

DELAWARE ACADEMY OF MEDICINE, INC.  
AND SUPPORTING ORGANIZATIONS

FINANCIAL STATEMENTS

DECEMBER 31, 2012

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### INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Delaware Academy of Medicine, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and 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 of 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.

### **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, 2012, 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.

### **Other-Matter**

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The statements of functional expenses on page 5 is presented for purposes of additional analysis and is not a required part of the basic 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 or to 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 the Delaware Academy of Medicine, Inc.'s financial statements, and our report dated September 27, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Parano, Vincelotto, Villano*

August 19, 2013  
Wilmington, Delaware



LIABILITIES AND NET ASSETS

	<u>2 0 1 2</u>	<u>2 0 1 1</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 24,272	\$ 23,613
Custodial Funds Payable	-0-	1,054
Deferred Revenue	<u>-0-</u>	<u>-0-</u>
 TOTAL CURRENT LIABILITIES	 <u>24,272</u>	 <u>24,667</u>
 NET ASSETS		
Unrestricted	1,090,620	1,138,769
Temporarily Restricted	<u>6,024,334</u>	<u>5,768,412</u>
 TOTAL NET ASSETS	 <u>7,114,954</u>	 <u>6,907,181</u>

<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$7,139,226</u>	<u>\$6,931,848</u>
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See accompanying auditors' report  
and notes to financial statements.

DELAWARE ACADEMY OF MEDICINE, INC.  
AND SUPPORTING ORGANIZATIONS  
Statements of Activities For the Year Ended December 31, 2012 with  
Summarized Information For the Year Ended December 31, 2011

	2 0 1 2			2 0 1 1
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Summarized Information</u>
REVENUES, GAINS AND OTHER SUPPORT				
Annual Contributions	\$ 5,575	\$ -0-	\$ 5,575	\$ 4,391
Other Contributions	5,136	12,254	17,390	9,760
Membership Dues	2,729	-0-	2,729	3,823
Conference Income	42,476	-0-	42,476	45,280
Consumer Health Program	-0-	-0-	-0-	75,833
Contract Library Services	87,100	-0-	87,100	112,013
Other Contract Services	68,101	-0-	68,101	52,012
Miscellaneous Income	2,054	1,893	3,947	4,807
Sublet Income	17,151	-0-	17,151	-0-
Student Loan Interest	11,987	-0-	11,987	5,416
Loss Disposal of Software	(1,111)	-0-	(1,111)	-0-
Interest Income	17	-0-	17	45
Investment Income	24,592	174,571	199,163	240,731
Realized Gain				
on Sale of Investments	15,011	58,230	73,241	286,309
Unrealized Gain (Loss)				
on Investments	28,228	268,035	296,263	(613,077)
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	<u>259,061</u>	<u>(259,061)</u>	<u>-0-</u>	<u>-0-</u>
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>568,107</u>	<u>255,922</u>	<u>824,029</u>	<u>227,343</u>
EXPENSES				
Program	491,383	-0-	491,383	610,297
Management and General	116,615	-0-	116,615	123,710
Fundraising	<u>8,258</u>	<u>-0-</u>	<u>8,258</u>	<u>14,623</u>
TOTAL EXPENSES	<u>616,256</u>	<u>-0-</u>	<u>616,256</u>	<u>748,630</u>
CHANGES IN NET ASSETS	(48,149)	255,922	207,773	(521,287)
NET ASSETS-				
BEGINNING OF YEAR	<u>1,138,769</u>	<u>5,768,412</u>	<u>6,907,181</u>	<u>7,428,468</u>
NET ASSETS- END OF YEAR	<u>\$1,090,620</u>	<u>\$6,024,334</u>	<u>\$7,114,954</u>	<u>\$6,907,181</u>

See accompanying auditors' report  
and notes to financial statements.

DELAWARE ACADEMY OF MEDICINE, INC.  
AND SUPPORTING ORGANIZATIONS  
Statements of Cash Flows  
For the Years Ended December 31,

	<u>2 0 1 2</u>	<u>2 0 1 1</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 207,773	\$ (521,287)
Adjustments to Reconcile Changes In Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	20,800	21,476
Unrealized (Gain) Loss Investments	(296,263)	613,077
Contribution of Stock	-0-	-0-
Loss on Disposal of Software	1,111	-0-
(Increase) Decrease in:		
Accounts Receivable	(7,284)	65,998
Prepaid Expenses	153	3,244
Student Loans Receivable	(8,191)	(31,588)
Increase (Decrease) in:		
Accounts Payable	659	7,586
Deferred Revenue	-0-	-0-
Custodial Funds Payable	(1,054)	583
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>    (82,296)</u>	<u>   159,089</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	-0-	(1,400)
Transfers from Trust accounts	285,532	280,680
Reinvested Investment Income (net)	(133,514)	(161,251)
Realized Gain on Investments	(73,241)	(286,309)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>   78,777</u>	<u>  (168,280)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>   -0-</u>	<u>   -0-</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,519)	(9,191)
CASH AND CASH EQUIVALENTS- BEGINNING	<u>  15,076</u>	<u>  24,267</u>
<u>CASH AND CASH EQUIVALENTS- END OF YEAR</u>	<u>\$  11,557</u>	<u>\$  15,076</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for interest	\$ <u>   -0-</u>	\$ <u>   -0-</u>
Cash paid during the year for taxes	\$ <u>   -0-</u>	\$ <u>   -0-</u>

See accompanying auditors' report  
and notes to financial statements.



