

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

Financial Statements

December 31, 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 nonprofit organization), which comprise the statement of financial position as of December 31, 2015, 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.

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, 2015, 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

The financial statements of Delaware Academy of Medicine, Inc., as of and for the year ended December 31, 2014, were audited by other auditors whose report dated September 30, 2015 expressed an unmodified opinion on those statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary 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

In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Handwritten signature of Alberto Kaufman, likely representing Alberto Kaufman Associates, LLC.

November 16, 2016
Wilmington, Delaware

Delaware Academy of Medicine, Inc. and Supporting Organizations

Statements of Financial Position

December 31, 2015 and 2014

	Assets	
	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 13,652	\$ 49,841
Accounts receivable	15,641	45,366
Employee loan receivable	-	1,186
Investments - unrestricted	620,236	688,028
Total current assets	<u>649,529</u>	<u>784,421</u>
PROPERTY AND EQUIPMENT		
Net of accumulated depreciation	<u>303,776</u>	<u>323,312</u>
OTHER ASSETS		
Student loan receivable - net of allowance for doubtful accounts	460,571	510,420
Charitable trusts - supporting organizations	4,569,596	4,821,927
Investments - temporarily restricted	1,207,444	1,163,840
Total other assets	<u>6,237,611</u>	<u>6,496,187</u>
TOTAL ASSETS	<u>\$ 7,190,916</u>	<u>\$ 7,603,920</u>
	Liabilities and Net Assets	
CURRENT LIABILITIES		
Accounts payable	\$ 1,338	\$ 19,288
Total current liabilities	<u>1,338</u>	<u>19,288</u>
NET ASSETS		
Unrestricted	842,818	1,014,966
Temporarily restricted	6,346,760	6,569,666
Total net assets	<u>7,189,578</u>	<u>7,584,632</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,190,916</u>	<u>\$ 7,603,920</u>

See accompanying notes to financial statements.

Delaware Academy of Medicine, Inc. and Supporting Organizations

Statements of Activities

For the Years Ended December 31, 2015 with Summarized Information for the Year Ended December 31, 2014

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Summarized Information
REVENUE AND OTHER SUPPORT				
Contributions	\$ 12,721	\$ -	\$ 12,721	\$ 15,534
Membership dues	5,062	-	5,062	3,756
Conference income	95,157	-	95,157	172,097
Contract library services	68,462	-	68,462	107,051
Other contract services	13,816	-	13,816	35,714
Miscellaneous income	-	-	-	810
Sublet income	11,691	-	11,691	13,691
Student loan interest	15,136	-	15,136	12,284
Bad debt recoveries	2,541	-	2,541	-
Investment income	9,517	56,453	65,970	90,321
Realized gain on sale of investments	10,020	218,413	228,433	142,943
Unrealized (loss) gain on investments	(11,576)	(306,096)	(317,672)	59,544
Net assets released from restrictions	191,676	(191,676)	-	-
Total revenue and other support	<u>424,223</u>	<u>(222,906)</u>	<u>201,317</u>	<u>653,745</u>
EXPENSES				
Programs	510,891	-	510,891	497,485
Management and general	63,912	-	63,912	89,046
Fundraising	21,568	-	21,568	35,035
Total expenses	<u>596,371</u>	<u>-</u>	<u>596,371</u>	<u>621,566</u>
CHANGE IN NET ASSETS	<u>(172,148)</u>	<u>(222,906)</u>	<u>(395,054)</u>	<u>32,179</u>
NET ASSETS - BEGINNING OF YEAR	<u>1,014,966</u>	<u>6,569,666</u>	<u>7,584,632</u>	<u>7,552,453</u>
NET ASSETS - END OF YEAR	<u>\$ 842,818</u>	<u>\$ 6,346,760</u>	<u>\$ 7,189,578</u>	<u>\$ 7,584,632</u>

See accompanying notes to financial statements.

Delaware Academy of Medicine, Inc. and Supporting Organizations

Statements of Cash Flows

For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (395,054)	\$ 32,179
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	19,535	20,122
Donated stock	-	(1,144)
Realized (gain) loss on investments	(228,433)	(142,943)
Unrealized loss (gain) on investments	317,672	(59,544)
Change in current assets and liabilities:		
Decrease (increase) in accounts receivable	29,725	(5,848)
Decrease (increase) in employee loan receivable	1,186	(1,186)
Decrease in prepaid expenses	-	12,601
Decrease (increase) in student loans receivable	49,849	(24,913)
Decrease (increase) in accounts payable	<u>(17,950)</u>	<u>11,126</u>
Net cash used in operating activities	<u>(223,470)</u>	<u>(159,550)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net transfers to and from trust accounts	244,147	269,640
Purchase of investments	(4,924,930)	(1,569,088)
Proceeds from sale of investments	<u>4,868,064</u>	<u>1,426,608</u>
Net cash provided by investing activities	<u>187,281</u>	<u>127,160</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(36,189)	(32,390)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>49,841</u>	<u>82,231</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 13,652</u>	<u>\$ 49,841</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.

Additionally, in partnership with Christiana Care Health Systems, 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, 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

In accordance with accounting principles generally accepted in the United States of America, the Academy is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets.

