

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

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2021  
WITH COMPARATIVE TOTALS FOR 2020**

**WITH INDEPENDENT AUDITOR'S REPORT**

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Delaware Academy of Medicine, Inc.  
& Supporting Organizations  
Newark, Delaware

### ***Opinion***

We have audited the accompanying consolidated statement of financial position of the Delaware Academy of Medicine, Inc. & Supporting Organizations (the "Academy") as of December 31, 2021, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Academy as of December 31, 2021, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Academy and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high-level assurance but not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

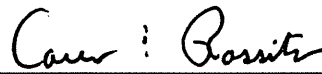
In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Report on Summarized Comparative Information***

We have previously audited the Academy's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



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Certified Public Accountants

October 7, 2022  
Wilmington, Delaware

**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2021 WITH COMPARATIVE TOTALS FOR 2020**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 38,588	\$ 68,735
Accounts receivable	40,272	19,116
Prepaid expenses	7,000	7,000
Investments	491,488	491,010
Total current assets	<u>577,348</u>	<u>585,861</u>
<b>PROPERTY AND EQUIPMENT</b>		
Net of accumulated depreciation	<u>254,987</u>	<u>268,149</u>
<b>OTHER ASSETS</b>		
Student loans receivable - net of allowance for doubtful accounts	341,326	317,712
Charitable trusts - supporting organizations	6,529,666	6,021,337
Investments - with donor restrictions	2,415,766	2,098,467
Collections - archives	-	-
Total other assets	<u>9,286,758</u>	<u>8,437,516</u>
Total Assets	<u><b>\$ 10,119,093</b></u>	<u><b>\$ 9,291,526</b></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	<u>\$ 11,286</u>	<u>\$ 6,786</u>
Total current liabilities	<u>11,286</u>	<u>6,786</u>
<b>NET ASSETS</b>		
Without Donor Restrictions		
Operating	140,248	154,530
Property and equipment, net	254,987	268,149
	<u>395,235</u>	<u>422,679</u>
With Donor Restrictions	<u>9,712,572</u>	<u>8,862,061</u>
	<u>10,107,807</u>	<u>9,284,740</u>
Total Liabilities and Net Assets	<u><b>\$ 10,119,093</b></u>	<u><b>\$ 9,291,526</b></u>

See accompanying notes

**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS**  
**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2021 WITH COMPARATIVE TOTALS FOR 2020**

	Without Donor Restrictions	With Donor Restrictions	<u>Totals</u>	
			<u>2021</u>	<u>2020</u>
<b>REVENUE AND OTHER SUPPORT</b>				
Contributions	\$ 16,209	\$ 8,482	\$ 24,691	\$ 15,218
Membership dues	3,669	-	3,669	6,260
Conference income	18,479	-	18,479	6,836
Program service contracts	68,975	-	68,975	56,543
Contract support services	15,356	-	15,356	32,315
Sublet income	3,544	-	3,544	4,349
Student loan interest	-	5,020	5,020	2,544
Paycheck Protection Program loan forgiveness income	51,565	-	51,565	49,757
Investment return, net	75,478	1,102,719	1,178,197	1,146,846
Net assets released from restrictions	265,710	(265,710)	-	-
	<u>518,985</u>	<u>850,511</u>	<u>1,369,496</u>	<u>1,320,668</u>
Total revenues and other support				
<b>EXPENSES</b>				
Programs	462,656	-	462,656	386,874
Management and general	70,768	-	70,768	53,758
Fundraising	13,005	-	13,005	9,609
	<u>546,429</u>	<u>-</u>	<u>546,429</u>	<u>450,241</u>
Total expenses				
<b>CHANGE IN NET ASSETS</b>	(27,444)	850,511	823,067	870,427
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>422,679</u>	<u>8,862,061</u>	<u>9,284,740</u>	<u>8,414,313</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 395,235</u></u>	<u><u>\$ 9,712,572</u></u>	<u><u>\$ 10,107,807</u></u>	<u><u>\$ 9,284,740</u></u>

