

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

CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED DECEMBER 31, 2022
WITH COMPARATIVE TOTALS FOR 2021**

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", a nonprofit organization) as of December 31, 2022, 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, 2022, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 and *Government 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.

Other Matters

Supplementary Information

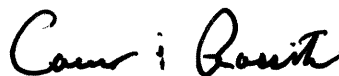
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.

Report on Summarized Comparative Information

We have previously audited the Academy's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 15, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2024, on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



Certiied Public Accountants

January 19, 2024
Wilmington, Delaware

DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022 WITH COMPARATIVE TOTALS FOR 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 794,951	\$ 38,588
Accounts receivable	115,647	40,272
Prepaid expenses	9,639	7,000
Investments	340,805	491,488
Total current assets	1,261,042	577,348
PROPERTY AND EQUIPMENT		
Net of accumulated depreciation	242,013	254,987
OTHER ASSETS		
Student loans receivable - net of allowance for doubtful accounts	343,513	341,326
Charitable trusts - supporting organizations	5,572,585	6,529,666
Investments - with donor restrictions	1,950,174	2,415,766
Collections - archives	-	-
Total other assets	7,866,272	9,286,758
Total Assets	\$ 9,369,327	\$ 10,119,093
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 207,932	\$ 11,286
Deferred revenue	495,673	-
Total current liabilities	703,605	11,286
NET ASSETS		
Without donor restrictions		
Operating	19,067	140,248
Property and equipment, net	242,013	254,987
	261,080	395,235
With donor restrictions	8,404,642	9,712,572
	8,665,722	10,107,807
Total Liabilities and Net Assets	\$ 9,369,327	\$ 10,119,093

See accompanying notes

**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2022 WITH COMPARATIVE TOTALS FOR 2021**

	Without Donor Restrictions	With Donor Restrictions	<u>Totals</u>	
			<u>2022</u>	<u>2021</u>
REVENUE AND OTHER SUPPORT				
Contributions	\$ 6,449	\$ 168,666	\$ 175,115	\$ 24,691
Membership dues	2,474	-	2,474	3,669
Conference income	27,282	-	27,282	18,479
Program service contracts	79,727	-	79,727	68,975
Contract support services	21,698	-	21,698	15,356
Grant income	-	947,580	947,580	-
Sublet income	2,520	-	2,520	3,544
Student loan interest	-	6,385	6,385	5,020
Paycheck Protection Program loan forgiveness income	-	-	-	51,565
Investment return, net	(105,682)	(1,179,526)	(1,285,208)	1,178,197
Net assets released from restrictions	1,251,035	(1,251,035)	-	-
Total revenues and other support	<u>1,285,503</u>	<u>(1,307,930)</u>	<u>(22,427)</u>	<u>1,369,496</u>
EXPENSES				
Programs	1,303,398	-	1,303,398	462,656
Management and general	99,181	-	99,181	70,768
Fundraising	17,079	-	17,079	13,005
Total expenses	<u>1,419,658</u>	<u>-</u>	<u>1,419,658</u>	<u>546,429</u>
CHANGE IN NET ASSETS	(134,155)	(1,307,930)	(1,442,085)	823,067
NET ASSETS, BEGINNING OF YEAR	<u>395,235</u>	<u>9,712,572</u>	<u>10,107,807</u>	<u>9,284,740</u>
NET ASSETS, END OF YEAR	<u><u>\$ 261,080</u></u>	<u><u>\$ 8,404,642</u></u>	<u><u>\$ 8,665,722</u></u>	<u><u>\$ 10,107,807</u></u>

See accompanying notes

DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022 WITH COMPARATIVE TOTALS FOR 2021

