American Academy of Dermatology, Inc. and American Academy of Dermatology Association, Inc.

Combined Financial Report
with Additional Information
December 31, 2025

American Academy of Dermatology, Inc. and American Academy of Dermatology Association, Inc.

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Independent Auditor's Report

To the Board of Directors
American Academy of Dermatology, Inc. and
American Academy of Dermatology Association, Inc.

Opinion

We have audited the combined financial statements of American Academy of Dermatology, Inc. and American Academy of Dermatology Association, Inc. (the "Academy"), which comprise the combined statement of financial position as of December 31, 2025 and 2024 and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of the Academy as of December 31, 2025 and 2024 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Combined Financial Statements* section of our report. We are required to be independent of the Academy and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audits of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined 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 audits conducted in accordance with GAAS 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 combined financial statements.

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To the Board of Directors
American Academy of Dermatology, Inc. and
American Academy of Dermatology Association, Inc.

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the combined 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 combined financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Academy'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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Plante & Moran, PLLC

May 28, 2026

American Academy of Dermatology, Inc. and American Academy of Dermatology Association, Inc.

Combined Statement of Financial Position

December 31, 2025 and 2024

	2025	2024
Assets		
Cash	$ 6,048,303	$ 6,052,136
Investments (Note 3)	84,799,307	76,217,580
Receivables - Net of allowances:		
Trade receivables (Note 5)	3,506,624	4,215,235
Pledges receivable (Note 6)	1,667,447	4,569,729
Inventory - Net	197,765	158,913
Prepaid expenses and other assets	4,614,771	4,472,722
Right-of-use operating lease assets	8,205,241	9,437,069
Property and equipment - Net (Note 7)	7,137,524	6,106,823
Total assets	**$ 116,176,982**	**$ 111,230,207**
Liabilities and Net Assets		
Liabilities		
Accounts payable and other	$ 1,476,167	$ 1,367,374
Accrued retirement costs	1,446,404	1,453,210
Accrued salaries	1,738,204	1,645,465
Accrued vacation leave	1,040,931	945,417
Deferred revenue - Annual national meeting	14,370,646	13,654,253
Deferred revenue - Subscriptions and other	6,832,244	4,985,059
Deferred revenue - Membership dues	10,412,015	10,058,875
Lease liabilities - Operating (Note 14)	11,800,117	13,102,212
Loan commitment (Note 8)	1,227,273	1,636,364
Total liabilities	50,344,001	48,848,229
Net Assets (Note 9)		
Without donor restrictions	53,490,583	49,515,420
With donor restrictions	12,342,398	12,866,558
Total net assets	65,832,981	62,381,978
Total liabilities and net assets	**$ 116,176,982**	**$ 111,230,207**

See notes to combined financial statements.

American Academy of Dermatology, Inc. and American Academy of Dermatology Association, Inc.

Combined Statement of Activities and Changes in Net Assets

Years Ended December 31, 2025 and 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Membership dues	$ 13,360,877	$ -	$ 13,360,877	$ 12,882,914	$ -	$ 12,882,914
Meetings	31,674,508	-	31,674,508	28,251,411	-	28,251,411
JAAD and other royalties	10,147,836	-	10,147,836	10,218,753	-	10,218,753
Educational product sales	2,225,411	-	2,225,411	2,399,759	-	2,399,759
Other	273,850	-	273,850	547,826	-	547,826
Grants and contributions	661,381	10,063,815	10,725,196	1,276,490	10,941,997	12,218,487
Contributed nonfinancial assets	187,519	-	187,519	227,801	-	227,801
Investment income - Net	7,387,905	597,146	7,985,051	4,666,254	314,210	4,980,464
Net assets released from restrictions	11,185,121	(11,185,121)	-	11,952,291	(11,952,291)	-
Total revenue, gains, and other support	77,104,408	(524,160)	76,580,248	72,423,499	(696,084)	71,727,415
Expenses						
Program services:						
Educational	24,617,539	-	24,617,539	23,927,930	-	23,927,930
Communications	6,207,209	-	6,207,209	5,926,549	-	5,926,549
Advocacy & policy, science & quality, and practice management	15,054,057	-	15,054,057	14,487,908	-	14,487,908
Strategy analytics & alliances	2,873,802	-	2,873,802	2,692,224	-	2,692,224
Total program services	48,752,607	-	48,752,607	47,034,611	-	47,034,611
Member services and administration	21,013,407	-	21,013,407	19,677,675	-	19,677,675
Fundraising	3,363,231	-	3,363,231	2,665,534	-	2,665,534
Total expenses	73,129,245	-	73,129,245	69,377,820	-	69,377,820
Increase (Decrease) in Net Assets	3,975,163	(524,160)	3,451,003	3,045,679	(696,084)	2,349,595
Net Assets - Beginning of year	49,515,420	12,866,558	62,381,978	46,469,741	13,562,642	60,032,383
Net Assets - End of year	**$ 53,490,583**	**$ 12,342,398**	**$ 65,832,981**	**$ 49,515,420**	**$ 12,866,558**	**$ 62,381,978**

See notes to combined financial statements.

American Academy of Dermatology, Inc. and American Academy of Dermatology Association, Inc.

Combined Statement of Functional Expenses

Year Ended December 31, 2025

	Program Services					Support Services			
	Educational	Communications	Advocacy & Policy, Science & Quality, and Practice Management	Strategy Analytics & Alliances	Total	Member Services and Administration	Member Services	Fundraising	Total
Grants and other assistance	$ 259,595	$ -	$ 175,700	$ 199,700	$ 634,995	$ -	$ 954,750	$ 1,454	$ 1,591,199
Salaries and wages	8,756,773	3,255,240	5,835,660	1,301,483	19,149,156	7,922,719	1,872,065	669,190	29,613,130
Employee benefits	2,450,114	902,596	1,540,987	346,009	5,239,706	1,948,103	580,948	190,438	7,959,195
Professional services	1,396,269	709,733	1,144,460	106,313	3,356,775	266,777	643,446	457,950	4,724,948
Legal fees	1,282	-	28,869	-	30,151	530,170	-	-	560,321
Accounting fees	-	-	-	-	-	142,687	-	-	142,687
Advertising and promotion	-	-	-	-	-	1,205,710	-	-	1,205,710
Office expenses	711,150	438,206	68,875	34,075	1,252,306	411,633	89,109	131,813	1,884,861
Information technology	857,357	293,695	3,807,853	93,982	5,052,887	646,428	328,631	79,603	6,107,549
Occupancy	253,298	90,142	158,649	28,845	530,934	200,186	57,691	24,338	813,149
Travel	914,767	86,778	616,167	250,512	1,868,224	386,041	109,597	160,893	2,524,755
Conferences, conventions, and meetings	7,399,884	82,326	752,409	369,249	8,603,868	446,999	250,452	1,542,803	10,844,122
Interest	14,731	5,242	9,226	1,678	30,877	22,234	3,355	1,415	57,881
Insurance	352,478	-	8,375	-	360,853	282,827	-	12,583	656,263
Training and development	85,457	17,106	224,385	13,287	340,235	96,215	534,413	3,497	974,360
Depreciation and amortization	461,201	164,127	288,863	52,521	966,712	361,079	105,041	44,314	1,477,146
Bad debt expense	-	-	-	-	-	743	-	-	743
UBIT expense	8,000	-	-	-	8,000	-	29,313	-	37,313
Other	22,908	2,980	113,673	25,256	164,817	74,147	1,712	-	240,676
Cost of goods sold	225,379	-	-	-	225,379	-	-	-	225,379
Lease expense	446,896	159,038	279,906	50,892	936,732	349,883	101,784	42,940	1,431,339
Lease amortization expense	-	-	-	-	-	56,519	-	-	56,519
Total functional expenses	**$ 24,617,539**	**$ 6,207,209**	**$ 15,054,057**	**$ 2,873,802**	**$ 48,752,607**	**$ 15,351,100**	**$ 5,662,307**	**$ 3,363,231**	**$ 73,129,245**

See notes to combined financial statements.

