

**DELAWARE ACADEMY OF MEDICINE, INC.
AND SUPPORTING ORGANIZATIONS**

FINANCIAL STATEMENTS

DECEMBER 31, 2008

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Delaware Academy of Medicine, Inc.
Newark, Delaware

We have audited the accompanying statement of financial position of the Delaware Academy of Medicine, Inc. (a nonprofit organization), as of December 31, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Delaware Academy of Medicine, Inc. as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Sparano, Vincelette, Villano". The signature is written in dark ink and is positioned in the lower middle section of the page.

September 15, 2009
Wilmington, Delaware

DELAWARE ACADEMY OF MEDICINE, INC.
AND SUPPORTING ORGANIZATIONS
Statement of Financial Position
December 31, 2008

ASSETS

CURRENT ASSETS	
Cash and Cash Equivalents	\$ 5,859
Prepayments	169,029
Grants Receivable	83,384
Other Receivables	5,000
Investments at Fair Value	<u>959,708</u>
TOTAL CURRENT ASSETS	<u>1,222,980</u>
PROPERTY AND EQUIPMENT	
Furniture and Equipment	95,044
Leasehold Improvements	<u>380,194</u>
	475,238
Less: Accumulated Depreciation	<u>(37,658)</u>
NET PROPERTY AND EQUIPMENT	<u>437,580</u>
RESTRICTED ASSETS	
Investments, held in trust, at fair value	813,753
Charitable Trusts, at fair value	4,305,564
Miscellaneous Receivable	2,500
Student Loans Receivable, net of allowance of \$25,320	<u>481,112</u>
TOTAL RESTRICTED ASSETS	<u>5,602,929</u>
<u>TOTAL ASSETS</u>	<u>\$7,263,489</u>

LIABILITIES AND NET ASSETS

LIABILITIES	
Accounts Payable	\$ 9,422
Custodial Funds Payable	17,273
Deferred Revenue	<u>244,166</u>
TOTAL LIABILITIES	270,861
NET ASSETS	
Unrestricted	1,389,699
Temporarily Restricted	<u>5,602,929</u>
TOTAL NET ASSETS	<u>6,992,628</u>

TOTAL LIABILITIES AND NET ASSETS \$7,263,489

See accompanying independent auditors' report
and notes to financial statements.

DELAWARE ACADEMY OF MEDICINE, INC.
AND SUPPORTING ORGANIZATIONS
Statement of Activities
For the Year Ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT			
Annual Contributions	\$ 12,714	\$	\$ 12,714
Other Contributions	5,000	7,438	12,438
Membership Dues	37,686		37,686
Contract Services	97,556		97,556
Consumer Health			
Program Income	243,964		243,964
DelMIRA Subscriptions	41,463		41,463
DelMIRA Contract	388,926		388,926
Other Grants		16,450	16,450
Conference Income	21,051		21,051
Miscellaneous Income	6,947		6,947
Student Loan Bad			
Debt Recoveries		39,930	39,930
Student Loan Interest	17,353		17,353
Interest Income	145		145
Investment Income	18,388	84,909	103,297
Realized Gain (Loss)			
on Sale of Investments	(19,204)	(346,285)	(365,489)
Unrealized Gain (Loss)			
on Investments	(160,007)	(853,238)	(1,013,245)
Net Assets Released from			
Restrictions: Satisfaction			
of Program Restrictions	<u>406,726</u>	<u>(406,726)</u>	<u> </u>
TOTAL REVENUE, GAINS			
AND OTHER SUPPORT	<u>1,118,708</u>	<u>(1,457,522)</u>	<u>(338,814)</u>
EXPENSES			
Program	1,232,724		1,232,724
Management and General	273,588		273,588
Fundraising	36,753		36,753
TOTAL EXPENSES	<u>1,543,065</u>	<u>-0-</u>	<u>1,543,065</u>
CHANGES IN NET ASSETS	(424,357)	(1,457,522)	(1,881,879)
NET ASSETS			
BEGINNING OF YEAR	1,749,891	7,075,451	8,825,342
PRIOR PERIOD ADJUSTMENT	<u>64,165</u>	<u>(15,000)</u>	<u>49,165</u>
END OF YEAR	<u>\$ 1,389,699</u>	<u>\$ 5,602,929</u>	<u>\$ 6,992,628</u>

See accompanying independent auditors' report
and notes to financial statements.