See accompanying notes

**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2021 WITH COMPARATIVE TOTALS FOR 2020**

	<b>2021</b>						<b>2020</b>
	<b>Program Services</b>						
	<b>Community Education &amp; Resources</b>	<b>Student Financial Aid</b>	<b>Total Programs</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>	<b>Summarized Total</b>
Salaries	\$ 208,839	\$ 10,991	\$ 219,830	\$ 34,021	\$ 7,851	\$ 261,702	\$ 240,575
Employee benefits	30,067	1,582	31,649	4,898	1,130	37,677	37,739
Payroll taxes	15,500	816	16,316	2,525	583	19,424	17,625
Total salaries and related expenses	254,406	13,389	267,795	41,444	9,564	318,803	295,939
Archivist expenses	17,431	-	17,431	-	-	17,431	5,105
Bank and credit card fees	1,996	217	2,213	-	-	2,213	2,325
Conference expenses	19,502	-	19,502	-	3,441	22,943	4,873
Depreciation	13,162	-	13,162	-	-	13,162	13,162
Dues and publications	1,294	-	1,294	-	-	1,294	818
Information technology	21,849	-	21,849	-	-	21,849	22,087
Insurance	8,314	-	8,314	2,771	-	11,085	8,427
Marketing and outreach	2,707	-	2,707	-	-	2,707	835
Office lease expense	20,895	-	20,895	2,322	-	23,217	15,768
Office supplies	5,685	-	5,685	-	-	5,685	6,788
Postage	301	-	301	-	-	301	228
DPHA	3,122	-	3,122	-	-	3,122	3,753
Professional fees	10,661	-	10,661	23,493	-	34,154	30,247
Program support	62,502	-	62,502	-	-	62,502	34,246
Telephone expense	738	-	738	738	-	1,476	1,794
Training and education	4,445	-	4,445	-	-	4,445	3,294
Travel expense	40	-	40	-	-	40	552
Total expenses	\$ 449,050	\$ 13,606	\$ 462,656	\$ 70,768	\$ 13,005	\$ 546,429	\$ 450,241

See accompanying notes

**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2021 WITH COMPARATIVE TOTALS FOR 2020**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 823,067	\$ 870,427
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	13,162	13,162
Investment return, net	(1,178,197)	(1,146,846)
Paycheck Protection Program loan forgiveness income	(51,565)	(49,757)
Change in current assets and liabilities:		
(Increase) decrease in accounts receivable	(21,156)	54
Increase in prepaid expenses	-	(7,000)
Increase (decrease) in accounts payable	4,500	(17,419)
Net cash used in operating activities	<u>(410,189)</u>	<u>(337,379)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Issuance of new student loans	(48,000)	(48,000)
Collections on student loans	24,386	48,903
Purchase of investments	(751,244)	(2,749,731)
Proceeds from sale of investments	1,103,335	3,086,226
Net cash provided in investing activities	<u>328,477</u>	<u>337,398</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Paycheck Protection Program loan	51,565	49,757
Net cash provided in financing activities	<u>51,565</u>	<u>49,757</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	(30,147)	49,776
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>68,735</u>	<u>18,959</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 38,588</u></u>	<u><u>\$ 68,735</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
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



**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 1 - ORGANIZATION**

Delaware Academy of Medicine, Inc. & Supporting Organizations (the “Academy”) is a not-for-profit organization founded in 1930 for the purpose of enhancing the well-being of the community through medical 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 Academy 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.

**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.

**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 1,200 students have received more than \$1.85 million in loans. These funds are made available through special endowments of the Academy, which have been restricted for this specific purpose.

**History and Archives**

Since 1930, the Delaware Academy of Medicine has been 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”). 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.

**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The consolidated 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.

**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. & Supporting Organizations. All intercompany accounts and transactions which appear in the records of both Delaware Academy of Medicine, Inc. and its supporting organizations are eliminated in the consolidation.