American Academy of Dermatology, Inc. and American Academy of Dermatology Association, Inc.

Combined Statement of Functional Expenses

Year Ended December 31, 2024

	Program Services					Support Services			
	Educational	Communications	Advocacy & Policy, Science & Quality, and Practice Management	Strategy Analytics & Alliances	Total	Member Services and Administration	Member Services	Fundraising	Total
Grants and other assistance	$ 212,594	$ -	$ 83,141	$ 196,500	$ 492,235	$ -	$ 789,000	$ 90,371	$ 1,371,606
Salaries and wages	8,259,709	2,988,730	5,641,226	1,238,793	18,128,458	7,357,446	1,621,781	478,689	27,586,374
Employee benefits	2,288,140	814,872	1,464,755	318,381	4,886,148	1,845,171	483,520	126,797	7,341,636
Professional services	1,459,865	889,320	2,494,014	66,445	4,909,644	302,444	785,076	352,324	6,349,488
Legal fees	1,975	-	53,811	-	55,786	340,302	-	-	396,088
Accounting fees	-	-	-	-	-	145,264	-	-	145,264
Advertising and promotion	-	-	-	-	-	1,243,508	-	-	1,243,508
Office expenses	843,829	426,561	68,197	31,617	1,370,204	316,687	72,488	81,181	1,840,560
Information technology	846,421	248,364	2,354,185	79,476	3,528,446	546,400	168,887	49,673	4,293,406
Occupancy	234,576	84,991	149,585	27,197	496,349	187,317	57,794	16,998	758,458
Travel	821,239	95,177	598,899	218,735	1,734,050	400,056	147,392	170,670	2,452,168
Conferences, conventions, and meetings	7,238,522	84,402	669,823	386,662	8,379,409	360,696	365,108	1,225,312	10,330,525
Interest	18,579	6,731	11,847	2,154	39,311	45,142	4,577	1,346	90,376
Insurance	381,063	-	3,580	-	384,643	268,283	-	17,356	670,282
Training and development	55,264	12,683	201,118	15,087	284,152	159,974	530,226	602	974,954
Depreciation and amortization	303,903	110,110	193,793	35,235	643,041	242,241	74,875	22,022	982,179
Bad debt expense	-	-	-	-	-	149,070	-	-	149,070
UBIT expense	244,260	-	-	-	244,260	-	79,529	-	323,789
Other	34,521	3,645	216,639	24,434	279,239	71,237	979	-	351,455
Cost of goods sold	239,212	-	-	-	239,212	-	-	-	239,212
Lease expense	444,258	160,963	283,295	51,508	940,024	354,119	109,455	32,193	1,435,791
Lease amortization expense	-	-	-	-	-	51,631	-	-	51,631
Total functional expenses	**$ 23,927,930**	**$ 5,926,549**	**$ 14,487,908**	**$ 2,692,224**	**$ 47,034,611**	**$ 14,386,988**	**$ 5,290,687**	**$ 2,665,534**	**$ 69,377,820**

See notes to combined financial statements.

American Academy of Dermatology, Inc. and American Academy of Dermatology Association, Inc.

Combined Statement of Cash Flows

Years Ended December 31, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities		
Increase in net assets	$ 3,451,003	$ 2,349,595
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation and amortization	1,477,146	982,179
Gain on disposal of property and equipment	(1,941)	(1,798)
Bad debt expense	743	149,070
Net realized and unrealized gain on investments	(5,405,069)	(2,487,015)
Amortization of operating right-of-use assets	1,231,828	1,043,241
Changes in operating assets and liabilities that provided (used) cash:		
Trade receivables	707,869	1,416,969
Inventories	(38,852)	45,690
Pledges receivable	2,902,282	(2,272,599)
Prepaid expenses and other assets	(142,049)	(1,005,978)
Accounts payable and other	116,109	(291,843)
Accrued liabilities	181,447	198,596
Deferred revenue	2,916,718	1,134,000
Operating lease liability	(1,302,095)	(1,292,924)
Net cash provided by (used in) operating activities	6,095,139	(32,817)
Cash Flows from Investing Activities		
Purchases of property and equipment	(2,513,223)	(2,945,516)
Proceeds from disposition of property and equipment	-	4,294
Purchases of investments	(29,509,417)	(35,286,423)
Proceeds from sales and maturities of investments	26,332,759	34,645,115
Net cash used in investing activities	(5,689,881)	(3,582,530)
Cash Flows Used in Financing Activities - Payments on loan commitments	(409,091)	(409,091)
Net Decrease in Cash	(3,833)	(4,024,438)
Cash - Beginning of year	6,052,136	10,076,574
Cash - End of year	**$ 6,048,303**	**$ 6,052,136**
Supplemental Cash Flow Information - Cash paid for interest	$ 48,099	$ 68,010

See notes to combined financial statements.

Note 1 - Nature of Business

The American Academy of Dermatology, Inc. (AAD) was incorporated in 1938 as a nonprofit corporation under the laws of the State of Minnesota to promote the highest possible standards of clinical practice, education, and research in dermatology.

The American Academy of Dermatology Association, Inc. (AADA) was incorporated in 2000 as a nonprofit corporation under the laws of the State of Minnesota to promote educational and professional association interests, including, but not limited to, the promotion of the field of dermatology. AADA is not a subsidiary of AAD; rather, it maintains accounts that are under common management. Interorganizational transactions have been eliminated for combined presentation purposes.

For combined financial statement purposes, the combined entity of AAD and AADA is collectively referred to as the "Academy."

Note 2 - Significant Accounting Policies

Basis of Presentation

The combined financial statements of the Academy have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the combined financial statements. Actual results could differ from those estimates.

Cash

Cash balances are maintained at a financial institution that at times may exceed federally insured limits. The Academy has not experienced any losses in such accounts.

Investments

Investments are recorded at fair value in the combined statement of financial position and are composed of money market funds, corporate stock, corporate bonds, international bonds, mutual funds, governmental and agency bonds, and mortgage- and asset-backed bonds. Gains and losses are reported as increases or decreases in net assets and are reflected as changes in net assets with donor restrictions and net assets without donor restrictions, as appropriate.

The Academy's marketable securities are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the value of marketable securities will occur in the near term and could materially affect the amounts reported in the combined financial statements.

Trade Receivables

The Academy’s trade accounts receivable balance consists of amounts due from its customers. Trade accounts receivable are stated at invoice amounts. An allowance for credit losses is established for amounts expected to be uncollectible over the contractual life of the receivables. The Academy collectively evaluates trade receivables to determine the allowance for credit losses based on historical experience with the payor, current economic conditions, and future economic indicators.