DELAWARE ACADEMY OF MEDICINE, INC.
AND SUPPORTING ORGANIZATIONS
Statement of Cash Flows
For the Year Ended December 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES	
Decrease in Net Assets	\$(1,881,879)
Adjustments to Reconcile Change In Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	18,775
Unrealized Loss on Investments	1,013,245
(Increase) Decrease in:	
Accounts Receivable	45,923
Prepaid Expenses	(169,029)
Student Loans Receivable	(38,646)
Increase (Decrease) in:	
Accounts Payable	(50,007)
Deferred Revenue	202,520
Custodial Funds Payable	<u>892</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>__(858,206)__</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Property and Equipment	(8,213)
Transfers from Trust accounts	439,859
Realized Loss on Investments	<u>365,489</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>__797,135__</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>__-0-__</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(61,071)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	<u>66,930</u>
CASH AND CASH EQUIVALENTS END OF YEAR	\$ <u><u>5,859</u></u>

See accompanying independent auditors' report
and notes to financial statements.

DELAWARE ACADEMY OF MEDICINE, INC.
AND SUPPORTING ORGANIZATIONS
Notes to Financial Statements
For the Year Ended December 31, 2008

NOTE 1 THE ORGANIZATION

The mission of Delaware Academy of Medicine, Inc. is to enhance the well being of the community through education and the promotion of public health. The Academy participates in several projects providing health information services to medical professionals, students and the public across Delaware.

Programs include:

Consumer Services

Delaware Health Source - The mission of the Delaware Health Source is to partner with individuals and communities to promote a healthy Delaware. We provide unbiased, knowledgeable resources, outreach, and education so Delawareans can make informed health care decisions.

TELMED - an automated telephone-based health information system for patients and their families. The system contains recorded messages on hundreds of health topics, available in both English and Spanish. The service receives more than 100,000 calls per year.

Go Local - Free online database that lists hundreds of health services and health-related programs available in Delaware. Users will find health practitioners, support groups, hotlines, counseling programs, pre-natal care, Spanish-speaking health care providers, massage therapists, health screening programs, and a wealth of other services.

Professional Services

DelMIRA - The Delaware Medical Information Resource Alliance provides access to electronic databases, textbooks, and journals to most acute care hospitals in the state along with the Delaware Division of Public Health and the Delaware Division of Substance Abuse & Mental Health. DelMIRA is funded by a grant from the Delaware Division of Public Health.

Education - The Academy encourages scientific research, education and professional excellence. As a member benefit, membership includes access to extensive online medical resources. They also sponsor lectures and seminars on topics of interest to physicians, dentists, and allied health professionals.

DELAWARE ACADEMY OF MEDICINE, INC.
AND SUPPORTING ORGANIZATIONS
Notes to Financial Statements (Cont'd)
For the Year Ended December 31, 2008

NOTE 1 THE ORGANIZATION (Cont'd)

Student Financial Aid

The Academy supports medical and dental education with a Student Financial Aid Program for Delaware residents pursuing careers in a medical field.

History and Archives

Over 75 years ago, the Delaware Academy of Medicine began collecting materials to preserve the history of medicine, dentistry, nursing, and the health professions in Delaware. A history committee was later established to assist in identifying and collecting historical items. This collection has grown into the Delaware Academy of Medicine Archive of History of Medicine and Dentistry. The archive now holds books, pamphlets, journals, medical and dental instruments, furniture, photographs, records of Delaware medical societies, including the Academy itself, personal papers of and biographical information about members of the Delaware medical community, and paintings, sculptures, and other artwork.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Delaware Academy of Medicine, Inc. have been prepared on the accrual basis of accounting.

Basis of Presentation

In accordance with SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Cash and Equivalents

For purpose of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an original maturity of three months or less to be cash equivalents. Money market funds held by the trustee in trust accounts are not considered for the statement of cash flows.

DELAWARE ACADEMY OF MEDICINE, INC.
AND SUPPORTING ORGANIZATIONS
Notes to Financial Statements (Cont'd)
For the Year Ended December 31, 2008

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Receivables - Grants and Other

Anticipated bad debts are considered to be negligible by management and accordingly, no provision for bad debts has been included in the basic financial statements.

Promises to Give

Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Student Loans Receivable

Receivables for student loans made are recorded as loans are made and allowances are provided for amounts estimated to be uncollectible. Based on management estimates, five percent (5%) of the student loans receivable is estimated to be uncollectible.

Principles of Consolidation

The financial statements of Delaware Academy of Medicine, Inc. have been consolidated with its supporting organizations (see Note 5) and presented as Delaware Academy of Medicine, Inc. and Supporting Organizations. All material inter-company accounts and transactions are eliminated in consolidation.

Property and Equipment

Property and equipment are carried at cost and consist of land, building, furniture and equipment. Donated property and equipment are recorded at the approximate fair value at the date of donation. The Academy follows the practice of capitalizing all expenses for property and equipment in excess of \$1,000.