	2022					2021		
	Program Services							
	Community Education & Resources	Student Financial Aid	Total Programs	Management and General	Fundraising	Total	Summarized Total	
Salaries	\$ 308,176	\$ 16,220	\$ 324,396	\$ 50,204	\$ 11,586	\$ 386,186	\$ 261,702	
Employee benefits	37,799	1,989	39,788	6,158	1,421	47,367	37,677	
Payroll taxes	22,525	1,186	23,711	3,670	846	28,227	19,424	
Total salaries and related expenses	<u>368,500</u>	<u>19,395</u>	<u>387,895</u>	<u>60,032</u>	<u>13,853</u>	<u>461,780</u>	<u>318,803</u>	
Archivist expenses	22,189	-	22,189	-	-	22,189	17,431	
Bank and credit card fees	1,700	971	2,671	-	-	2,671	2,213	
Conference expenses	18,279	-	18,279	-	3,226	21,505	22,943	
Depreciation	12,974	-	12,974	-	-	12,974	13,162	
Dues and publications	2,188	-	2,188	-	-	2,188	1,294	
Information technology	142,570	-	142,570	-	-	142,570	21,849	
Insurance	9,098	-	9,098	3,033	-	12,131	11,085	
Marketing and outreach	1,180	-	1,180	-	-	1,180	2,707	
Office lease expense	20,093	-	20,093	2,233	-	22,326	23,217	
Office supplies	15,216	-	15,216	-	-	15,216	5,986	
DPHA	8,978	-	8,978	-	-	8,978	3,122	
Professional fees	342,154	-	342,154	20,679	-	362,833	34,154	
Program support	314,713	-	314,713	10,547	-	325,260	62,502	
Telephone expense	2,657	-	2,657	2,657	-	5,314	1,476	
Travel, training and education	543	-	543	-	-	543	4,485	
Total expenses	<u>\$ 1,283,032</u>	<u>\$ 20,366</u>	<u>\$ 1,303,398</u>	<u>\$ 99,181</u>	<u>\$ 17,079</u>	<u>\$ 1,419,658</u>	<u>\$ 546,429</u>	

See accompanying notes

DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022 WITH COMPARATIVE TOTALS FOR 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,442,085)	\$ 823,067
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	12,974	13,162
Investment return, net	1,285,208	(1,178,197)
Paycheck Protection Program loan forgiveness income	-	(51,565)
Change in current assets and liabilities:		
Increase in accounts receivable	(75,375)	(21,156)
Increase in prepaid expenses	(2,639)	-
Increase in accounts payable	196,646	4,500
Increase in deferred revenue	495,673	-
Net cash provided (used) in operating activities	<u>470,402</u>	<u>(410,189)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Issuance of new student loans	(24,000)	(48,000)
Collections on student loans	21,813	24,386
Purchase of investments	(453,952)	(751,244)
Proceeds from sale of investments	742,100	1,103,335
Net cash provided in investing activities	<u>285,961</u>	<u>328,477</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	-	51,565
Net cash provided in financing activities	<u>-</u>	<u>51,565</u>
 CHANGE IN CASH AND CASH EQUIVALENTS	 756,363	 (30,147)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>38,588</u>	<u>68,735</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 794,951</u>	<u>\$ 38,588</u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid during the year for income taxes	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes

DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

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.

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, 2022

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, 2022

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 and dental 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 for accounts receivable as of December 31, 2022 and 2021 was \$0. Bad debt expense was \$0 for the years ended December 31, 2022 and 2021.

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, 2022

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, 2022

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, 2022

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, 2022 and 2021, the Academy had cost-reimbursable vendor contracts approximating \$1,608,939 and \$59,446, 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 healthcare 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, 2022 and 2021 were \$1,180 and \$2,707, respectively.

Income Tax Status

The Delaware Academy of Medicine, Inc. and its Supporting Organizations are non-profit organizations exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and have been classified as organizations that are not private foundations under Section 509(a)(2) and (3). The Academy is primarily a publicly supported organization and contributions made to the Academy qualify as a deductible charitable contribution under Section 170(b)(1)(A).

DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2021, from which the summarized information was derived.

Reclassifications

A portion of conference income from the financial statements for the year ended December 31, 2021 has been reclassified to program income to conform to the December 31, 2022 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	\$ 794,951
Accounts receivable	115,647
Investments	340,805
	<u>\$ 1,251,403</u>

DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

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:

	2022	2021
Furniture and equipment	\$ 132,512	\$ 132,512
Leasehold improvements	380,194	380,194
Total	512,706	512,706
Less: accumulated depreciation	270,693	257,719
Property and equipment, net	\$ 242,013	\$ 254,987

Depreciation expense during the years ended December 31, 2022 and 2021 was \$12,974 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, 2022

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	<u>2022</u> Fair Market Value	<u>2021</u> Fair Market Value
Delaware Academy of Medicine:		
Money Market Funds	\$ 146,221	\$ 34,960
Equities and Other	1,709,930	2,359,586
Fixed Income	434,828	512,708
Total Investments:	<u><u>\$ 2,290,979</u></u>	<u><u>\$ 2,907,254</u></u>
Investments:		
Without donor restrictions	\$ 340,805	\$ 491,488
With donor restrictions	1,950,174	2,415,766
Total Investments:	<u><u>\$ 2,290,979</u></u>	<u><u>\$ 2,907,254</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.

DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

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	2022 Fair Market Value	2021 Fair Market Value
Carpenter Trust:		
Money Market Funds	\$ 76,294	\$ 85,752
Fixed Income	91,469	104,905
Total Investments:	\$ 167,763	\$ 190,657
Preston Trust:		
Money Market Funds	\$ 274,580	\$ 330,186
Equities and Other	3,502,679	4,216,343
Fixed Income	915,041	1,078,929
REIT	204,087	326,401
Private Equities (NAV)	508,435	387,150
Total Investments:	\$ 5,404,822	\$ 6,339,009

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

	<u>Number of Investments</u>	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
2022					
Private equity funds	5	\$ 281,973	\$ 188,775	Illiquid	None
Real estate funds	4	226,462	447,556	Illiquid	None
		<u>\$ 508,435</u>	<u>\$ 636,331</u>		
2021					
Private equity funds	3	\$ 226,820	\$ 152,831	Illiquid	None
Real estate funds	3	160,330	175,050	Illiquid	None
		<u>\$ 387,150</u>	<u>\$ 327,881</u>		

DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

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.

	2022	2021
Student loans receivable	\$ 366,449	\$ 364,262
Allowance for bad debts	(22,936)	(22,936)
Student loans receivable - net	\$ 343,513	\$ 341,326
Interest income	\$ 6,385	\$ 5,020

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:

	2022	2021
Amounts due to the Trusts from the Academy student loan program:		
Carpenter Trust	\$ 323,308	\$ 312,318
Preston Trust	10,765	11,312
Total due to the Trusts	\$ 334,073	\$ 323,630

DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022 and 2021 were \$282,812 and \$261,583, 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>2022</u>	<u>2021</u>
Fair market value of investments held by the Trusts:		
Carpenter Trust	\$ 167,764	\$ 190,657
Preston Trust	5,404,821	6,339,009
Total supporting organizations	<u>\$ 5,572,585</u>	<u>\$ 6,529,666</u>

NOTE 8 –NET ASSETS

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

	<u>2022</u>	<u>2021</u>
Financial assistance to students in the study of medicine	\$ 942,032	\$ 875,510
Funds for the Lewis B. Flinn Library	486,847	621,466
Capital improvements	1,062,770	1,353,818
APHA journal publications	-	5,000
Hoopes lectures	6,335	3,482
	<u>2,497,984</u>	<u>2,859,276</u>
Carpenter Trust for the benefit of the DE Academy of Medicine	491,072	502,975
Preston Charitable Trust for the Benefit of DE Academy of Medicine	<u>5,415,586</u>	<u>6,350,321</u>
Net assets with donor restrictions	<u>\$ 8,404,642</u>	<u>\$ 9,712,572</u>

DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022:

Distribution from Trust	\$ 282,812
Flinn for seminars	1,000
Library archiving project	11,000
Public health worker project	294,603
ARPA projects	641,977
Other projects	13,312
Other - fees	6,331
	<u>\$ 1,251,035</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.

DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022 or 2021.

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, 2022 and 2021 was \$2,520 and \$3,544, respectively.

DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022 and 2021 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:

	<u>2022</u>	<u>2021</u>
Investment Income		
Dividends reinvested - DE Academy	\$ 16,497	\$ 10,938
Dividends reinvested - Trusts	187,423	60,457
Investment fees	<u>(16,304)</u>	<u>(14,281)</u>
Total investment income, net	187,616	57,114
 Realized Gains (Losses)		
Gains from sale of investments - DE Academy	9,200	92,476
Gains (losses) from sale of investments - Trusts	<u>(1,836)</u>	<u>480,919</u>
Total realized gains	7,364	573,395
 Unrealized Gains		
Changes in market value - DE Academy	(649,893)	296,103
Changes in market value - Trusts	<u>(830,295)</u>	<u>251,585</u>
Total unrealized gains	(1,480,188)	547,688
 Total investment return, net	<u>\$ (1,285,208)</u>	<u>\$ 1,178,197</u>

DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 \$22,326 and \$23,217 for the years ended December 31, 2022 and 2021, respectively.

