

**Delaware Academy of Medicine, Inc.
and Supporting Organizations**

Financial Statements

December 31, 2016 and 2015

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ALBERO, KUPFERMAN & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND PROFESSIONAL SERVICES

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Delaware Academy of Medicine, Inc. (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2016, the related statements of activities and of cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Delaware Academy of Medicine, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Delaware Academy of Medicine, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 16, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Handwritten signature in cursive script that reads "Alberto, Kuznetsov & Associates, LLC".

October 16, 2017
Wilmington, Delaware

Delaware Academy of Medicine, Inc. and Supporting Organizations

Statements of Financial Position

December 31, 2016 and 2015

Assets		2016	2015
		<u> </u>	<u> </u>
CURRENT ASSETS			
Cash and cash equivalents	\$	11,031	\$ 13,652
Accounts receivable		49,340	15,641
Prepaid expenses		2,800	-
Investments - unrestricted		477,793	620,236
Total current assets		<u>540,964</u>	<u>649,529</u>
 PROPERTY AND EQUIPMENT			
Net of accumulated depreciation		<u>285,288</u>	<u>303,776</u>
 OTHER ASSETS			
Student loan receivable - net of allowance for doubtful accounts		435,788	460,571
Charitable trusts - supporting organizations		4,812,361	4,569,596
Investments - temporarily restricted		1,254,806	1,207,444
Total other assets		<u>6,502,955</u>	<u>6,237,611</u>
 TOTAL ASSETS	\$	<u><u>7,329,207</u></u>	\$ <u><u>7,190,916</u></u>
 Liabilities and Net Assets			
 CURRENT LIABILITIES			
Accounts payable	\$	21,533	\$ 1,338
Total current liabilities		<u>21,533</u>	<u>1,338</u>
 NET ASSETS			
Unrestricted		750,588	842,818
Temporarily restricted		6,557,086	6,346,760
Total net assets		<u>7,307,674</u>	<u>7,189,578</u>
 TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>7,329,207</u></u>	\$ <u><u>7,190,916</u></u>

See accompanying notes to financial statements.

Delaware Academy of Medicine, Inc. and Supporting Organizations

Statements of Activities

For the Year Ended December 31, 2016 with Summarized Information for the Year Ended December 31, 2015

	2016		2015
	Unrestricted	Temporarily Restricted	Total
			Summarized Information
REVENUE AND OTHER SUPPORT			
Contributions	\$ 21,226	\$ -	\$ 21,226
Membership dues	2,599	-	2,599
Conference income	82,955	-	82,955
Contract library services	23,998	-	23,998
Grant income	39,278	100,000	139,278
Sublet income	8,399	-	8,399
Student loan interest	13,326	-	13,326
Bad debt recoveries	1,305	-	1,305
Investment income	6,888	102,470	109,358
Realized gain on sale of investments	89,205	13,788	102,993
Unrealized (loss) gain on investments	(7,624)	207,500	199,876
Net assets released from restrictions	213,432	(213,432)	-
Total revenue and other support	494,987	210,326	705,313
			201,321
EXPENSES			
Programs	502,109	-	502,109
Management and general	65,140	-	65,140
Fundraising	19,968	-	19,968
Total expenses	587,217	-	587,217
			596,371
CHANGE IN NET ASSETS	(92,230)	210,326	118,096
			(395,050)
NET ASSETS - BEGINNING OF YEAR	842,818	6,346,760	7,189,578
			7,584,632
NET ASSETS - END OF YEAR	750,588	6,557,086	7,307,674
			\$ 7,189,582

See accompanying notes to financial statements.

Delaware Academy of Medicine, Inc. and Supporting Organizations

Statements of Cash Flows

For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 118,098	\$ (395,054)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	18,488	19,535
Realized gain on investments	(102,993)	(228,433)
Unrealized (gain) loss on investments	(199,876)	317,672
Change in current assets and liabilities:		
(Increase) decrease in accounts receivable	(33,699)	29,725
Decrease in employee loan receivable	-	1,186
Increase in prepaid expenses	(2,802)	-
Decrease in student loans receivable	24,783	49,849
Increase (decrease) in accounts payable	20,195	(17,950)
Net cash used in operating activities	<u>(157,806)</u>	<u>(223,470)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net transfers to and from trust accounts	76,503	244,147
Purchase of investments	(434,580)	(4,924,930)
Proceeds from sale of investments	513,262	4,868,064
Net cash provided by investing activities	<u>155,185</u>	<u>187,281</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,621)	(36,189)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>13,652</u>	<u>49,841</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ <u>11,031</u>	\$ <u>13,652</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ <u>-</u>	\$ <u>-</u>
Cash paid during the year for taxes	\$ <u>-</u>	\$ <u>-</u>

See accompanying notes to financial statements.