Note 2 - Significant Accounting Policies (Continued)

The Academy operates in the dermatological health care industry, and its accounts receivable are derived from organizations across a broad range of industries from large medical corporations to private practitioners. Based on the broad range of customers served, the risk characteristics are primarily assessed at the type of transaction level. For instance, assessment for credit loss is performed over exhibit, product, subscriptions, advertising, and royalty revenue based on the expected loss model disclosed below. Among those revenue streams, one overarching risk characteristic is not prevalent. The Academy calculates the allowance using an expected loss model that considers the Academy's actual historical loss rates adjusted for current economic conditions and reasonable and supportable forecasts. The Academy considers past historical collection trends, number of days past due when receivables are collected, and future micro- and macroeconomic considerations when making adjustments for reasonable and supportable forecasts. Uncollectible amounts are written off against the allowance for credit losses in the period they are determined to be uncollectible. Recoveries of amounts previously written off are recognized when received. The allowance for credit losses on accounts receivable balances was $128,029 and $125,050 at December 31, 2025 and 2024, respectively.

Pledges Receivable

Pledges receivable are composed primarily of corporate grants, which support academy activities. Contributions expected to be received over more than one year are recorded by the Academy as pledges receivable at fair value, as measured by the present value of future cash flows. The Academy has not recorded a provision for doubtful pledges since it is the opinion of management that those receivables are collectible in full.

Inventory

Inventory is valued at average cost. The inventory consists primarily of educational finished good items, such as pamphlets and practice management materials. Inventory is stated net of an allowance for obsolete inventory of $36,050 and $65,605 as of December 31, 2025 and 2024, respectively.

Prepaid Expenses and Other Assets

Prepaid expenses are recognized as assets when payment is made in advance of the service period and are recognized as an expense in future periods. Prepaid expenses and other assets consist primarily of prepaid insurance, prepaid technology expenses, and deposits and payments made in advance for the annual meeting that occurs subsequent to December 31, 2025 and 2024.

Property and Equipment

Property and equipment are recorded at cost. Assets are depreciated over their estimated useful lives using the straight-line method. Leasehold improvements are amortized over the shorter of their estimated useful lives or terms of the leases. Costs of maintenance and repairs are charged to expense when incurred.

Classification of Net Assets

Net assets of the Academy are classified as net assets with donor restrictions and net assets without donor restrictions depending on the presence and characteristics of donor-imposed restrictions limiting the Academy's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Net Assets without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Academy.

Note 2 - Significant Accounting Policies (Continued)

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 Academy or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Contributed Nonfinancial Assets

Certain contributed nonfinancial assets are recognized as revenue in the combined statement of activities and changes in net assets. The estimated fair value of contributed nonfinancial assets is described in Note 15.

Revenue Recognition

The Academy derives its revenue primarily from membership dues, meetings, *Journal of the American Academy of Dermatology* (JAAD) and other royalties, grants and contributions, and educational product sales. Meetings represent amounts earned for exhibit booth space sales and registration fees for admission and educational seminars. JAAD and other royalties represent amounts earned from the publisher for rights to reproduce, sell, and distribute publications and materials.

The following revenue streams are included in the revenue standard, *Revenue from Contracts with Customers (Topic 606)*:

- Membership dues
- Meetings - Exhibits and registration
- JAAD and other royalties
- Educational product sales

Performance Obligations

The following explains the performance obligations related to each revenue stream and how those are recognized:

Membership Dues

The Academy generates revenue from written agreements allowing members access to JAAD, dermatologic education, an advocate in the house of medicine, and resources to support their practice and career. The Academy satisfies its performance obligation over time, as services are rendered, because members typically obtain the benefits of such services as the services are performed. Membership dues are billed annually, and revenue is recognized over the term of the membership. As the Academy bills customers and collects cash prior to the satisfaction of the performance obligation, the Academy recognizes deferred revenue.

Meetings - Exhibits and Registration

The Academy generates revenue from written agreements providing a space for the exhibitor, primarily corporate entities, to display their product/service in the technical exhibits area of the annual and summer meetings. The Academy also generates revenue from registration for meetings, which allow members and individuals to attend various educational sessions, to attend the plenary sessions, and to visit the Exhibit Hall and provide multiple opportunities for networking. The Academy's obligation is to hold the event; therefore, the Academy recognizes exhibit and registration revenue at the time the events are held. Funds received ahead of the meeting are recorded as deferred revenue until the time of the meeting. In the event of cancellation, registrations will be refunded.

Note 2 - Significant Accounting Policies (Continued)

JAAD and Other Royalties

The Academy generates revenue by charging for access to its logo, membership lists (Affinity Programs), meeting content, and educational content for both members and the general public. The Academy also generates royalty revenue from its publication of JAAD. Revenue is recognized once its performance obligation is met and the items are sold by the partner entities.

Educational Product Sales

The Academy generates revenue from written or implied agreements for a specific exchange of products that are geared towards both medical professionals and the public. This revenue is recognized upon delivery of the products, and refunds are not provided.

In some situations, the Academy collects cash prior to the satisfaction of the performance obligation, which results in the Academy recognizing contract liabilities. Total contract liabilities were $31,614,905 and $28,698,187 as of December 31, 2025 and 2024, respectively. Total contract liabilities as of January 1, 2024 were $27,564,187.

Grant and contribution revenue is recognized at fair value when pledged. Conditional promises to give (those with a measurable performance or other barrier and a right of return) are not recognized until the conditions on which they depend have been met. Contributions and other assets, including unconditional promises to give in the future, are reported at fair value. As of December 31, 2025 and 2024, the Academy is eligible to receive and recognize approximately $1,606,503 and $1,680,000, respectively, of these conditional contributions upon the occurrence of meeting future barriers, including holding various meeting and events.

Total receivables related to exchange revenue were $3,506,624 and $4,215,235 as of December 31, 2025 and 2024, respectively. Total receivables related to exchange revenue were $5,781,274 as of January 1, 2024.

Functional Allocation of Expenses

The costs of providing the program and support services have been reported on a functional basis in the combined statement of activities and changes in net assets. Costs are charged to program services and support services on an actual basis when available. In addition, certain costs have been allocated among the program and support services functions based on various allocation methods and estimates. Allocations for depreciation, technology, and occupancy expenses are based on each function's personnel headcount as a percentage of the total personnel headcount. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Leases

The Academy has operating leases for office space and finance leases for office equipment. The Academy recognizes expense for operating and finance leases on a straight-line basis over the lease terms. Therefore, all payments are included in the calculation of the right-of-use asset and lease liability.

The Academy elected to use the risk-free rate as the discount rate for calculating the right-of-use asset and lease liability in place of the incremental borrowing rate for operating leases for office space.

The Academy has operating leases for copiers with a lease term of one year or less that the Academy elected to account for as short-term leases. As these leases are short-term leases, they are not included in the right-of-use asset and lease liability.

Note 2 - Significant Accounting Policies (Continued)

Income Taxes

AAD is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). AADA is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(6). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Academy and recognize a tax liability if the Academy has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service (IRS) or other applicable taxing authorities.

Use of Estimates

The preparation of combined financial statements in conformity with generally accepted accounting principles 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 combined financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The combined financial statements and related disclosures include evaluation of events up through and including May 28, 2026, which is the date the combined financial statements were available to be issued.