**Financial Statement Presentation**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The Academy reports gifts of cash and other assets as increases in net assets without donor restriction unless the use of the related assets is limited by donor-imposed restrictions. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as releases from net assets with donor restriction to net assets without donor restriction and are reported in the statement of activities and changes in net assets as net assets released from restrictions.

Expenses are reported as decreases in net assets without donor restriction. Restrictions on gifts of long-lived assets and cash restricted for the acquisition of long-lived assets expire when the assets are placed in service. Gains and losses on investments are reported as increases or decreases within the net asset class to which they relate.

**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Concentrations of Credit Risk**

Cash deposits are maintained in multiple financial institutions within the Academy's operating area. These financial institutions are monitored by management to minimize its credit risk. The Federal Deposit Insurance Corporation insures bank accounts up to \$250,000 per depositor. At times, account balances may exceed federally insured limits. Management considers the risk of loss to be remote.

The Academy extends credit to medical students from Delaware. Loans receivable are periodically reviewed by management; an allowance for doubtful accounts is established, if required.

Other financial instruments that potentially subject the Academy to concentrations of credit risk consist principally of investments. Investments generally consist of mutual funds, equities, and exchange-traded funds. The degree and concentrations of credit risk varies by type of investment. Management continually monitors the financial strength of the institutions and the quality of its investments to minimize risk.

**Cash and Cash Equivalents**

For purposes of the consolidated statements 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 financial statement purposes.

**Accounts Receivable**

Accounts receivable consist primarily of noninterest-bearing amounts due for management services, conferences, and training programs, and are recorded at net realizable value. Bad debts are provided for on the allowance method based on historical experience and management's evaluation of outstanding receivables at the end of each year. The allowance for doubtful accounts as of December 31, 2021 and 2020 was \$0. Bad debt expense was \$0 for the years ended December 31, 2021 and 2020.

**Receivables - Student Loans**

Receivables for student loans made are recorded as loans are issued and allowances are provided for amounts estimated to be uncollectible. On an annual basis, management reviews the adequacy of the allowance and makes adjustments as needed.

**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Promises to Give**

Unconditional promises to give are recognized as revenue or gains in the period received and as assets or revenues 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 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 \$5,000. 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 consolidated statements of activities and changes in net assets. 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

**Donated Property and Equipment**

Donations of marketable securities, property and equipment, and other non-cash donations are recorded as revenue at their estimated fair value at the date of donation. Such donations are reported as support without donor restrictions 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 revenue with donor restrictions.

**Donated Services**

No amounts have been reflected in the consolidated 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 consolidated financial statements for these donated services since the volunteers' time does not meet the criteria for recognition under generally accepted accounting principles.

**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Hierarchy**

FASB ASC 820-10 establishes a fair value hierarchy and specifies that a valuation technique used to measure fair value shall maximize the use of observable inputs and minimize the value of unobservable inputs. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). 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, or prices in markets that are not considered active.

**Level 3** - Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions.

The Academy uses net asset value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, as a practical expedient to estimate the fair values of certain hedge funds, private equity funds, funds of funds, or limited partnerships, which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

**Collectibles**

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

**Revenue and Revenue Recognition**

*Grants and Contributions*

Grants and contributions are recognized at fair value when cash, securities or other assets, or an unconditional promise to give, is received. Unconditional promises to give are recorded at their net realizable, present value, using risk-free interest rates applicable to the years in which collections are expected. Conditional promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promisor, are recognized as grant or contribution revenue when the conditions on which they depend are substantially met.

**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue and Revenue Recognition (Continued)**

*Program Service Contracts*

A portion of program service revenue is derived from cost-reimbursable federal and state vendor service contracts, which are conditioned upon certain performance requirements and / or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when expenditures in compliance with specific contract provisions have been incurred. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position. As of December 31, 2021 and 2020, the Academy had cost-reimbursable vendor contracts approximating \$59,446 and \$24,956, respectively, for which no amounts had been received in advance or recognized as revenue because qualifying expenditures had not yet been incurred.