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

2023	\$	23,770
2024		23,849
2025		23,931
2026		20,012
2027		-
Total	<u>\$</u>	<u>91,562</u>

The Academy has evaluated its leasing arrangements in accordance with FASB ASC 842 and has determined that the recording of a Right of Use asset and an offsetting Lease liability is not material to the consolidated financial statements.

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.

DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 \$900,000 to private equity investments. Approximately \$452,444 of this balance was funded as of December 31, 2022. The remaining commitment is expected to be called down over the next few years.

NOTE 17 – FEDERAL GOVERNMENT FUNDING

The Paycheck Protection Program Loan was forgiven in full by the SBA per notice dated February 4, 2022 and was recognized as revenue in 2021.

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 \$461,420. 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 was extended to October 31, 2023.

Through December 31, 2022, qualifying amounts of \$294,603 had been expended.

DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 17 – FEDERAL GOVERNMENT FUNDING (CONTINUED)

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.

Through December 31, 2022, qualifying amounts of \$641,977 had been expended.

NOTE 18 – SUBSEQUENT EVENTS

The Academy evaluated its December 31, 2022 consolidated financial statements for subsequent events through January 19, 2024, the date the consolidated financial statements were available to be issued.

SINGLE AUDIT REPORTING

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Delaware Academy of Medicine, Inc. & Supporting Organizations (the "Academy"), a nonprofit organization, which comprise the consolidated statement of financial position as of December 31, 2022, 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, and have issued our report thereon dated January 19, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did identify certain deficiencies in internal control that we consider material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants

January 19, 2024
Wilmington, Delaware

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM
GUIDANCE**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Delaware Academy of Medicine, Inc. and Supporting Organizations' (the "Academy's") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Academy's major federal programs for the year ended December 31, 2022. The Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Academy did not comply, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Academy and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Academy's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to each major federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Academy's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Academy's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Academy's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Academy's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

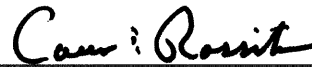
Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, additional material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants

January 19, 2024
Wilmington, Delaware

**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

1	2	3	4	5	6	Expenditures		
Federal Agency	Pass Through Agency	Federal Program Title	CFDA Number	Agency Grant #	Total Grant Amount	Direct Expenditures	Pass Through Expenditures	Total
Department of the Treasury	State of Delaware	COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	SLRFP0139	\$ 2,275,300	\$ 641,977	\$ -	\$ 641,977
National Endowment for the Humanities	Delaware Humanities	Promotion of the Humanities - Federal/ State Partnership	45.129	22ARP1028	11,000	11,000	-	11,000
Department of Health and Human Services	Public Health Management Corporation	National Organizations of State and Local Officials	93.011	8501102202	461,420	294,603	-	294,603
TOTAL FEDERAL AWARDS EXPENDED					<u>\$ 2,747,720</u>	<u>\$ 947,580</u>	<u>\$ -</u>	<u>\$ 947,580</u>

DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2022

NOTE 1—BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the Academy's financial statements. The Academy uses the accrual basis of accounting. Expenditures represent only the federally funded portions of the program.

NOTE 2—PROGRAM COSTS

The amounts shown as current year expenses represent only the federal grant portion of the program costs. Entire program costs, including the Academy's portion, may be more than shown.

NOTE 3—FEDERAL INDIRECT RATE

The Academy used an indirect cost rate of 10%. This rate was reduced by contract to 7.5% for the Department of the Treasury grant.

NOTE —AMOUNTS AWARDED TO SUBRECIPIENTS

The Academy made no subrecipient awards during 2022.