Note 3 - Investments

The cost and related fair values for investments are as follows:

	2025		2024	
	Cost	Fair Value	Cost	Fair Value
AAD:				
Without donor restrictions:				
Money market funds	$ 2,303,877	$ 2,303,877	$ 1,698,077	$ 1,698,077
Corporate stock	436,373	801,671	702,483	1,090,339
Corporate bonds	1,298,000	1,251,814	1,321,649	1,219,947
Mutual funds	54,685,703	61,438,551	47,983,844	52,969,059
Government and agency bonds	842,421	701,346	896,753	729,700
Mortgage- and asset-backed bonds	671,678	652,990	458,720	422,202
Total	60,238,052	67,150,249	53,061,526	58,129,324
With donor restrictions:				
Money market funds	(1,169,128)	(1,169,128)	(552,167)	(552,167)
Corporate bonds	28,597	25,854	43,840	39,032
Mutual funds	4,413,312	4,816,547	4,351,515	4,574,755
Government and agency bonds	73,673	73,346	51,865	50,612
Mortgage- and asset-backed bonds	9,375	9,029	13,658	13,271
Total	3,355,829	3,755,648	3,908,711	4,125,503
Total AAD	63,593,881	70,905,897	56,970,237	62,254,827
AADA - Without donor restrictions:				
Money market funds	203,221	203,221	323,255	323,255
Corporate stock	508,856	911,333	798,838	1,208,357
Corporate bonds	4,629,880	4,545,538	5,204,090	4,969,751
International bonds	-	-	200,120	197,891
Mutual funds	4,350,640	5,239,969	3,704,500	4,160,728
Government and agency bonds	1,757,789	1,638,470	2,282,997	2,081,384
Mortgage- and asset-backed bonds	1,388,830	1,354,879	1,098,960	1,021,387
Total - AADA	12,839,216	13,893,410	13,612,760	13,962,753
Total - Academy	$ 76,433,097	$ 84,799,307	$ 70,582,997	$ 76,217,580

Note 3 - Investments (Continued)

The components of investment income relating to investments and cash for the years ended December 31, 2025 and 2024 are as follows:

	2025	2024
AAD:		
Without donor restrictions:		
Interest and dividends	$ 2,164,614	$ 2,006,497
Net realized and unrealized gains	3,931,067	1,989,603
Investment expense	(195,373)	(199,087)
Total	5,900,308	3,797,013
With donor restrictions:		
Interest and dividends	167,134	158,831
Net realized and unrealized gains	452,270	177,139
Investment expense	(22,258)	(21,760)
Total	597,146	314,210
Total - AAD	6,497,454	4,111,223
AADA - Without donor restrictions:		
Interest and dividends	531,637	623,392
Net realized and unrealized gains	1,021,732	320,273
Investment expense	(65,091)	(74,424)
Total - AADA	1,488,278	869,241
Total - Academy	$ 7,985,732	$ 4,980,464

Note 4 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Academy has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset. The Academy currently does not utilize any Level 3 inputs.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Academy's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Note 4 - Fair Value Measurements (Continued)

The following tables present information about the Academy's assets measured at fair value on a recurring basis at December 31, 2025 and 2024 and the valuation techniques used by the Academy to determine those fair values:

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2025			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2025
AAD				
Assets - Investments:				
Fixed income - Mutual funds:				
Domestic	$ 44,384,143	$ -	$ -	$ 44,384,143
International	625,560	-	-	625,560
Equity - Mutual funds:				
Domestic	13,810,863	-	-	13,810,863
International	7,434,532	-	-	7,434,532
Corporate stock:				
Domestic	640,852	-	-	640,852
International	160,820	-	-	160,820
Corporate bonds	-	1,277,668	-	1,277,668
Government and agency bonds	-	774,692	-	774,692
Mortgage- and asset-backed bonds	-	662,020	-	662,020
Total AAD	67,056,770	2,714,380	-	69,771,150
AADA				
Assets - Investments:				
Fixed income - Mutual funds:				
Domestic	1,234,987	-	-	1,234,987
International	426,176	-	-	426,176
Equity - Mutual funds:				
Domestic	1,325,434	-	-	1,325,434
International	2,253,371	-	-	2,253,371
Corporate stock:				
Domestic	728,924	-	-	728,924
International	182,408	-	-	182,408
Corporate bonds	-	4,545,538	-	4,545,538
Government and agency bonds	-	1,638,470	-	1,638,470
Mortgage- and asset-backed bonds	-	1,354,879	-	1,354,879
Total AADA	6,151,300	7,538,887	-	13,690,187
Total assets	$ 73,208,070	$ 10,253,267	$ -	$ 83,461,337

Note 4 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2024			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2024
AAD				
Assets - Investments:				
Fixed income - Mutual funds:				
Domestic	$ 37,537,495	$ -	$ -	$ 37,537,495
International	752,774	-	-	752,774
Equity - Mutual funds:				
Domestic	13,650,327	-	-	13,650,327
International	6,693,557	-	-	6,693,557
Corporate bonds	-	1,258,979	-	1,258,979
Government and agency bonds	-	780,312	-	780,312
Mortgage- and asset-backed bonds	-	435,473	-	435,473
Total AAD	58,634,153	2,474,764	-	61,108,917
AADA				
Assets - Investments:				
Fixed income - Mutual funds:				
Domestic	861,045	-	-	861,045
International	467,943	-	-	467,943
Equity - Mutual funds:				
Domestic	2,010,897	-	-	2,010,897
International	2,029,201	-	-	2,029,201
Corporate bonds	-	4,969,751	-	4,969,751
International bond	-	197,891	-	197,891
Government and agency bonds	-	2,081,384	-	2,081,384
Mortgage- and asset-backed bonds	-	1,021,386	-	1,021,386
Total AADA	5,369,086	8,270,412	-	13,639,498
Total assets	$ 64,003,239	$ 10,745,176	$ -	$ 74,748,415

Not included in the above tables is $1,134,749 and $1,145,910 in money market accounts as of December 31, 2025 and 2024, respectively, for AAD and $203,221 and $323,255 in money market accounts as of December 31, 2025 and 2024, respectively, for AADA.

Level 1 Inputs

Fair values of fixed-income mutual funds and equity mutual funds were based on quoted market prices.

Level 2 Inputs

Estimated fair values of municipal bonds, corporate bonds, government and agency bonds, mortgage- and asset-backed bonds, and international bonds were based on similar investments that are traded on a secondary market.

Note 5 - Trade Receivables

The following is the detail of accounts receivable as of December 31:

	2025	2024
Trade accounts receivable	$ 3,634,653	$ 4,340,285
Less allowance for credit losses	128,029	125,050
Total accounts receivable	$ 3,506,624	$ 4,215,235

The activity in the allowance for credit losses, which is recorded as a reduction of accounts receivable, is as follows:

	2025	2024
Balance - Beginning of year	$ 125,050	$ 66,063
Additions charged to expense	2,979	58,987
Balance - End of year	$ 128,029	$ 125,050

Note 6 - Pledges Receivable

Pledges receivable are recorded at the present value of their estimated future cash flows. The Academy discounted contributions due in more than one year using rates between 1.019 and 4.28 percent for the years ended December 31, 2025 and 2024. Pledges receivable are expected to be collected as follows:

	2025	2024
Amounts due in:		
Less than one year	$ 1,284,777	$ 2,406,158
One to five years	409,687	2,202,907
Discount	(27,017)	(39,336)
Total	$ 1,667,447	$ 4,569,729

As of December 31, 2025, there were no individual donor contributions that represented a significant concentration of the outstanding pledges receivable balance. As of December 31, 2024, there was one individual donor contribution that represented approximately 59 percent of the outstanding pledges receivable balance. The Academy does not have concerns that amounts are not collectible in full.