*Contract Support Services*

The Academy engages in contracts with other organizations to provide assistance on projects and to provide bookkeeping support. Revenues from contracts are recognized when services are performed or in various stages of completion based on contract terms.

*Conference Income*

The Academy hosts a yearly conference for medical professionals. In addition, the Academy coordinates several smaller conferences throughout the year. Revenue is recognized in the period in which the event takes place. Revenue received in advance is deferred until the time of the event.

**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, 2021 and 2020 were \$2,707 and \$835, respectively.

**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 deductible charitable contribution under Section 170(b)(1)(A). The Academy's income tax status is a privilege, which can be revoked by the IRS.

**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Management Estimates**

The preparation of consolidated 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 consolidated financial statements and the reported amounts of public support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Functional Allocation of Expenses**

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

**Comparative Consolidated Financial Statements**

The consolidated 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 Academy's consolidated financial statements for the year ended December 31, 2020, from which the summarized information was derived.

**Reclassifications**

A portion of conference income from the financial statements for the year ended December 31, 2020 has been reclassified to program income to conform to the December 31, 2021 presentation.

**NOTE 3 – LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 38,588
Accounts receivable	40,272
Investments	491,488
	<u>\$ 570,348</u>

**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 3 – LIQUIDITY AND AVAILABILITY (CONTINUED)**

The Academy's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is limited to the specific purpose of providing financial aid, in the form of loans, to Delaware residents studying in the field of medicine and dentistry, and assistance with operational expenses. Donor-restricted endowment funds are not available for general expenditures.

**NOTE 4 – PROPERTY AND EQUIPMENT**

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

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 132,512	\$ 132,512
Leasehold improvements	380,194	380,194
Total	512,706	512,706
Less: accumulated depreciation	257,719	244,557
Property and equipment, net	<u>\$ 254,987</u>	<u>\$ 268,149</u>

Depreciation expense during the years ended December 31, 2021 and 2020 was \$13,162 and \$13,162, respectively.

**NOTE 5 – INVESTMENTS**

The Academy's investments consist of investments that are available for general operations and investments that are restricted in purpose by the donor. 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.



**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 5 – INVESTMENTS (CONTINUED)**

The following investments are recognized and disclosed at their fair market value in the consolidated statements of financial position. The fair market value of these investments is based on quoted market prices for identical investments in an active market. All are considered Level 1 as defined by FASB ASC 820-10.

Description	2021 Fair Market Value	2020 Fair Market Value
Delaware Academy of Medicine:		
Money Market Funds	\$ 34,960	\$ 57,108
Equities and Other	2,359,586	2,009,688
Fixed Income	512,708	522,681
Total Investments:	<u><u>\$ 2,907,254</u></u>	<u><u>\$ 2,589,477</u></u>
Investments:		
Without donor restrictions	\$ 491,488	\$ 491,010
With donor restrictions	2,415,766	2,098,467
Total Investments:	<u><u>\$ 2,907,254</u></u>	<u><u>\$ 2,589,477</u></u>

The Trusts' investments consist of investments that are restricted in purpose by the donor. The investments are managed by the Trustee, Brown Advisory, in compliance with the Trust agreements and restrictions placed upon the funds by the trustors.

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**NOTE 5 – INVESTMENTS (CONTINUED)**

The following investments are recognized and disclosed at their fair market value in the consolidated statements of financial position. The fair market value of these investments is based on quoted market prices for identical investments in an active market. All are considered Level 1, except where noted, as defined by FASB ASC 820-10.