Delaware Academy of Medicine, Inc. and Supporting Organizations

Notes to Financial Statements

Note A - Organization and Summary of Significant Accounting Policies

1. Purpose of the Organization

The mission of Delaware Academy of Medicine, Inc. ("the Academy") embraces a mission dedicated to enhancing the well-being of the community through education and the promotion of public health. The Academy serves as the trusted source of high quality medical information and education in the state. In November 2013, the Academy was granted affiliate status by the American Public Health Association, allowing the organization and its members to work more efficiently in the spheres of public health and engage with hospitals, health systems, and state agencies for education and programs.

The Academy's major programs include:

Community Education & Resources

Navigating the constantly changing health care landscape can be a challenge for patients. In this environment, offering credible, unbiased, and reliable medical education becomes paramount. The Academy offers *Mini-Medical School* programs, which are a free six-week lecture series offered for adults of all ages and high school students to learn about important trends in medicine and health. Faculty will provide in-depth lectures on important issues and advances in medicine and research. Participants can ask questions after each lecture. There are no tests or grades and no previous medical training is required. The Academy also organizes the Medical Lecture Series held at the Osher Academy of Life Long Learning, University of Delaware for spring and fall semester.

The Academy is also a partner with Christiana Care Health System for the Chronic Kidney Disease study; partner with the Delaware Stroke Initiative for their annual clinical stroke conference as well as consumer focused offerings; partner with the Delaware Division of Public Health for the Immunization Coalition of Delaware; and a partner with the Department of Health and Social Services for the DMOST (end of life education) program.

Professional Services

The Academy encourages scientific research, public health education and intervention, and professional excellence. As a member benefit, membership includes high-quality medical education programs which often offers the opportunity to earn the appropriate CME.

Delaware Academy of Medicine, Inc. and Supporting Organizations

Notes to Financial Statements

Note A - Organization and Summary of Significant Accounting Policies (Continued)

1. Purpose of the Organization (Continued)

Student Financial Aid

The Academy's Student Financial Aid program was established in 1961 to help promote the study of medicine and dentistry. Since that time, nearly 1200 students have received more than \$1.85 million in loans. These funds are made available through special endowments of the Academy, which have been designated for this specific purpose.

History and Archives

Since 1930, the Delaware Academy of Medicine began collecting materials to preserve the history of medicine, dentistry, nursing, and the health professions in Delaware. This collection has grown into the Delaware Academy of Medicine Archive of History of Medicine and Dentistry. The archive now holds books and 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 art works.

2. Basis of Accounting

The financial statements of the Academy are prepared on the accrual basis of accounting. In accordance with the accrual basis of accounting, revenue is recognized when earned and expenditures are recognized when incurred.

3. Financial Statement Presentation

The Academy has elected 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. Accordingly, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of restrictions placed on the donation by the donor.

4. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Academy 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 cash or cash equivalents for the statement of cash flows.

Delaware Academy of Medicine, Inc. and Supporting Organizations

Notes to Financial Statements

Note A - Organization and Summary of Significant Accounting Policies (Continued)

5. Receivables – Grants and Other

Grants receivable consists primarily of contracts and reimbursements. Due to the nature of the receivables, they are all considered to be collectible in one year, and therefore, no allowance for uncollectible accounts has been established.

6. Receivables – Student Loans

Receivables for student loans made are recorded as loans are issued 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.

7. 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.

8. Property and Equipment

Property and equipment with an estimated useful life in excess of one year are recorded at cost, if purchased, and at fair market value, if donated. The Academy follows the practice of capitalizing all expenses for property and equipment in excess of \$1,000. Maintenance, repairs and minor renewals are charged directly to expense as incurred. Additions and betterments to property and equipment are capitalized.

When assets are disposed of, the related cost and accumulated depreciation thereon are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Property and equipment is depreciated over its estimated useful life as follows:

Furniture	5 - 10 years
Equipment and improvements	5 - 10 years
Leasehold improvements	40 years

9. Donated Assets

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Delaware Academy of Medicine, Inc. and Supporting Organizations

Notes to Financial Statements

Note A - Organization and Summary of Significant Accounting Policies (Continued)

10. Donated Property and Equipment

Donations of property and equipment are recorded as revenue and capitalized 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 must be used to acquire property and equipment are reported as temporarily restricted revenue.