Note 7 - Property and Equipment

Property and equipment are summarized as follows at December 31, 2025:

	AAD	AADA	Combined Total	Depreciable Life - Years
Leasehold improvements	$ 5,728,637	$ 1,175,389	$ 6,904,026	10
Computer equipment and software	6,066,609	322,056	6,388,665	3-8
Machinery and equipment	59,571	-	59,571	5-10
Furniture and fixtures	1,610,795	308,315	1,919,110	5-10
Total cost	13,465,612	1,805,760	15,271,372	
Less accumulated depreciation	6,991,877	1,141,971	8,133,848	
Net property and equipment	$ 6,473,735	$ 663,789	$ 7,137,524	

Note 7 - Property and Equipment (Continued)

Property and equipment are summarized as follows at December 31, 2024:

	AAD	AADA	Combined Total	Depreciable Life - Years
Leasehold improvements	$ 5,496,043	$ 1,175,390	$ 6,671,433	10
Computer equipment and software	5,960,500	297,653	6,258,153	3-8
Machinery and equipment	116,691	-	116,691	5-10
Furniture and equipment	1,684,242	308,315	1,992,557	5-10
Total cost	13,257,476	1,781,358	15,038,834	
Less accumulated depreciation	7,936,040	995,971	8,932,011	
Net property and equipment	$ 5,321,436	$ 785,387	$ 6,106,823	

Depreciation and amortization expense for 2025 and 2024 was $1,477,146 and $982,179, respectively.

Note 8 - Loan Commitment

Long-term debt at December 31, 2025 and 2024 is $1,227,273 and $1,636,364, respectively, and consists of a term loan with quarterly installments due of $102,273, including interest at 3.14 percent through December 31, 2028. The term note requires the Academy to comply with certain financial covenants. The note is collateralized by certain investments of the Academy.

At December 31, 2024, the Academy also had a $5,000,000 line of credit available. The line of credit bore interest at the Secured Overnight Financing Rate (SOFR) plus a margin of 1.15 percent. The line of credit expired on October 31, 2025. Effective November 3, 2025, the Academy renewed the line of credit, extending the expiration to October 31, 2026. The line of credit bears interest at the Secured Overnight Financing Rate plus a margin of 1.15 percent. There were no outstanding borrowings at December 31, 2025 or 2024.

The balance of the term loan matures as follows:

Years Ending	Amount
2026	$ 409,091
2027	409,091
2028	409,091
Total	$ 1,227,273

Interest expense for 2025 and 2024 was $47,180 and $66,225, respectively.

Note 9 - Net Assets

Net assets without donor restrictions consist of the following as of December 31, 2025 and 2024:

	2025			2024		
	AAD	AADA	Total	AAD	AADA	Total
General Operating Fund	$ 4,479,965	$ 107,479	$ 4,587,444	$ 2,966,066	$ 1,427,082	$ 4,393,148
Area of Greatest Need	1,420,829	-	1,420,829	1,134,820	-	1,134,820
Sulzberger Endowment Fund	495,921	-	495,921	463,299	-	463,299
Reserve Income Fund (includes PPE/Tech Fund)	5,510,653	8,996,361	14,507,014	6,568,530	8,096,461	14,664,991
Strategic Reserve Fund	6,656,151	-	6,656,151	5,289,547	-	5,289,547
Excellence in Dermatology Endowment Fund	17,757,095	-	17,757,095	15,552,854	-	15,552,854
Camp Discovery Endowment Fund	8,030,419	-	8,030,419	7,981,542	-	7,981,542
Disaster Fund	35,710	-	35,710	35,219	-	35,219
Total	$ 44,386,743	$ 9,103,840	$ 53,490,583	$ 39,991,877	$ 9,523,543	$ 49,515,420

Aside from the General Operating Fund, the above net assets are board-designated net assets, and the designations can be removed or changed at any time by the board.

Net assets with donor restrictions as of December 31, 2025 and 2024 are available for the following purposes:

	2025			2024		
	AAD	AADA	Total	AAD	AADA	Total
Subject to expenditures for a specified purpose:						
SKINnovations	$ 110,568	$ -	$ 110,568	$ 105,327	$ -	$ 105,327
Everett C. Fox Fund	762,800	-	762,800	776,802	-	776,802
Lila Gruber Endowment Fund - Unappropriated earnings	80,483	-	80,483	56,598	-	56,598
Awards for Young Investigators Endowment Fund - Unappropriated earnings	20,834	-	20,834	14,412	-	14,412
World Congress of Dermatology Endowment Fund - Unappropriated earnings	388,456	-	388,456	247,120	-	247,120
Awards for Young Investigators - MTR	1,000	-	1,000	1,000	-	1,000
Program for Innovative Continuing Medical Education in Dermatology Endowment Fund - Unappropriated earnings	657,135	-	657,135	589,686	-	589,686
Lebwohl Camp Scholarship Fund	518,897	-	518,897	474,831	-	474,831
Dialogues*	65,288	-	65,288	69,068	-	69,068
Annual meeting*	-	-	-	224,176	-	224,176
2024 AAD Clinical Community Sponsorship	-	-	-	150,000	-	150,000
Diversity Programs Pledge*	-	-	-	173,606	-	173,606
Access Community Outreach	4,550	-	4,550	57,989	-	57,989
Web support/AAD.org	91,675	-	91,675	116,257	-	116,257
Children's programs	62,512	-	62,512	52,462	-	52,462
Clarence Livingood Award	10,000	-	10,000	15,000	-	15,000
Future of the Specialty	38,366	-	38,366	7,100	-	7,100
Derm pamphlets*	312,500	-	312,500	298,750	-	298,750
Derm World	75,000	-	75,000	-	-	-
Diversity programs*	1,794,505	-	1,794,505	2,955,343	-	2,955,343
JAAD*	333,518	-	333,518	10,000	-	10,000

Note 9 - Net Assets (Continued)