Description	2021 Fair Market Value	2020 Fair Market Value
Carpenter Trust:		
Money Market Funds	\$ 85,752	\$ 209,284
Fixed Income	104,905	-
Total Investments:	<u><u>\$ 190,657</u></u>	<u><u>\$ 209,284</u></u>
Preston Trust:		
Money Market Funds	\$ 330,186	\$ 181,437
Equities and Other	4,216,343	4,399,498
Fixed Income	1,078,929	1,117,800
REIT	326,401	-
Private Equities (NAV)	387,150	113,318
Total Investments:	<u><u>\$ 6,339,009</u></u>	<u><u>\$ 5,812,053</u></u>

Investments in certain entities that are measured at fair value using NAV per share as a practical expedient are as follows at December 31:

	Number of Investments	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
<b>2021</b>					
Private equity funds	3	\$ 226,820	\$ 152,831	Illiquid	None
Real estate funds	3	160,330	175,050	Illiquid	None
		<u><u>\$ 387,150</u></u>	<u><u>\$ 327,881</u></u>		
<b>2020</b>					
Private equity funds	1	\$ 58,331	\$ 156,683	Illiquid	None
Real estate funds	1	54,987	127,214	Illiquid	None
		<u><u>\$ 113,318</u></u>	<u><u>\$ 283,897</u></u>		

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**NOTE 6 – 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><b>2021</b></u>	<u><b>2020</b></u>
Student loans receivable	\$ 364,262	\$ 340,648
Allowance for bad debts	(22,936)	(22,936)
Student loans receivable - net	<u>\$ 341,326</u>	<u>\$ 317,712</u>
 Interest income	 <u>\$ 5,020</u>	 <u>\$ 2,544</u>

**NOTE 7 – SUPPORTING ORGANIZATIONS**

The Delaware Academy of Medicine is supported by the Carpenter Trust for the Delaware Academy of Medicine (the, “Carpenter Trust”) and the Preston Charitable Trust for the Delaware Academy of Medicine (the, “Preston Trust”). The Trusts exist to support the operations of the Delaware Academy of Medicine and both Trusts have been determined to be Type I Supporting Organizations under IRC Section 509(a)(3). The Trusts and the Delaware Academy of Medicine 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 Delaware Academy of Medicine’s medical student loan program. A portion of the Preston Trust is used for student loans. Upon repayment of the loans, the principal and related interest are due back to the Trusts. This receivable and related liability were eliminated during consolidation and, accordingly, do not appear on the consolidated statement of financial position. As of December 31, the Academy owed the Trusts as follows:

	<u><b>2021</b></u>	<u><b>2020</b></u>
Amounts due to the Trusts from the Academy student loan program:		
Carpenter Trust	\$ 312,318	\$ 296,232
Preston Trust	11,312	16,231
Total due to the Trusts	<u>\$ 323,630</u>	<u>\$ 312,463</u>

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**NOTE 7 – SUPPORTING ORGANIZATIONS (CONTINUED)**

The Preston Trust is also to be used to help fund the Delaware Academy of Medicine's general operations and provides for a monthly transfer to the Delaware Academy of Medicine's operating account. The amounts transferred to the Delaware Academy of Medicine for the years ended December 31, 2021 and 2020 were \$261,583 and \$242,492, respectively. The income to the Delaware Academy of Medicine and related expense of the Trust were eliminated during consolidation, and accordingly, do not appear on the consolidated statement of activities and changes in net assets.

The investment value within the Trusts (see Note 5) consisted of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Fair market value of investments held by the Trusts:		
Carpenter Trust	\$ 190,657	\$ 209,284
Preston Trust	6,339,009	5,812,053
Total supporting organizations	<u>\$ 6,529,666</u>	<u>\$ 6,021,337</u>

**NOTE 8 –NET ASSETS**

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

	<u>2021</u>	<u>2020</u>
Financial assistance to students in the study of medicine	\$ 875,510	\$ 813,488
APHA journal publications	5,000	-
Hoopess lectures	3,482	-
Funds for the Lewis B. Flinn Library	621,466	539,501
Capital improvements	1,353,818	1,175,272
	<u>2,859,276</u>	<u>2,528,261</u>
Carpenter Trust for the benefit of the DE Academy of Medicine	502,975	505,516
Preston Charitable Trust for the Benefit of DE Academy of Medicine	<u>6,350,321</u>	<u>5,828,284</u>
Net assets with donor restrictions	<u>\$ 9,712,572</u>	<u>\$ 8,862,061</u>