11. Donated Services

No amounts have been reflected in the financial statements for donated services. 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 the generally accepted accounting principles.

12. Fair Value Measurements

The generally accepted accounting principles followed by the Academy have clarified the definition of fair value, established a framework for measuring fair value on a recurring basis and expands the disclosure requirements for value measurements. The standard defines fair value and establishes a hierarchy for reporting the reliability of input measurements used to assess fair value for all assets and liabilities. The hierarchy consists of three broad levels:

- Level 1 Observable inputs such as quoted market prices in active markets for identical assets or liabilities.
- Level 2 Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3 Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions.

13. Collectibles

The Delaware Academy of Medicine Archive of History of Medicine and Dentistry Collections, which were acquired through contributions since the Academy'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

Note A - Organization and Summary of Significant Accounting Policies (Continued)

14. Contributions, Support and Revenue

The Academy chooses to report revenues and support as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. The Academy chooses to report restricted support as unrestricted if the time or purpose of the restrictions are met in the same reporting period.

15. Advertising Costs

Advertising costs are generally charged as expense to the appropriate program when incurred. Amounts incurred for program marketing for the years ended December 31, 2016 and 2015 were \$1,226 and \$1,279, respectively.

16. Income Tax Status

The Academy is a non-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and has been classified as an organization that is not a private foundation under Section 509(a)(2). It is primarily a publicly supported organization and contributions made to the Academy qualify as a charitable contribution deduction under Section 170(b)(1)(A). The Academy's income tax status is a privilege, which may be revoked by the IRS.

The Academy accounts for the effect of any uncertain tax positions based on a "more likely than not" threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. The Academy recognizes accrued interest and penalties associated with uncertain tax positions, if any, as a component of functional expenses. The Academy did not have any income tax uncertainties that were considered greater than remote.

17. Principles of Consolidation

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

Delaware Academy of Medicine, Inc. and Supporting Organizations

Notes to Financial Statements

Note A - Organization and Summary of Significant Accounting Policies (Continued)

18. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of public support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

19. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

20. Comparative Financial Statements

The financial statements include certain prior-year summarized comparative information, which has been reported in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted account principles. Accordingly, such information should be read in conjunction with the Academy's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

Note B - Property and Equipment

Property and equipment consisted of the following as of December 31,:

	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 103,215	\$ 103,215
Leasehold improvements	<u>380,193</u>	<u>380,193</u>
Total	<u>483,408</u>	<u>483,408</u>
Less: accumulated depreciation	<u>198,120</u>	<u>179,632</u>
Property and equipment - net	<u>\$ 285,288</u>	<u>\$ 303,776</u>

Depreciation expense for the years ended December 31, 2016 and 2015 is \$18,488 and \$19,535, respectively.

Delaware Academy of Medicine, Inc. and Supporting Organizations

Notes to Financial Statements

Note C - Investments

The Academy's investments consist of investments that are available for general operations and investments that are restricted in purpose by the donor. During the year ended December 31, 2016, the corporate stock which was previously held in a separate account was transferred into the diversified managed account. The investments are managed by independent investment advisors, Brown Advisory, in compliance with established board investment policies and restrictions placed upon the funds by donors.

The following investments are recognized and disclosed at their fair market value in the statement of financial position and determined to be *Level 1* investments, such as their value is based on quoted market prices for identical investments in an active market.

Level 1 Description	2016		2015	
	Cost	Fair Market Value	Cost	Fair Market Value
Corporate Stock	\$ -	\$ -	\$ 13,665	\$ 104,229
Money Market Funds	62,137	62,137	9,903	9,903
Equities and Other	1,033,666	1,124,188	1,147,982	1,174,620
Fixed Income	565,344	546,274	563,580	538,928
Total Investments:	<u>\$ 1,661,147</u>	<u>\$ 1,732,599</u>	<u>\$ 1,735,130</u>	<u>\$ 1,827,680</u>
Investments:				
Unrestricted		\$ 477,793		\$ 620,236
Restricted		<u>1,254,806</u>		<u>1,207,444</u>
Total Investments:		<u>\$ 1,732,599</u>		<u>\$ 1,827,680</u>

Delaware Academy of Medicine, Inc. and Supporting Organizations

Notes to Financial Statements

Note D - Student Loans

The Academy's student financial aid committee reviews applicants, determines the number of loans and amount of loans to issue each year to students pursuing a medical degree. The committee also determines the interest rate, which cannot exceed the prime rate + 5%, but will vary slightly based on the years of repayment selected by the borrower and the year the loan was issued.

