154,951</u>	<u>-</u>	<u>1,154,951</u>
Management and general	301,509	-	301,509
Fundraising	-	-	-
Total operating expenses	<u>1,456,460</u>	<u>-</u>	<u>1,456,460</u>
Non-Operating Revenue (Expenses)			
Gains (losses) on investments	(63,052)	-	(63,052)
Total non-operating revenue (expenses)	<u>(63,052)</u>	<u>-</u>	<u>(63,052)</u>
Net Increase (Decrease) In Net Assets	(131,729)	14,540	(117,189)
Net Assets, Beginning of Year	<u>966,962</u>	<u>44,520</u>	<u>1,011,482</u>
Net Assets, End of Year	<u>\$ 835,233</u>	<u>\$ 59,060</u>	<u>\$ 894,293</u>

Pediatric Dermatology Research Alliance Inc

Statement of Activities and Changes in Net Assets For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	2021 Total
Operating Revenue			
Member dues	\$ 31,755	\$ -	\$ 31,755
Grants and awards	645,371	-	645,371
Sponsorships	581,782	-	581,782
Event registrations	19,075	-	19,075
Contributions	32,186	44,520	76,706
Interest and dividends	5,122	-	5,122
Other income	10,245	-	10,245
Net assets released from restrictions	-	-	-
Total operating revenue	1,325,536	44,520	1,370,056
Operating Expenses			
Program services			
Conference	116,302	-	116,302
Outreach and education	156,792	-	156,792
Research	623,594	-	623,594
Total research programs	896,688	-	896,688
Management and general	306,226	-	306,226
Membership Development	-	-	-
Total operating expenses	1,202,914	-	1,202,914
Non-Operating Revenue (Expenses)			
Gains (losses) on investments	37,808	-	37,808
Total non-operating revenue (expenses)	37,808	-	37,808
Net Increase In Net Assets	160,430	44,520	204,950
Net Assets, Beginning of Year	806,532	-	806,532
Net Assets, End of Year	\$ 966,962	\$ 44,520	\$ 1,011,482

Pediatric Dermatology Research Alliance Inc

Statements of Cash Flows For the Years Ended December 31, 2022 and 2021

	2022	2021
Reconciliation of Changes in Net Assets to Net Cash Provided By Operating Activities		
Change in net assets	\$ (117,189)	\$ 204,950
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided By Operating Activities		
(Gains) loss on investments	63,052	(37,808)
Decrease (increase) in accounts receivable	183,145	18,664
Decrease (increase) in prepaid expenses	(12,426)	(3,537)
Increase (decrease) in accounts payable	(18,209)	1,998
Increase (decrease) in accrued payroll	42,086	7,421
Increase (decrease) in accrued payroll taxes	(6,453)	4,755
Increase (decrease) in accrued grants	41,283	20,395
Increase (decrease) in deferred revenue	(2,475)	(155,250)
Net Cash Provided By Operating Activities	172,814	61,588
Cash Flow From Investing Activities		
Purchases of investments	(10,984)	(200,122)
Net Cash Used In Investing Activities	(10,984)	(200,122)
Net Increase (Decrease) in Cash	161,830	(138,534)
Cash, Beginning of Year	496,380	634,914
Cash, End of Year	\$ 658,210	\$ 496,380

Pediatric Dermatology Research Alliance Inc

Statements of Functional Expenses For the Years Ended December 31, 2022 and 2021

	Conference	Outreach and Education	Research	Total Research Program	Management and General	2022 Totals
Expenses						
Salary and wages	\$ 63,861	\$ 140,840	\$ 92,422	\$ 297,123	\$ 178,894	\$ 476,017
Payroll taxes	5,437	11,986	7,938	25,361	15,467	40,828
Employee benefits	3,764	9,420	6,231	19,415	11,047	30,462
Retirement	2,359	5,710	3,890	11,959	6,976	18,935
Professional fees						
Legal	-	-	-	-	2,780	2,780
Accounting	-	-	-	-	31,936	31,936
Honorarium and stipend	19,125	16,125	625	35,875	6,125	42,000
Advertising	8,715	11,997	875	21,587	6,280	27,867
Office	11,381	7,890	7,613	26,884	20,431	47,315
Informational technology	56,763	2,874	5,683	65,320	7,896	73,216
Meetings and travel	124,997	7,775	6,666	139,438	8,360	147,798
Conference and meetings	31,902	934	-	32,836	1,886	34,722
Insurance	944	1,217	-	2,161	3,431	5,592
Direct research support	28,661	43,750	404,581	476,992	-	476,992
Total expenses	\$ 357,909	\$ 260,518	\$ 536,524	\$ 1,154,951	\$ 301,509	\$ 1,456,460