	2025			2024		
	AAD	AADA	Total	AAD	AADA	Total
Care Program	$ 48,333	$ -	$ 48,333	$ 44,958	$ -	$ 44,958
Question of the Week	-	-	-	4,577	-	4,577
URIM Fellowship	100,000	-	100,000	100,000	-	100,000
QI Biologics*	933,740	-	933,740	286,832	-	286,832
Psoriasis Quality Project	-	-	-	68,656	-	68,656
Art of Skin	197,743	-	197,743	250,579	-	250,579
Art of Skin Pledge*	-	-	-	98,255	-	98,255
Video of the Month Sponsorship*	-	-	-	90,000	-	90,000
Scalp- and hair-related research/issues	489,625	-	489,625	494,164	-	494,164
HS Data Derm Educ Project*	2,146,351	-	2,146,351	2,446,516	-	2,446,516
Good Skin Program*	110,693	-	110,693	15,378	-	15,378
GSK Pledge*	-	-	-	57,865	-	57,865
AAD Learning Center Course - Skin Cancer Diagnosis	12,469	-	12,469	35,714	-	35,714
2024 Pledge for Hidradenitis Suppurativa (HS) Initiative	(5,548)	-	(5,548)	(5,548)	-	(5,548)
Human trafficking	-	-	-	10,000	-	10,000
Resident Access to Educ contributions*	13,678	-	13,678	23,238	-	23,238
Take a Hike*	152,500	-	152,500	50,000	-	50,000
Your Derm Knows: Public Education Content	210,000	-	210,000	-	-	-
URIM Leadership Development	119,497	-	119,497	-	-	-
Shade Structure contributions*	24,346	-	24,346	16,190	-	16,190
Shade Structure Adopt A Shade grants/contributions	16,762	-	16,762	16,765	-	16,765
Area of Greatest Need contributions*	-	-	-	23,776	-	23,776
Pathways Scholars Development Program	1,006	-	1,006	-	-	-
Image Collection	100,000	-	100,000	-	-	-
Total	9,999,282	-	9,999,282	10,523,442	-	10,523,442
To be held in perpetuity:						
World Congress of Dermatology Endowment Fund	1,300,000	-	1,300,000	1,300,000	-	1,300,000
Lila Gruber Endowment Fund	318,116	-	318,116	318,116	-	318,116
Awards for Young Investigators Endowment Fund	125,000	-	125,000	125,000	-	125,000
Program for Innovative Continuing Medical Education in Dermatology Endowment Fund	600,000	-	600,000	600,000	-	600,000
Total to be held in perpetuity	2,343,116	-	2,343,116	2,343,116	-	2,343,116
Total	$ 12,342,398	$ -	$ 12,342,398	$ 12,866,558	$ -	$ 12,866,558

*Amounts included in these restrictions are also included in the pledges receivable balance on the combined statement of financial position and, therefore, are restricted for time and purpose.

Note 10 - Employee Benefit Plans

Defined Contribution Plan

The Academy sponsors a defined contribution pension plan (401(a)) for all eligible employees. Employer contributions to the plan were $1,199,500 and $1,161,265 for the years ended December 31, 2025 and 2024, respectively.

Note 10 - Employee Benefit Plans (Continued)

The Academy also sponsors a deferred salary plan with employer matching contributions (403(b)) for all eligible employees. Employer matching contributions to the plan totaled $1,384,547 and $1,332,782 for the years ended December 31, 2025 and 2024, respectively.

Deferred Compensation Plans

The Academy has a 457(b) deferred compensation plan. According to the 457(b) plan, the participants are eligible to make salary reduction contributions. With respect to the 457(b) plan, the Academy recorded contributions of $11,500 and $11,000 for the years ended December 31, 2025 and 2024, respectively.

Effective January 1, 2017, the Academy adopted a 457(f) deferred compensation plan. The amount is maintained on the Academy's books in a designated account, will remain the sole property of the Academy, and is available to satisfy the claims of all general creditors of the Academy. The executive director shall have a fully vested, nonforfeitable interest in her deferred compensation if she (1) continues her employment with the Academy until December 31, 2028, (2) dies, (3) is involuntarily terminated due to disability, or (4) is terminated from employment for reasons other than cause. Pursuant to the original employment agreement dated January 1, 2020 and extended on January 1, 2026, the executive director will receive a lump-sum distribution from her 457(f) plan account in an amount equal to her accrued balance through December 31, 2028. With respect to the 457(f) plan, the Academy recorded contributions of $31,485 and $28,235 for the years ended December 31, 2025 and 2024, respectively, which are included in accrued retirement costs on the combined statement of financial position.

On an annual basis, the Academy will make a contribution equal to 5 percent of the executive director's annual base salary to her 457(b) and 457(f) plans. The contribution will first go to the 457(b) plan until the IRS maximum amount is reached, and the remaining balance will be contributed to the 457(f) plan.

Note 11 - Donor-restricted and Board-designated Endowments

The Academy's endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Academy is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of directors appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of directors of the Academy had interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Academy considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Academy has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Academy considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Academy and the donor-restricted endowment fund

Note 11 - Donor-restricted and Board-designated Endowments (Continued)

- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Academy
- The investment policies of the Academy

	Endowment Net Asset Composition by Type of Fund as of December 31, 2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 26,283,435	$ -	$ 26,283,435
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	2,343,116	2,343,116
Accumulated investment gains	-	1,146,906	1,146,906
Total	$ 26,283,435	$ 3,490,022	$ 29,773,457

	Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ 23,997,694	$ 3,245,932	$ 27,243,626
Investment return:			
Investment income - Net	760,497	113,345	873,842
Net appreciation (realized and unrealized)	2,585,640	297,565	2,883,205
Total investment return	3,346,137	410,910	3,757,047
Appropriation of endowment assets for expenditure	(1,061,896)	(166,820)	(1,228,716)
Transfers	1,500	-	1,500
Endowment net assets - End of year	$ 26,283,435	$ 3,490,022	$ 29,773,457

	Endowment Net Asset Composition by Type of Fund as of December 31, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 23,997,694	$ -	$ 23,997,694
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	2,343,116	2,343,116
Accumulated investment gains	-	902,816	902,816
Total	$ 23,997,694	$ 3,245,932	$ 27,243,626

Note 11 - Donor-restricted and Board-designated Endowments (Continued)

	Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ 25,025,472	$ 3,127,324	$ 28,152,796
Investment return:			
Investment income - Net	758,597	105,633	864,230
Net appreciation (realized and unrealized)	1,539,228	104,656	1,643,884
Total investment return	2,297,825	210,289	2,508,114
Appropriation of endowment assets for expenditure	(626,603)	(91,681)	(718,284)
Transfers	(2,699,000)	-	(2,699,000)
Endowment net assets - End of year	$ 23,997,694	$ 3,245,932	$ 27,243,626

Underwater Endowment Funds

As of December 31, 2025 and 2024, there were no funds with deficiencies.

Return Objectives and Risk Parameters

The Academy has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Academy must hold in perpetuity or for a donor-specified period, as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the respective benchmarks for the different asset classes provided for in the Academy's investment policy. The asset classes include cash, fixed income, equities, stocks, large-cap stocks and options, mid-cap stocks and options, small-cap stocks and options, and foreign stocks and options. The Academy expects its endowment funds, over time, to provide an average rate of return equal to or greater than benchmarks associated with each of its three investment policies. Actual returns in any given year may vary from this amount; the investment committee reviews actual returns versus benchmarks for all funds.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Academy relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Academy targets a diversified asset allocation that places a greater emphasis on prudent risk constraints, balancing equity-based investments with fixed-income investments to achieve its long-term return objectives.

Spending Policy and How the Investment Objectives Relate to Spending Policy

During the budgeting process, the Academy has a policy of reviewing each endowment fund's budgeted expenditures and compares these expenditures to the endowment fund's investment returns for the current year. In establishing this policy, the Academy considered the long-term expected rate of return on its endowment. Accordingly, over the long term, the Academy expects the current spending policy to be below the current market investment returns for its endowment. This is consistent with the Academy's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Note 12 - Journal of the American Academy of Dermatology

The Academy has a copyright license agreement with a publisher for reproduction, sale, and distribution of *Journal of the American Academy of Dermatology*. On December 20, 2016, the Academy entered into a new agreement that began on January 1, 2018 and expired on December 31, 2022. On January 1, 2023, the agreement was renewed under similar terms with an effective date of January 1, 2023 through December 31, 2029.