The committee reviews the program regularly and considers the allowance for doubtful accounts reasonable.

	<u>2016</u>	<u>2015</u>
Student loans receivable	\$ 458,724	\$ 484,812
Allowance for bad debts	<u>(22,936)</u>	<u>(24,241)</u>
Student loans receivable - net	<u>\$ 435,788</u>	<u>\$ 460,571</u>
Interest Income	<u>\$ 13,326</u>	<u>\$ 15,136</u>

Note E - 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 trusts have been determined to be Type I Supporting Organizations under IRC Section 509(a)(3). The trusts and the Academy are under common control, accordingly the financial statements of these organizations have been consolidated.

The Carpenter Trust was established by the donor in order to provide funding for the Academy's medical student loan program. A portion of the Preston Trust is also used for student loans. Funds from both the Preston and Carpenter Trusts were used to fund the student loan program. Upon repayment of the loans, the principal would be due back to the trusts. This receivable and related liability were eliminated during consolidation and, accordingly, do not appear on the statements of financial position. As of December 31, the Academy owed the trusts as follows:

	<u>2016</u>	<u>2015</u>
Amounts due to the trusts from the Academy student loan program		
Carpenter Trust	\$ 189,587	\$ 251,282
Preston Trust	<u>905</u>	<u>42,795</u>
Total due to the trusts	<u>\$ 190,492</u>	<u>\$ 294,077</u>

Delaware Academy of Medicine, Inc. and Supporting Organizations

Notes to Financial Statements

Note E - Supporting Organizations (Continued)

The Preston Trust is also to be used general operations and provides for a monthly transfer to the Academy's operating account. The amounts transferred to the Academy for the years ended December 31, 2016 and 2015 were \$204,179 and \$222,423, respectively. This income to the Academy and related expense of the trust was eliminated during consolidation, and accordingly, do not appear on the statements of activities.

The temporarily restricted net assets of the trusts (see note F) consist of the following as of December 31,:

	2016	2015
Fair market value of investments held by the trusts		
Carpenter Trust	\$ 179,145	\$ 100,992
Preston Trust	4,633,218	4,468,604
Total supporting organizations	<u>\$ 4,812,363</u>	<u>\$ 4,569,596</u>

Note F - Temporarily Restricted Net Assets

Net assets are restricted for the following purposes, as of December 31,

	2016	2015
Financial assistance to students in the study of medicine	\$ 468,906	\$ 459,072
DMOST program	47,626	-
Funds for the Lewis B. Flinn Library	349,458	335,804
Capital improvements	688,244	688,211
	<u>1,554,234</u>	<u>1,483,087</u>
Carpenter Trust for the benefit of the DE Academy of Medicine	368,732	352,274
Preston Charitable Trust for the Benefit of DE Academy of Medicine	<u>4,634,121</u>	<u>4,511,399</u>
Temporarily restricted net assets	<u>\$ 6,557,087</u>	<u>\$ 6,346,760</u>

Delaware Academy of Medicine, Inc. and Supporting Organizations

Notes to Financial Statements

Note G - Investment Income

Investment income, gains and losses for both the Academy and its supporting organizations is recorded in the statement of activities as follows for the years ended December 31, :

	<u>2016</u>	<u>2015</u>
Investment Income		
Bank account interest	\$ -	\$ 284
Dividends reinvested- Academy	17,356	24,095
Dividends reinvested- Trusts	<u>92,002</u>	<u>41,591</u>
Total investment income	<u>\$ 109,358</u>	<u>\$ 65,970</u>
Realized Gains		
Gains from sale of investments - Academy	\$ 83,471	\$ 57,025
Gains from sale of investments - Trusts	<u>19,522</u>	<u>171,408</u>
Total realized gains	<u>\$ 102,993</u>	<u>\$ 228,433</u>
Unrealized Gains (Losses)		
Changes in market value - Academy	\$ (22,625)	\$ (38,968)
Changes in market value - Trusts	<u>222,501</u>	<u>(278,704)</u>
Total unrealized gains (losses)	<u>\$ 199,876</u>	<u>\$ (317,672)</u>

Note H - Sublet Income

In order to reduce occupancy costs and encourage collaboration, the Academy sublets office space to other like-minded medical associations and organizations. Lease terms are for 12 months with renewable options. Leases call for a base annual rent of \$8.879 per square foot of office space, paid in monthly installments, with additional charges for phone, internet, and copier charges. Sublet income for the years ended December 31, 2016 and 2015 was \$8,399 and \$11,691, respectively.