DELAWARE ACADEMY OF MEDICINE, INC.  
AND SUPPORTING ORGANIZATIONS  
Notes to Financial Statements  
For the Years Ended December 31, 2012 and 2011

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. The Academy's major programs include:

Public Health Services

Navigating this constantly changing health care landscape is a challenge for medical providers of all specialties and career levels. In this environment, offering credible, unbiased, and reliable medical education becomes paramount. The Academy offers *Mini-Medical School* programs, which is 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. No previous medical training is required.

Additionally, the Academy maintains the *Gail P. Gill Community Health Library* located in the John H. Ammon Medical Education Center at Christiana Hospital. The library can help the public locate reliable, up-to-date information on a variety of topics, such as diseases, medications and medical tests, wellness and prevention, aging, stress management, exercise and nutrition. The public can depend on the reliability and timeliness of the resources, along with a professional medical librarian who can assist them in locating credible sources of health information on the Internet.

Professional Services

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

Additionally, the Academy maintains the medical books and journals for the Lewis B. Flinn Medical Library located at Christiana Hospital, as well as, the Presbyterian Medical Center Library located in Philadelphia.

DELAWARE ACADEMY OF MEDICINE, INC.  
AND SUPPORTING ORGANIZATIONS  
Notes to Financial Statements (Cont'd)  
For the Years Ended December 31, 2012 and 2011

NOTE 1 THE ORGANIZATION (Cont'd)

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 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 and, accordingly, reflect all significant receivables, payables and other liabilities.

Cash and Equivalents

For purpose 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.

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.

DELAWARE ACADEMY OF MEDICINE, INC.  
AND SUPPORTING ORGANIZATIONS  
Notes to Financial Statements (Cont'd)  
For the Years Ended December 31, 2012 and 2011

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

Receivables- Student Loans

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.

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.

Property and Equipment

Property and equipment are carried at cost and consist of furniture, equipment and improvements. 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 the straight-line method over the estimated useful lives of the property and equipment ranging from 5 to 40 years.

Depreciation expense for was \$20,800 and \$21,476 for the years ended December 31, 2012 and 2011, respectively.

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. 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.

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 (Cont'd)  
For the Years Ended December 31, 2012 and 2011

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

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.

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 and expands the disclosure requirements for value measurements.

The carrying amounts for cash, cash equivalents, current receivables and current liabilities reported in the statement of financial position approximate fair values. Investment are reported at fair market value. Other assets, including property and equipment, are also subject to periodic impairment assessments under the accounting principles, however these assets have been omitted from the above disclosure.

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.

Basis of Presentation

The Academy presents its financial statements in accordance with generally accepted accounting principles for not-for-profit organizations. Under this guidance, they 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.

DELAWARE ACADEMY OF MEDICINE, INC.  
AND SUPPORTING ORGANIZATIONS  
Notes to Financial Statements (Cont'd)  
For the Years Ended December 31, 2012 and 2011

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

Principles of Consolidation

The financial statements of Delaware Academy of Medicine, Inc. have been consolidated with its supporting organizations (see Note 7) and presented as Delaware Academy of Medicine, Inc. and Supporting Organizations. All material inter-company accounts and transactions are eliminated in consolidation.

Functional Allocation of Expenses

The costs of providing 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 the supporting services benefitted.

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.

NOTE 3 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 accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2011, from which the summarized information was derived.

NOTE 4 INCOME TAX STATUS

The Academy is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. 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).

DELAWARE ACADEMY OF MEDICINE, INC.  
AND SUPPORTING ORGANIZATIONS  
Notes to Financial Statements (Cont'd)  
For the Years Ended December 31, 2012 and 2011

NOTE 11 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, 2012, the minimum monthly lease payments required under the operating leasing arrangement were \$2,315. Rent expense for the years ending December 31, 2012 and 2011 was \$54,455 and \$35,978, respectively.

NOTE 12 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 13 MANAGEMENT'S REVIEW

In July of 2013, the Organization began the process of changing the trustee of the Preston and Carpenter trusts. Additionally, they moved the investments held to the new trustee as well. It is expected that the new trustees will have control of the assets by year end.

The Organization has evaluated events and transactions for potential recognition or disclosure through August 19, 2013, which is the date the financial statements were available to be issued.



<u>2 0 1 2</u>			<u>2 0 1 1</u>
<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Summarized Information</u>
\$ 17,495	\$ -0-	\$ 279,522	\$ 331,064
1,945	-0-	32,513	44,210
<u>1,242</u>	<u>-0-</u>	<u>19,834</u>	<u>23,443</u>
20,682	-0-	331,869	398,717
-0-	-0-	1,399	1,889
69,037	-0-	69,037	76,913
-0-	-0-	2,541	1,964
-0-	-0-	10,264	41,525
-0-	-0-	4,279	5,302
1,574	-0-	6,299	6,687
-0-	-0-	1,015	742
-0-	-0-	555	2,725
-0-	-0-	8,239	24,279
-0-	-0-	484	6,009
-0-	-0-	5,473	3,714
-0-	-0-	5,357	8,100
-0-	-0-	1,360	458
-0-	-0-	1,298	5,822
19,524	-0-	26,819	39,171
-0-	-0-	6,131	1,638
5,446	-0-	54,456	35,978
-0-	4,821	55,052	62,863
352	-0-	3,529	2,658
<u>-0-</u>	<u>-0-</u>	<u>20,800</u>	<u>21,476</u>
<u>\$ 116,615</u>	<u>\$ 4,821</u>	<u>\$ 616,256</u>	<u>\$ 748,630</u>

See accompanying auditors' report  
and notes to financial statements.