Depreciation is computed using primarily the straight-line method over the estimated useful lives of the property and equipment ranging from 5 to 40 years.

DELAWARE ACADEMY OF MEDICINE, INC.
AND SUPPORTING ORGANIZATIONS
Notes to Financial Statements (Cont'd)
For the Year Ended December 31, 2008

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investments

Investments are carried at fair market value in the financial statements.

Donated Assets

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

Donated Services

No amounts have been reflected in the financial statements for donated services. The Academy pays for most services requiring specific expertise. However, individuals volunteer their time and perform a variety of tasks that assist the Academy with specific assistance programs. No amounts have been reflected in the financial statements for these donated services since the volunteers' time does not meet the criteria for recognition under SFAS No. 116.

Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that are used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Academy reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Academy reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Collections

Collections, which were acquired through contributions since the organization's inception, are not recognized as assets on the statement of financial position. Contributed collection items are not reflected on the financial statements. Proceeds from sales or insurance recoveries are reflected as increases in the appropriate net asset classes.

DELAWARE ACADEMY OF MEDICINE, INC.
AND SUPPORTING ORGANIZATIONS
Notes to Financial Statements (Cont'd)
For the Year Ended December 31, 2008

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Income Tax Status

The Academy is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Academy's tax exempt purpose is subject to taxation as unrelated business income. In addition, the Academy qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

NOTE 3 LEASE ARRANGEMENTS AS LESSEE

The Academy entered into a lease for office space at Christiana Hospital on July 11, 2006 for an indefinite period. At December 31, 2008, minimum lease payments required under the operating leasing arrangement was a monthly payment of \$2,307.

NOTE 4 INVESTMENTS

At December 31, 2008, the Academy held investments in a managed account and was sole beneficiary to a grantor trust that was held and managed by the same trust company. The investments are presented in the financial statements at fair value, and consist of the following:

<u>Description</u>	<u>Cost</u>	<u>Fair Value</u>
Corporate Stock (Dupont)	\$ 13,655	\$ 38,343
Grantor Trust	143,358	141,770
Investment Account:		
Money Market Funds	215,600	215,600
Equities	739,301	669,016
Fixed Income	<u>762,014</u>	<u>708,732</u>
Total Investments	<u>\$1,873,928</u>	<u>\$1,773,461</u>

DELAWARE ACADEMY OF MEDICINE, INC.
AND SUPPORTING ORGANIZATIONS
Notes to Financial Statements (Cont'd)
For the Year Ended December 31, 2008

NOTE 4 INVESTMENTS (Cont'd)

Investments, Unrestricted	\$ 959,708
Investments, Restricted	<u>813,753</u>
 Total Investments	 <u>\$1,773,461</u>

This schedule summarizes investment return and its classification in the statement of activities for the year ended December 31, 2008:

Description	
Dividends and Interest on Investments	\$ 31,381
Realized Loss on Investments	(21,942)
Unrealized Loss on Investments	(295,910)
Less: Investment Management Fees	<u>(25,396)</u>
 Total Investment Return	 <u>\$ (311,867)</u>

The investments are managed by independent investments advisors in compliance with established board investment policies and restricted placed upon the trusts.

NOTE 5 SUPPORTING ORGANIZATIONS

The Academy is supported by the Carpenter Trust for the Delaware Academy of Medicine (Carpenter Trust) and the Preston Charitable Trust for the Delaware Academy of Medicine (Preston Trust). The trusts exist to support the operations of the Academy and both types have been determined to be Type I Supporting Organizations under IRC Section 509(a)(3).

The Trusts and the Academy are under common control. Combined financial statements of these organizations are presented in the Statements of Financial Position, Activities, Functional Expenses and Cash Flows. The components of net assets of the Academy and Supporting Organizations are described in Note 8.

DELAWARE ACADEMY OF MEDICINE, INC.
AND SUPPORTING ORGANIZATIONS
Notes to Financial Statements (Cont'd)
For the Year Ended December 31, 2008

NOTE 6 DEFERRED COMPENSATION PLAN

The Academy offers a defined contribution plan created in accordance with Internal Revenue Code Section 403(b). The plan permits employees to defer a portion of their salary until termination, retirement, death, or unforeseeable emergency. The Academy makes base contributions for employees who have attained the age of 21 and completed one year of service based upon seven percent of monthly compensation and a matching contribution of one hundred percent of the first three percent of employee contribution during the plan year. Total expenses charged to operations for the years ended December 31, 2008 were \$18,148.

The Academy also offers an employer sponsored non-qualified deferred compensation plan. The plan covers all full time employees who have attained the age of 21 and completed one year of service. Participation in the plan is optional.