Note I - Deferred Compensation Plan

The Academy offers a defined contribution plan created in accordance with Internal Revenue Code Section 403(b) and an employer sponsored non-qualified deferred compensation plan, where participation in the plan is optional. The Academy will contribute 4% of compensation for employees who meet the eligibility requirements. Accordingly, total expense charged to operations for the years ended December 31, 2016 and 2015 were \$13,023 and \$7,564, respectively.

Delaware Academy of Medicine, Inc. and Supporting Organizations

Notes to Financial Statements

Note J - Lease Arrangements as Lessee

The Academy entered into a lease for office space at Christiana Hospital in November 2006 for a 10 year period with 4 renewable options. The lease was renewed on November 1, 2016 for an additional 10 year period. The lease payments consist of base rent and an allocation of operating costs which is adjusted annually. Monthly lease payments in 2016 were roughly \$2,551 and total rent expense was \$30,614 and \$33,975 for the years ended December 31, 2016 and 2015, respectively. The minimum monthly lease payments required under the operating leasing arrangement are as follows for the years ended December 31,:

2017	\$ 32,443
2018	33,254
2019	34,085
2020	34,938
2021	35,811
Thereafter	<u>186,048</u>
Total	<u>\$ 356,579</u>

Note K - Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk are principally cash balances, marketable securities, major donors and ambulance billing.

1. Cash Balances

The Company, in the ordinary course of business, maintains cash balances in various financial institutions. The balances in all accounts held at any financial institution are added together, and any amounts over the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000 is considered uninsured. At times, balances may exceed insured limits; however, management does not feel it is exposed to any significant credit risk with respect to uninsured balances maintained at financial institutions.

2. Marketable Securities

The Company maintains marketable securities with a brokerage firm located in the United States which is insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000, which includes a \$250,000 limit for cash. At times, balances may exceed insured limits; however, management does not feel it is exposed to any significant credit risk with respect to uninsured balances maintained at the brokerage firm.

Delaware Academy of Medicine, Inc. and Supporting Organizations

Notes to Financial Statements

Note L - 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 M - Subsequent Events

The Academy evaluated its December 31, 2016 financial statements for subsequent events through October 16, 2017 the date the financial statements were available to be issued.

Supplemental Information

Delaware Academy of Medicine, Inc. and Supporting Organizations

Schedules of Functional Expenses

For the Year Ended December 31, 2016 with Summarized Information for the Year Ended December 31, 2015

	2016					2015
	Program Services					
	Community Education & Resources	Student Financial Aid	Total Programs	Management and General	Fundraising	Total
						Summarized Information
Salaries	\$ 224,204	\$ 12,467	\$ 236,671	\$ 35,912	\$ 10,164	\$ 282,747
Employee benefits	30,651	1,552	32,203	5,044	1,552	38,799
Payroll taxes	16,451	833	17,284	2,707	833	20,824
Total salaries and related expenses	271,306	14,852	286,158	43,663	12,549	342,370
Archivist expenses	1,390	-	1,390	-	-	1,390
Bank and credit card fees	3,469	993	4,462	-	-	4,462
Conference expense	42,041	-	42,041	-	7,419	49,460
Depreciation	18,488	-	18,488	-	-	18,488
Dues and publications	1,052	-	1,052	-	-	1,052
Equipment lease	5,374	-	5,374	-	-	5,374
Information technology	11,393	-	11,393	-	-	11,393
Insurance	6,928	-	6,928	2,310	-	9,238
Investment advisor fees	-	-	-	14,958	-	14,958
Marketing and outreach	1,226	-	1,226	-	-	1,226
Office lease expense	27,553	-	27,553	3,061	-	30,614
Office supplies	7,079	-	7,079	-	-	7,079
Postage	1,387	-	1,387	-	-	1,387
Printing and copying	-	-	-	-	-	-
Professional fees	50,049	1,290	51,339	-	-	51,339
Program supplies	32,821	-	32,821	-	-	32,821
Telephone expense	2,677	-	2,677	1,148	-	3,825
Training and education	385	-	385	-	-	385
Travel expense	356	-	356	-	-	356
Total expenses	\$ 484,974	\$ 17,135	\$ 502,109	\$ 65,140	\$ 19,968	\$ 587,217
						\$ 596,371

See accompanying notes to the financial statements.