	Conference	Outreach and Education	Research	Total Research Program	Management and General	2021 Totals
Expenses						
Salary and wages	\$ 37,510	\$ 79,427	\$ 80,079	\$ 197,016	\$ 163,354	\$ 360,370
Payroll taxes	3,846	8,144	8,211	20,201	16,750	36,951
Employee benefits	4,942	10,465	10,550	25,957	21,522	47,479
Professional fees						
Legal	-	-	-	-	3,116	3,116
Accounting	-	-	-	-	14,023	14,023
Honorarium and stipend	11,000	40,100	-	51,100	20,000	71,100
Advertising	3,050	5,906	-	8,956	5,751	14,707
Office	469	-	-	469	26,059	26,528
Informational technology	15,359	-	-	15,359	23,916	39,275
Meetings and travel	926	7,500	-	8,426	8,000	16,426
Conference and meetings	39,200	5,250	-	44,450	-	44,450
Insurance	-	-	-	-	3,735	3,735
Direct research support	-	-	524,754	524,754	-	524,754
Total expenses	\$ 116,302	\$ 156,792	\$ 623,594	\$ 896,688	\$ 306,226	\$ 1,202,914

Pediatric Dermatology Research Alliance Inc

Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

Note 1 – Nature of Activities

Background

Pediatric Dermatology Research Alliance Inc (PeDRA) is an Indiana non-profit organization with its primary place of business in Portland, Oregon founded in June 2019. PeDRA is a collaborative direct research network, providing a platform from which pediatric dermatologists organize studies and collaborate, while also supporting individuals embarking on early-stage direct research that may or may not benefit from collaboration in future. Pooling resources and linking investigators together multiplies the power of each individual clinician scientist many-fold.

Mission Statement

PeDRA's mission statement is to create, inspire, and sustain direct research to prevent, treat, and cure childhood skin disease.

Vision

Changing lives and healing children with skin disease through collaboration and discovery.

Programs:

PeDRA's major programs are:

- Annual Conference - PeDRA's annual conference welcomes dedicated scientists, partners from industry and government, patients, and advocates to learn, share, and advance direct research that improves the lives of children and families facing the burden of pediatric skin diseases.
- Outreach and Education - PeDRA provides direct research-related education and outreach to those who treat childhood skin disease, patients, parents, and scientists.
- Direct Research - PeDRA is dedicated to accelerating the pace of direct research and equipping health care providers with treatment options that improve patients' lives on a meaningful timeline. PeDRA provides resources to researchers interested in improving the lives of children with skin disease and also provides funding in support of studies, investigators, and important initiatives.

Note 2 – Significant Accounting Policies

Accounting Method

PeDRA's financial statements are prepared on the accrual basis of accounting.

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, and other changes during the reporting period. Actual results could differ from those estimates.

Subsequent Events

PeDRA evaluated subsequent events through April 28, 2023, which is the date the financial statements were available to be issued. This evaluation determined that there are no subsequent events that necessitated further disclosure in and/or adjustments to the accompanying financial statements.

Pediatric Dermatology Research Alliance Inc

Note 2 – Significant Accounting Policies (continued)

Cash

For the purpose of the statements of cash flows, PeDRA considers all highly liquid instruments with a maturity of three months or less to be considered cash and cash equivalents. The carrying amount of cash approximates fair value due to the type of investments and the maturity dates. There are no cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount PeDRA's management expects to collect from outstanding balances. Management provides for probable uncollectable amounts through a provision for bad debt expense and an adjustment to the valuation allowance based on its assessment of the current status of individual student accounts, historical trends, and other pertinent information. At December 31, 2022 and 2021, allowance for bad debt is \$0 and \$0, respectively. For the years ended December 31, 2022 and 2021, bad debt expense is \$0 and \$0, respectively.