**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiencies identified?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	Yes
Significant deficiencies identified?	No
Type of auditor's report issued on compliance for major programs:	Modified
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. <i>Code of Federal Regulations</i> Part 200, <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i> ?	Yes

Major programs:

21.027	Coronavirus State and Local Fiscal Recovery Funds
93.011	National Organizations of State and Local Officials

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Reference Number : 2022-001
Federal Agency: Department of Health and Human Services
Federal Program: National Organizations of State and Local Officials
CFDA #: 93.011
Award Number and Year: 8501102202 (2022)
Compliance Requirement: Activities Allowed or Unallowed/Cost Principles
Type of Finding: Material Weakness (internal control over compliance)
Questioned Costs \$138,685

Criteria or Specific Requirement

Internal Control

2 CFR Section 200.303(a) states, “a non-Federal entity must establish and maintain effective internal control over Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations and terms and conditions of the Federal award. These internal controls should be in compliance with guidance in Standards for Internal Control in the Federal Government issued by the Comptroller General of the United States or the Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition

The Academy did not identify its DHHS - HRSA grant passed through the Public Health Management Corporation as Federally sourced and subject to 2 CFR Section 200 which dictates allowable and unallowable costs. This resulted in the Academy applying for reimbursement for costs of approximately \$138,685 which were not allowable. \$67,823 was immediately reimbursed.

Cause

Analysis of the contract did not identify that it was Federal funding.

Effect

Expenses including indirect costs were overstated prior to the correction.

Recommendation:

Develop and implement a process for reviewing contracts to identify which ones may be federal money and confirm the appropriate treatment with the funding agency.

Views of Responsible Officials:

The Executive Director will be responsible for identifying potential Federally funded arrangements and consulting with the funding organization to determine whether 2 CFR Section 200 applies.

**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Reference Number : 2022-002
Federal Agency: Department of the Treasury
Federal Program: COVID-19 Coronavirus State and Local Recovery Funds
CFDA #: 21.027
Award Number and Year: ARPA00003 (2022)
Compliance Requirement: Activities Allowed or Unallowed/Cost Principles
Type of Finding: Material Weakness (internal control over compliance)
Questioned Costs: \$36,378

Criteria or Specific Requirement

Internal Control

2 CFR Section 200.303(a) states, “a non-Federal entity must establish and maintain effective internal control over Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations and terms and conditions of the Federal award. These internal controls should be in compliance with guidance in Standards for Internal Control in the Federal Government issued by the Comptroller General of the United States or the Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition

The Academy charged direct payroll costs to the grant. While the costs appeared reasonable and were included in the budget for the grant, not all were supported by specific documentation. While it is logical and likely that the specific costs were incurred in furtherance of the program, we did not note specific documentation supporting that determination. A total of \$36,378 of payroll did not have specific documentation. No adjustment was posted due since it is unlikely the time was charged inappropriately.

Cause

Contemporaneous time reports were not available.

Effect

Expenses were not completely documented.

Recommendation:

Develop and implement a process documenting the use of time on Federal grants.

Views of Responsible Officials:

The Executive Director will be responsible for implementing a process to document that time being charged to Federally funded programs is documented and approved.

**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Reference Number : 2022-003
Federal Agencies: Department of Health and Human Services and Department of the Treasury
Federal Program: National Organizations of State and Local Officials and COVID-19 Coronavirus State and Local Recovery Funds
CFDA #: 93.011 and 21.027
Award Number and Year: 8501102202 (2022) and ARPA00003
Compliance Requirement: Activities Allowed or Unallowed/Cost Principles
Type of Finding: Material Weakness (internal control over compliance)
Question Costs: \$24,384

Criteria or Specific Requirement

Internal Control

2 CFR Section 200.303(a) states, “a non-Federal entity must establish and maintain effective internal control over Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations and terms and conditions of the Federal award. These internal controls should be in compliance with guidance in Standards for Internal Control in the Federal Government issued by the Comptroller General of the United States or the Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition

The Academy did not correctly calculate the allowable amount of overhead charged to each of its major Federal grants. In the case of the ARPA funding, the Academy embedded a 7.5% allowable overhead rate in its contract. The default 10% rate was superseded by this provision. Additionally, in both contracts major vendors and subcontractors were included at their full amount rather than limiting the includable amount to \$25,000 as required by 2 CFR Section 200. This resulted in overcharges of overhead totaling \$24,384.

Cause

Overhead charges to the ARPA contract were not computed in accordance with 2 CFR Section 200.

Effect

Expenses including indirect costs were overstated prior to the correction.

Recommendation:

Develop and implement a specific approved overhead rate through the Department of the Treasury for use in all Federal awards rather than relying on the default 10% rate.

Views of Responsible Officials:

The Executive Director will ensure that 2 CFR Section 200 is followed for overhead application and will pursue an entity-specific rate going forward.