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**NOTE 8 –NET ASSETS (CONTINUED)**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2021:

Distribution from Trust	\$ 261,583
Flinn for seminars	1,000
Capital improvements	2,200
Other - fees	927
	<u>\$ 265,710</u>

**NOTE 9 – ENDOWMENT ASSETS**

The Academy's endowment consists of individual donor-restricted trusts established for various purposes. Net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Academy has interpreted the guidance issued by the Financial Accounting Standards Board (FASB) as requiring the preservation of the fair value of the original gift as of the date of the gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Academy classifies the following as net assets with perpetual donor restrictions:

1. the original value of gifts donated to the permanent endowment;
2. the original value of subsequent gifts to the permanent endowment;
3. accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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**NOTE 9 – ENDOWMENT ASSETS (CONTINUED)**

In accordance with the Delaware-enacted version of the Uniform Prudent Management of Institutional Funds Act, the Academy considers the following factors in making a determination to appropriate donor-restricted endowment funds:

1. the duration and preservation of the fund;
2. the Academy's mission and purpose supported by the donor-restricted endowment fund;
3. general economic conditions;
4. the possible effect of inflation and deflation;
5. the expected total return from income and the appreciation of investments;
6. the Academy's other resources; and,
7. the investment policies of the Academy.

The Academy has adopted investment and spending policies for endowment and endowment-like assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Academy must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds. The Academy held no funds with perpetual donor restrictions at December 31, 2021 or 2020.

Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to maintain the level of financial support currently provided while assuming a moderate level of investment risk. The Academy expects its endowment funds, over time, to provide an average rate of return in excess of the annual draw. Actual returns in any given year may vary from this amount.

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

**NOTE 10 – 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, 2021 and 2020 was \$3,544 and \$4,349, respectively.

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**NOTE 11 – 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, 2021 and 2020 were \$9,748 and \$9,591 respectively.

**NOTE 12 – INVESTMENT INCOME**

Investment income, gains, and losses for the Academy were recorded in the consolidated statements of activities and changes in net assets as follows for the years ended December 31:

	2021	2020
Investment Income		
Dividends reinvested - DE Academy	\$ 10,938	\$ 12,195
Dividends reinvested - Trusts	60,457	73,810
Investment fees	(14,281)	(14,440)
Total investment income, net	<u>57,114</u>	<u>71,565</u>
Realized Gains (Losses)		
Gains from sale of investments - DE Academy	92,476	272,602
Gains (losses) from sale of investments - Trusts	480,919	(35,059)
Total realized gains	<u>573,395</u>	<u>237,543</u>
Unrealized Gains		
Changes in market value - DE Academy	296,103	198,939
Changes in market value - Trusts	251,585	638,799
Total unrealized gains	<u>547,688</u>	<u>837,738</u>
Total investment return, net	<u><u>\$ 1,178,197</u></u>	<u><u>\$ 1,146,846</u></u>

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**NOTE 13 – LEASE COMMITMENT**

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 October 25, 2018, and is effective through 2026 with no further options to renew. The lease payments consist of base rent with a contracted increase of 2.5% per year. The lease agreement also includes an allocation of operating costs which increases annually based on actual expenses. The terms of the lease have been adjusted, as appropriate, for reduced square footage in use by the Academy. Total rent expense was \$23,217 and \$15,768 for the years ended December 31, 2021 and 2020, respectively.

Minimum lease rental commitments under this leasing agreement for the years ending December 31 are as follows:

2022	\$	23,692
2023		23,770
2024		23,849
2025		23,931
2026		20,012
Total	\$	<u>115,254</u>

**NOTE 14 – CONCENTRATION OF CREDIT RISK**

Financial instruments that potentially subject the Academy to significant concentrations of credit risk are principally cash balances, marketable securities, major donors and student loan balances.