Note 13 - Liquidity and Availability of Resources

The following reflects the Academy's financial assets as of December 31, 2025 and 2024, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the combined statement of financial position date:

	2025	2024
Cash and investments	$ 90,847,610	$ 82,269,716
Accounts and pledges receivable	5,174,071	8,784,964
Financial assets - At year end	96,021,681	91,054,680
Less those unavailable for general expenditures within one year due to contractual or donor-imposed restrictions:		
Restricted by donor-imposed restrictions	9,999,282	10,523,442
Restricted in perpetuity	2,343,116	2,343,116
Board-designated endowment funds	26,283,435	23,997,694
Board-designated reserve funds	15,538,187	15,695,633
Financial assets available to meet cash needs for general expenditures within one year	$ 41,857,661	$ 38,494,795

In the event of an unanticipated liquidity need, the Academy can draw upon its line of credit, as described in Note 8. The Academy is partially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Academy must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Academy's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Academy invests cash in excess of daily requirements in short-term investments. It is the Academy's policy to have six months of operating expenses calculated using annual budget amounts exclusive of fund distributions and major expenses, plus the annual principal payment of the term loan of $409,091, available for current operations.

Note 14 - Leases

The Academy is obligated under operating leases primarily for real estate, expiring at various dates through 2034. The right-of-use asset and related lease liability have been calculated using discount rates ranging from 0.76 percent to 4.53 percent. The leases require the Academy to pay taxes, insurance, utilities, and maintenance costs.

During 2024, the Academy leased office equipment under a long-term lease arrangement that was classified as a finance lease. Under the terms of the lease agreement, payments of $6,630 were due monthly through January 2024. The right-of-use asset and related lease liability had been calculated using a discount rate of 1.09 percent. After January 2024, the lease expired, but payments continued on a month to month basis. As such, the lease is classified as short term and included in short-term lease costs through December 31, 2025.

Note 14 - Leases (Continued)

Expenses recognized under these leases for the years ended December 31 consist of the following:

	2025	2024
Lease cost:		
Finance lease cost:		
Amortization of right-of-use assets	$ -	$ 51,631
Interest on lease liabilities	-	6
Operating lease cost	1,431,337	1,435,791
Short-term lease cost	142,533	72,930
Total lease cost	$ 1,573,870	$ 1,560,358
Other information - Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	$ -	$ 6
Operating cash flows from operating leases	1,678,508	1,722,507
Financing cash flows from finance leases	-	6,629
Weighted-average remaining lease term - Operating leases (years)	6.95	7.76
Weighted-average discount rate - Operating leases	3.4 %	3.4 %

Future minimum rent on noncancelable leases as of December 31, 2025 for each of the next five years, and in the aggregate, is as follows:

Years Ending December 31	Operating Leases	Finance Leases	Total Payments
2026	$ 1,720,011	$ -	$ 1,720,011
2027	1,750,291	-	1,750,291
2028	1,797,409	-	1,797,409
2029	1,844,603	-	1,844,603
2030	1,896,488	-	1,896,488
Thereafter	4,440,394	-	4,440,394
Total	13,449,196	-	13,449,196
Less amount representing interest	1,649,079	-	1,649,079
Present value of net minimum lease payments	$ 11,800,117	$ -	$ 11,800,117

Note 15 - Contributed Nonfinancial Assets

In-kind donations recognized by the Academy for the years ended December 31, 2025 and 2024 are for medical supplies and equipment that were used at various events and not monetized. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. Contributed nonfinancial assets are valued and reported at their estimated fair value in the combined financial statements. Contributed medical supplies and equipment are valued based on market value for similar supplies or pieces of equipment.

Additional Information

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Independent Auditor's Report on Additional Information

To the Board of Directors
American Academy of Dermatology, Inc. and
American Academy of Dermatology Association, Inc.

We have audited the combined financial statements of American Academy of Dermatology, Inc. and American Academy of Dermatology Association, Inc. as of and for the years ended December 31, 2025 and 2024 and have issued our report thereon dated May 28, 2026, which contained an unmodified opinion on those combined financial statements. Our audits were performed for the purpose of forming an opinion on the combined financial statements as a whole. The combining information is presented for the purpose of additional analysis rather than to present the financial position, results of operations, and cash flows of the individual companies and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Plante & Moran, PLLC

May 28, 2026

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American Academy of Dermatology, Inc. and American Academy of Dermatology Association, Inc.

Combining Statement of Financial Position

December 31, 2025

	AAD	AADA	Eliminating Entries	Total
Assets				
Cash	$ 5,586,215	$ 462,088	$ -	$ 6,048,303
Investments	70,905,899	13,893,408	-	84,799,307
Receivables - Net of allowances:				
Trade receivables	3,208,163	298,461	-	3,506,624
Pledges receivable	1,667,447	-	-	1,667,447
Total receivables - Net of allowances	4,875,610	298,461	-	5,174,071
Due from related organizations	61,191,362	7,024,493	(68,215,855)	-
Inventory - Net	197,765	-	-	197,765
Prepaid expenses and other assets:				
Prepaid expenses	3,851,386	626,869	-	4,478,255
Accrued interest and dividend income	67,651	68,865	-	136,516
Total prepaid expenses and other assets	3,919,037	695,734	-	4,614,771
Right-of-use operating lease assets	4,628,638	3,576,603	-	8,205,241
Property and equipment - Net:				
Machinery and equipment	59,571	-	-	59,571
Furniture and fixtures	1,610,795	308,315	-	1,919,110
Computer equipment and software	6,066,609	322,056	-	6,388,665
Leasehold improvements	5,728,637	1,175,389	-	6,904,026
Total property and equipment - Cost	13,465,612	1,805,760	-	15,271,372
Accumulated depreciation	6,991,877	1,141,971	-	8,133,848
Total property and equipment - Net	6,473,735	663,789	-	7,137,524
Total assets	**$ 157,778,261**	**$ 26,614,576**	**$ (68,215,855)**	**$ 116,176,982**

American Academy of Dermatology, Inc. and American Academy of Dermatology Association, Inc.

Combining Statement of Financial Position (Continued)

December 31, 2025

	AAD	AADA	Eliminating Entries	Total
Liabilities and Net Assets				
Liabilities				
Accounts payable and other	$ 1,262,130	$ 214,037	$ -	$ 1,476,167
Due to related organizations	66,627,312	1,588,543	(68,215,855)	-
Accrued retirement costs	1,446,404	-	-	1,446,404
Accrued salaries	1,738,204	-	-	1,738,204
Accrued vacation leave	1,040,931	-	-	1,040,931
Deferred revenue - Annual national meeting	14,370,646	-	-	14,370,646
Deferred revenue - Subscriptions and other	6,817,716	14,528	-	6,832,244
Deferred revenue - Membership dues	-	10,412,015	-	10,412,015
Lease liabilities - Operating	6,518,504	5,281,613	-	11,800,117
Loan commitment	1,227,273	-	-	1,227,273
Total liabilities	101,049,120	17,510,736	(68,215,855)	50,344,001
Net Assets				
Without donor restrictions	44,386,743	9,103,840	-	53,490,583
With donor restrictions	12,342,398	-	-	12,342,398
Total net assets	56,729,141	9,103,840	-	65,832,981
Total liabilities and net assets	**$ 157,778,261**	**$ 26,614,576**	**$ (68,215,855)**	**$ 116,176,982**

American Academy of Dermatology, Inc. and American Academy of Dermatology Association, Inc.