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)

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 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

Note C - Investments (Continued)

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	2015		2014	
	Cost	Fair Market Value	Cost	Fair Market Value
Corporate Stock	\$ 13,665	\$ 104,229	\$ 13,665	\$ 115,716
Money Market Funds	9,903	9,903	13,420	13,420
Equities and Other	1,147,982	1,174,620	1,196,175	1,224,928
Fixed Income	563,580	538,928	493,440	497,804
Total Investments:	\$ 1,735,130	\$ 1,827,680	\$ 1,716,700	\$ 1,851,868
Investments:				
Unrestricted		\$ 620,236		\$ 688,028
Restricted		1,207,444		1,163,840
Total Investments:		\$ 1,827,680		\$ 1,851,868

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.

	2015	2014
Student loans receivable	\$ 484,812	\$ 537,284
Allowance for bad debts	(24,241)	(26,864)
Student loans receivable - net	<u>\$ 460,571</u>	<u>\$ 510,420</u>
<u>Interest Income</u>	<u>\$ 15,136</u>	<u>\$ 12,284</u>

Note E - Supporting Organizations

Delaware Academy of Medicine, Inc. and Supporting Organizations

Notes to Financial Statements

Note F - Temporarily Restricted Net Assets

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

	<u>2015</u>	<u>2014</u>
Financial Assistance to Students in the Study of Medicine	\$ 459,072	\$ 414,752
Funds for the Lewis B. Flinn Library	335,804	325,183
Capital Improvements	<u>688,211</u>	<u>666,439</u>
	<u>1,483,087</u>	<u>1,406,374</u>
Carpenter Trust for the benefit of the DE Academy of Medicine	352,274	347,428
Preston Charitable Trust for the Benefit of DE Academy of Medicine	<u>4,511,399</u>	<u>4,815,864</u>
Temporarily Restricted Net Assets	<u>\$ 6,346,760</u>	<u>\$ 6,569,666</u>

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>2015</u>	<u>2014</u>
Investment Income		
Bank account interest	\$ 284	\$ -
Dividends reinvested- Academy	24,095	26,347
Dividends reinvested- Trusts	<u>41,591</u>	<u>63,974</u>
Total investment income	<u>\$ 65,970</u>	<u>\$ 90,321</u>
Realized Gains		
Gains from sale of investments- Academy	\$ 57,025	\$ 36,961
Gains from sale of investments- Trusts	<u>171,408</u>	<u>105,982</u>
Total realized gains	<u>\$ 228,433</u>	<u>\$ 142,943</u>
Unrealized Gains (Losses)		
Changes in market value- Academy	\$ (38,968)	\$ 10,138
Changes in market value- Trusts	<u>(278,704)</u>	<u>49,406</u>
Total realized (losses) gains	<u>\$ (317,672)</u>	<u>\$ 59,544</u>

Delaware Academy of Medicine, Inc. and Supporting Organizations

Notes to Financial Statements

Note L - Concentration of Credit Risk

The Academy maintains its cash balance in one financial institution located in Delaware. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization does not have an uninsured cash balance.

Note M - Subsequent Events

The Academy evaluated its December 31, 2015 financial statements for subsequent events through November 16, 2016 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 Years Ended December 31, 2015 with Summarized Information for the Year Ended December 31, 2014

	2015				2014		
	Community Education & Resources	Program Services Student Financial Aid	Total Programs	Management and General	Fundraising	Total	Summarized Information
Salaries	\$ 248,306	\$ 12,467	\$ 260,773	\$ 36,420	\$ 10,418	\$ 307,611	\$ 279,137
Employee benefits	29,951	1,479	31,430	4,437	1,109	36,976	5,126
Payroll taxes	18,715	924	19,639	2,773	693	23,105	20,012
Total salaries and related expenses	296,972	14,870	311,842	43,630	12,220	367,692	304,275
Marketing and outreach	1,279	-	1,279	-	-	1,279	1,605
Investment advisor fees	-	-	-	13,092	-	13,092	8,077
Archivist expenses	4,263	-	4,263	-	-	4,263	2,890
Information technology	10,406	-	10,406	-	-	10,406	9,790
Equipment lease	6,392	-	6,392	-	-	6,392	6,622
Insurance	7,744	-	7,744	2,581	-	10,325	5,229
Dues and publications	1,095	-	1,095	-	-	1,095	1,982
Postage	1,552	-	1,552	-	-	1,552	3,023
Program supplies	6,837	-	6,837	-	-	6,837	6,566
Bad debt expense	-	-	-	-	-	-	1,311
Bank and credit card fees	6,615	2,225	8,840	-	-	8,840	6,348
Training and education	496	-	496	-	-	496	3,114
Travel expense	905	-	905	-	-	905	745
Printing and copying	1,803	-	1,803	-	-	1,803	2,202
Professional fees	32,034	-	32,034	-	-	32,034	33,538
Office supplies	9,498	-	9,498	-	-	9,498	6,242
Office lease expense	30,577	-	30,577	3,398	-	33,975	32,977
Conference expense	52,965	-	52,965	-	9,348	62,313	161,018
Telephone expense	2,828	-	2,828	1,211	-	4,039	3,890
Depreciation	19,535	-	19,535	-	-	19,535	20,122
Total expenses	\$ 493,796	\$ 17,095	\$ 510,891	\$ 63,912	\$ 21,568	\$ 596,371	\$ 621,566

See accompanying notes to the financial statements.