**Cash Balances**

The Academy, in the ordinary course of business, maintains cash balances in various financial institutions. The balances in all accounts held at each financial institution are added together, and any totals over the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000 are considered uninsured. At times, balances may exceed insured limits; however, management believes the risk of loss to be remote.

**Marketable Securities**

The Academy maintains marketable securities with a brokerage firm located in the United States which is insured by the Securities Investor Protection Corporation (SIPC) against loss caused by investment professional malfeasance up to \$500,000, which includes a \$250,000 limit for cash. At times, balances may exceed insured limits; however, management believes the risk of loss to be remote.



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**NOTE 15 – FUNCTIONALIZED EXPENSES**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated on the basis of estimated time and effort include salaries and wages, benefits, payroll taxes, professional services, occupancy, office, insurance, public relations, and travel.

**NOTE 16 – COMMITMENTS AND CONTINGENCIES**

In the normal course of business, there are various outstanding 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.

The Academy holds a significant portion of its assets in the financial markets. Changes in market prices may make a financial instrument more or less valuable. The Academy's carrying values for investments are not intended to reflect the amounts to be eventually realized upon sale at some future period.

The Preston Trust has committed \$600,000 to private equity investments. Approximately \$272,119 of this balance was funded as of December 31, 2021. The remaining commitment is expected to be called down over the next few years.

In light of the world-wide spread of the Coronavirus (COVID-19), the Academy has been affected by disruption of business and volatility in the markets, beginning in March of 2020. The long-term impact of this phenomenon is not known and cannot be reasonably estimated.

**NOTE 17 – PAYCHECK PROTECTION PROGRAM**

On February 7, 2021, the Academy was granted a Term Note (the "PPP2 Loan") from the SBA in the aggregate amount of \$51,565, pursuant to the Coronavirus Aid, Relief, and Economic Security Act's (the "CARES Act") (P.L.116-136) Paycheck Protection Program (the "PPP"). PPP was expanded by the Consolidated Appropriations Act and made a second draw available. The PPP2 Loan matures on February 7, 2023 and bears interest at a fixed rate of 1.00% per annum.

Under the provisions of the PPP, the loan may be forgiven in whole or in part by expending the funds for qualifying expenses which include payroll (with certain qualifications) and other expenses.

Under current guidance, the Academy has elected to account for the loan as a conditional contribution under ASC Subtopic 958-605. As a conditional contribution, the PPP loan will be recognized as revenue when the terms of forgiveness have either been substantially met or specifically waived. The proceeds of the PPP were expended in full in accordance with the terms of the agreement and, accordingly, has been recognized as revenue in the financial statements.

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**NOTE 18 – SUBSEQUENT EVENTS**

The PPP2 Loan was forgiven in full by the SBA per notice dated February 4, 2022.

In February of 2022, the Academy signed a professional services agreement with the Public Health Management Corporation (“PHMC”) as a cost-reimbursement grant for a total award of \$433,288. This agreement identifies the Academy as a subrecipient of Federal funds flowing through PHMC to develop and promote increased vaccination rates and community-run vaccination programs in Delaware. The performance period for this agreement terminates on October 31, 2022.

In April of 2022, the Academy signed an agreement as a subrecipient of Federal State and Local Fiscal Recovery Fund (“SLFRF”) to accomplish specified objectives as outlined in the grant agreement. The total amount committed to the Academy through December 31, 2024, the performance period, is \$2,275,300. Any funds received but not expended during the performance period must be returned to the State of Delaware. An additional \$2,724,700 may be awarded, contingent on the success of the initial project outcomes. The Academy received \$1,137,650 of the committed amount on June 8, 2022.

The Academy evaluated its December 31, 2021 consolidated financial statements for subsequent events through October 7, 2022, the date the consolidated financial statements were available to be issued.