Accrued Grants Payable

PeDRA's accrued grants payable are awards that have been approved and not paid at December 31, 2022.

Deferred Revenue

PeDRA's deferred revenue is revenue received for a particular purpose before those services are performed. When associated expenses are incurred, the deferred revenue is released into revenue. Should PeDRA not fulfill the stipulations, the entire amount would be due back. Deferred revenue consists of the following at December 31, 2022:

	<u>2022</u>	<u>2021</u>
Dues	\$ 10,550	\$ 15,525
Sponsorships	<u>120,000</u>	<u>117,500</u>
	<u>\$ 130,550</u>	<u>\$ 133,025</u>

Net Assets

The financial statements are prepared in accordance with Financial Statements of Not-for-Profit Organizations. This requires, among other things, that the financial statements report the changes in and total of each of the net asset classes, based upon donor restrictions, as applicable. Net assets are classified as either without or with donor restrictions. The following class of net assets and a brief description is as follows:

Net Assets Without Donor Restrictions – These amounts are not subject to usage restrictions based on donor-imposed requirements and include general assets and liabilities of PeDRA. These amounts also include previously restricted assets where restrictions are met or expire. The net assets without donor restrictions may be used freely at the direction of management to support PeDRA's purpose and operations.

Net Assets With Donor Restrictions – These amounts are subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by management's actions. Certain assets may be restricted in perpetuity. When a restriction expires, the amount is reclassified to without donor restrictions and reported in the statement of activities as net assets released from restrictions. At December 31, 2022 PeDRA has net assets with donor restrictions amounting to \$59,060 consisting of \$28,345 donor restriction, \$1,396 for fellowship, \$4,319 for research and \$25,000 for annual support. At December 31, 2021, PeDRA has net assets with donor restrictions amounting to \$44,520 consisting of \$19,520 for a 2022 direct research fellowship and \$25,000 for annual support which was released from restrictions during the year ended December 31, 2022.

Pediatric Dermatology Research Alliance Inc

Note 2 – Significant Accounting Policies (continued)

Member Dues

Membership dues are recognized as revenue on a straight-line amortized basis over the applicable membership period. The membership year coincides with PeDRA's year end. Amounts received prior to year end are reported as deferred revenue in the statements of financial position.

Grants and Awards

Grants and Awards are conditioned upon certain performance requirements and incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when PeDRA has incurred expenditures in compliance with specific grant or award provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statements of financial position.

Event Registrations

Event registration fees are recognized as revenue when the event occurs. Amounts received prior to events are reported as deferred revenue in the statements of financial position.

Contributions

Contributions received are recorded as with or without donor restrictions depending on the existence and/or nature of the donor restrictions. Contributions are recorded when the unconditional promise to give is made. PeDRA reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets.

Expense Allocation

The costs of providing various programs and other activities are summarized on a functional basis in the statement of activities and changes in net assets and statement of functional expenses. Accordingly, certain costs are allocated among the programs and supporting services that benefit.

Advertising Expense

PeDRA expenses advertising costs as they incur. Advertising expense for the years ended December 31, 2022 and 2021 is \$27,867 and \$14,023, respectively.

Income Taxes

PeDRA is exempt from federal and state income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes is made in the financial statements. PeDRA is classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Generally accepted accounting principles in the United States require PeDRA to examine its tax positions for uncertain positions. PeDRA is not aware of any tax positions that are more likely than not to change in the next 12 months, or that would not sustain an examination by applicable taxing authorities.

PeDRA's policy is to recognize penalties and interest as incurred in its statement of activities as a component of operating expenses, and total \$0 for the years ended December 31, 2022 and 2021. PeDRA's federal and state income tax returns are subject to examination by the applicable tax authorities, generally for three years after the later of the original or extended due date.