Combining Statement of Financial Position

December 31, 2024

	AAD	AADA	Eliminating Entries	Total
Assets				
Cash	$ 5,873,786	$ 178,350	$ -	$ 6,052,136
Investments	62,254,827	13,962,753	-	76,217,580
Receivables - Net of allowances:				
Trade receivables	3,905,186	310,049	-	4,215,235
Pledges receivable	4,519,729	50,000	-	4,569,729
Total receivables - Net of allowances	8,424,915	360,049	-	8,784,964
Due from related organizations	37,223,889	7,692,029	(44,915,918)	-
Inventory - Net	158,913	-	-	158,913
Prepaid expenses and other assets:				
Prepaid expenses	3,822,303	502,179	-	4,324,482
Accrued interest and dividend income	66,024	82,216	-	148,240
Total prepaid expenses and other assets	3,888,327	584,395	-	4,472,722
Right-of-use operating lease assets	5,316,404	4,120,665	-	9,437,069
Property and equipment - Net:				
Machinery and equipment	116,691	-	-	116,691
Furniture and fixtures	1,684,242	308,315	-	1,992,557
Computer equipment and software	5,960,500	297,653	-	6,258,153
Leasehold improvements	5,496,043	1,175,390	-	6,671,433
Total property and equipment - Cost	13,257,476	1,781,358	-	15,038,834
Accumulated depreciation	7,936,040	995,971	-	8,932,011
Total property and equipment - Net	5,321,436	785,387	-	6,106,823
Total assets	**$ 128,462,497**	**$ 27,683,628**	**$ (44,915,918)**	**$ 111,230,207**

American Academy of Dermatology, Inc. and American Academy of Dermatology Association, Inc.

Combining Statement of Financial Position (Continued)

December 31, 2024

	AAD	AADA	Eliminating Entries	Total
Liabilities and Net Assets				
Liabilities				
Accounts payable and other	$ 1,323,984	$ 43,390	$ -	$ 1,367,374
Due to related organizations	42,904,992	2,010,926	(44,915,918)	-
Accrued retirement costs	1,453,210	-	-	1,453,210
Accrued salaries	1,645,465	-	-	1,645,465
Accrued vacation leave	945,417	-	-	945,417
Deferred revenue - Annual national meeting	13,654,253	-	-	13,654,253
Deferred revenue - Subscriptions and other	4,972,947	12,112	-	4,985,059
Deferred revenue - Membership dues	-	10,058,875	-	10,058,875
Lease liabilities - Operating	7,067,430	6,034,782	-	13,102,212
Loan commitment	1,636,364	-	-	1,636,364
Total liabilities	75,604,062	18,160,085	(44,915,918)	48,848,229
Net Assets				
Without donor restrictions	39,991,877	9,523,543	-	49,515,420
With donor restrictions	12,866,558	-	-	12,866,558
Total net assets	52,858,435	9,523,543	-	62,381,978
Total liabilities and net assets	**$ 128,462,497**	**$ 27,683,628**	**$ (44,915,918)**	**$ 111,230,207**

American Academy of Dermatology, Inc. and American Academy of Dermatology Association, Inc.

Combining Statement of Activities

Year Ended December 31, 2025

	AAD	AADA	Eliminating Entries	Total
Changes in Net Assets without Donor Restrictions				
Revenue, gains, and other support:				
Membership dues	$ -	$ 13,360,877	$ -	$ 13,360,877
Meetings	31,638,139	36,369	-	31,674,508
JAAD and other royalties	8,803,535	1,344,301	-	10,147,836
Educational product sales	1,904,833	320,578	-	2,225,411
Other	181,226	92,624	-	273,850
Grants and contributions	603,468	57,913	-	661,381
Contributed nonfinancial assets	187,519	-	-	187,519
Investment income - Net	5,899,872	1,488,033	-	7,387,905
Net assets released from restrictions	11,135,121	50,000	-	11,185,121
Total revenue, gains, and other support	60,353,713	16,750,695	-	77,104,408
Expenses:				
Program services:				
Educational	21,390,738	3,226,801	-	24,617,539
Communications	4,805,627	1,401,582	-	6,207,209
Advocacy & policy, science & quality, and practice management	9,104,911	5,949,146	-	15,054,057
Strategy analytics & alliances	2,228,999	644,803	-	2,873,802
Total program services	37,530,275	11,222,332	-	48,752,607
Member services and administration	15,624,093	5,389,314	-	21,013,407
Fundraising	3,194,249	168,982	-	3,363,231
Total expenses	56,348,617	16,780,628	-	73,129,245
Increase (Decrease) in Net Assets without Donor Restrictions	4,005,096	(29,933)	-	3,975,163
Changes in Net Assets with Donor Restrictions				
Grants and contributions	10,013,815	50,000	-	10,063,815
Investment income	597,146	-	-	597,146
Net assets released from restrictions	(11,135,121)	(50,000)	-	(11,185,121)
Decrease in Net Assets with Donor Restrictions	(524,160)	-	-	(524,160)
Increase (Decrease) in Net Assets	$ 3,480,936	$ (29,933)	$ -	$ 3,451,003

American Academy of Dermatology, Inc. and American Academy of Dermatology Association, Inc.

Combining Statement of Activities

Year Ended December 31, 2024

	AAD	AADA	Eliminating Entries	Total
Changes in Net Assets without Donor Restrictions				
Revenue, gains, and other support:				
Membership dues	$ -	$ 12,882,914	$ -	$ 12,882,914
Meetings	28,210,225	41,186	-	28,251,411
JAAD and other royalties	8,790,310	1,428,443	-	10,218,753
Educational product sales	2,037,818	361,941	-	2,399,759
Other	390,125	157,701	-	547,826
Grants and contributions	1,021,936	254,554	-	1,276,490
Contributed nonfinancial assets	227,801	-	-	227,801
Investment gain	3,797,013	869,241	-	4,666,254
Contributions from related entity	215,236	-	(215,236)	-
Net assets released from restrictions	11,702,291	250,000	-	11,952,291
Total revenue, gains, and other support	56,392,755	16,245,980	(215,236)	72,423,499
Expenses:				
Program services:				
Educational	20,875,384	3,052,546	-	23,927,930
Communications	4,718,944	1,207,605	-	5,926,549
Advocacy & policy, science & quality, and practice management	8,836,822	5,651,086	-	14,487,908
Strategy analytics & alliances	2,119,377	572,847	-	2,692,224
Contributions to related entity	-	215,236	(215,236)	-
Total program services	36,550,527	10,699,320	(215,236)	47,034,611
Member services and administration	14,801,900	4,875,775	-	19,677,675
Fundraising	2,536,550	128,984	-	2,665,534
Total expenses	53,888,977	15,704,079	(215,236)	69,377,820
Increase in Net Assets without Donor Restrictions	2,503,778	541,901	-	3,045,679
Changes in Net Assets with Donor Restrictions				
Grants and contributions	10,691,997	250,000	-	10,941,997
Investment gain	314,210	-	-	314,210
Net assets released from restrictions	(11,702,291)	(250,000)	-	(11,952,291)
Decrease in Net Assets with Donor Restrictions	(696,084)	-	-	(696,084)
Increase in Net Assets	$ 1,807,694	$ 541,901	$ -	$ 2,349,595