NOTE 7 CONCENTRATION OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

At various times during the fiscal year, the Organization's money market funds held at a local brokerage company exceeded the Securities Investor Protection Corporation (SIPC) insurance. SIPC insures investment accounts in the event of a bank failure, not losses as a result of regular market fluctuations.

NOTE 8 TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2008, net assets are available for the following purpose:

Delaware Academy of Medicine, Inc.	
Provide Financial Assistance to	
Students in the Study of Medicine	\$ 359,175
Provide Operating Funds	
for the Lewis B. Flinn Library	132,468
Provide Capital Additions and Repairs	483,002
Other Purposes	<u>20,696</u>
	<u>995,341</u>
Carpenter Trust for the	
Delaware Academy of Medicine	301,198
Preston Charitable Trust for	
the Delaware Academy of Medicine	<u>4,306,390</u>
<u>Total Temporarily</u>	
<u>Restricted Net Assets</u>	<u>\$5,602,929</u>

DELAWARE ACADEMY OF MEDICINE, INC.
AND SUPPORTING ORGANIZATIONS
Notes to Financial Statements (Cont'd)
For the Year Ended December 31, 2008

NOTE 9 COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are outstanding various commitments and contingencies in addition to the normal purchases of goods and services. The Academy does not anticipate losses as a result of these commitments and contingencies.

NOTE 10 PRIOR PERIOD ADJUSTMENT

The Academy received donations of E I Dupont corporate stock from 1983 - 1985. The stock was held by the organization outside of the brokerage account which holds their other investments and it was not reported as an asset on previous financial statements. An adjustment of \$64,165 was made to the fund balance in order to record the fair market value of that stock at December 31, 2007.

Also, the Academy received a donation of \$15,000 which was to be used for computer equipment. The donation was recorded as a restricted assets, however when the money was spent, the funds were not released from restriction. Accordingly, an adjustment was made to the beginning temporarily restricted fund balance.

SUPPLEMENTARY INFORMATION

DELAWARE ACADEMY OF MEDICINE, INC.
AND SUPPORTING ORGANIZATIONS
Schedule of Functional Expenses
For the Year Ended December 31, 2008

	Consumer Health Program	Professional Information Services	Student Financial Aid	Total Program	Management & General	Fund- raising	Total
EXPENSES							
Salaries	\$ 348,274	\$ 126,887	\$ 8,498	\$ 483,659	\$ 103,333	\$ 14,507	\$ 601,499
Employee Benefits	33,158	19,145	1,525	53,828	13,840	2,603	70,271
Payroll Taxes	<u>25,793</u>	<u>9,397</u>	<u>629</u>	<u>35,819</u>	<u>7,653</u>	<u>1,073</u>	<u>44,545</u>
TOTAL SALARIES AND RELATED EXPENSES	407,225	155,429	10,652	573,306	124,826	18,183	716,315
Marketing & Outreach	17,196	26,910		44,106		814	44,920
Investment Advisor Fees					106,301		106,301
Archivist Expenses		27,467		27,467			27,467
Information Technology	25,143	46,708		71,851			71,851
Equipment Lease	2,537	5,411		7,948			7,948
Insurance		8,033		8,033	1,506	502	10,041
Journals	8,907			8,907			8,907
DelMIRA - Licenses		291,431		291,431			291,431
DelMIRA - Administration		12,352		12,352			12,352
Dues & Publications		777		777			777
Postage		4,505		4,505			4,505
Supplies	22,199			22,199			22,199
Bank and Credit Card Fees		2,198	1,200	3,398			3,398
TEL-MED Expenses		7,578		7,578			7,578
Travel	10,034	1,354		11,388			11,388
Miscellaneous		1,120		1,120			1,120
Printing & Copying		6,099		6,099			6,099
Professional Fees		17,814	1,526	19,340	25,026		44,366
Program Expenses	24,234	14,777		39,011			39,011
Office Supplies		3,844		3,844	4,349		8,193
Office Lease Expense		12,150		12,150	9,720	2,430	24,300
Conferences		34,816		34,816		14,359	49,175
Telephone		2,323		2,323	1,860	465	4,648
Depreciation		<u>18,775</u>		<u>18,775</u>			<u>18,775</u>
TOTAL EXPENSES	<u>\$ 517,475</u>	<u>\$ 701,871</u>	<u>\$ 13,378</u>	<u>\$ 1,232,724</u>	<u>\$ 273,588</u>	<u>\$ 36,753</u>	<u>\$ 1,543,065</u>

See accompanying independent auditors' report and notes to financial statements.