Pediatric Dermatology Research Alliance Inc

Note 3 – Investments and Fair Value

PeDRA adopted the provisions of Fair Value Measurements (Fair Value) for measurement of investments that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair Value is defined as the price that would be received to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. Interest earned is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Purchases and sales of investments are recorded on the trade date. Gains and losses on the sales of investments are determined using the specific-identification method. Realized and unrealized gains and losses on investments are included in the statement of activities.

Fair Value establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that PeDRA has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

PeDRA does not have any level 2 or 3 investments for the year ended December 31, 2022. A summary of the methods and significant assumptions used to estimate the fair values of financial instruments is as follows:

- Short-term financial instruments – The fair value of short-term financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities, approximates their carrying value due to the short-term nature of these instruments. PeDRA's investments primarily consist of money market funds, stocks, and mutual funds. The investments are carried at fair value on quoted prices in active markets (all Level 1 measurements) and traded in active exchange markets, such as the New York Stock Exchange.

PeDRA's investments consist of the following as of December 31st:

	<u>2022</u>		
	Costs or Donated Value	Market Value	Unrealized Gain (loss)
Money Market Funds	\$ 410,905	\$ 410,905	\$ 0
Stocks	<u>234,625</u>	<u>246,833</u>	<u>12,208</u>
	<u>\$ 645,530</u>	<u>\$ 657,738</u>	<u>\$ 12,208</u>
	<u>2021</u>		
	Costs or Donated Value	Market Value	Unrealized Gain (loss)
Money Market Funds	\$ 404,624	\$ 404,624	\$ 0
Stocks	<u>230,880</u>	<u>305,182</u>	<u>74,302</u>
	<u>\$ 635,504</u>	<u>\$ 709,806</u>	<u>\$ 74,302</u>

Pediatric Dermatology Research Alliance Inc

Note 3 – Investments and Fair Value (continued)

Included in gains (losses) on investments on the statements of activities and changes net assets are the following gains and losses for the year ended December 31st:

	2022	2021
Unrealized Gains (Loss)	(\$63,052)	\$ 37,808
Realized Gains (Loss)	<u>0</u>	<u>0</u>
	<u>(\$63,052)</u>	<u>\$ 37,808</u>

Note 4 – Liquidity Management

PeDRA's liquidity management consists of the following quantitative and qualitative measurements:

Quantitative Measurement - PeDRA's resources available for general use within one year at December 31, 2022 and 2021 are:

	2022	2021
Financial assets	\$ 1,379,282	\$ 1,440,239
Not available within one year (prepaid expenses)	(15,963)	(3,537)
Total financial assets at year end	1,363,319	1,436,702
Less current obligations	(484,989)	(428,757)
Less restricted net assets	(59,060)	(44,520)
Financial assets available for general use within one	<u>\$ 819,270</u>	<u>\$ 963,425</u>

Qualitative Measurement - PeDRA receives a significant amount of its support through grants. Because these grants require resources to be used in a particular manner or in a future period, PeDRA must maintain sufficient resources to meet those responsibilities. Thus, financial assets may not be available for general expenditure within one year. In the course of business, management structures PeDRA's financial assets to be available as its general expenditures, liabilities, and other obligations come due, and endeavors to maintain cash balances equal to approximately six months of operating expenses. Should PeDRA have operating shortfalls, investments are available.

Note 5 – Retirement Plan

PeDRA established a 401(k) plan. Full-time employees become eligible for enrollment in the plan on the first day of the calendar month following the completion of 12 months of continuous employment. Other terms of the plan are contained in the plan documents. PeDRA matches the employee's contribution up to the first 3%, then matches 50% to the employee's additional 2% contribution per paycheck. There are no vesting requirements for the plan and normal IRA withdrawal rules apply. For the years ended December 31, 2022 and 2021, PeDRA's 401(k) matching contribution expense is \$18,936 and \$10,573, respectively.

Note 6 – Concentration In Credit Risk

PeDRA maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for those accounts that earn interest and unlimited coverage on those accounts that are non-interest bearing. The total uninsured balances in these accounts as of December 31, 2022 and 2021 are \$403,960 and \$246,817, respectively.

Pediatric Dermatology Research Alliance Inc

Schedule of Lead Auditor For the Years Ended December 31, 2022 and 2021

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