

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

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023  
WITH COMPARATIVE TOTALS FOR 2022  
WITH INDEPENDENT AUDITOR'S REPORTS**

**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS**  
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**DECEMBER 31, 2023**

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*Independent Auditor's Report*

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

***Opinion***

We have audited the accompanying consolidated financial statements of the Delaware Academy of Medicine, Inc. & Supporting Organizations (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2023, 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 consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Delaware Academy of Medicine, Inc. & Supporting Organizations as of December 31, 2023, and the changes in their net assets and their 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 Delaware Academy of Medicine, Inc. & Supporting Organizations 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.

***Prior Period Financial Statements***

The consolidated financial statements of the Delaware Academy of Medicine, Inc. & Supporting Organizations as of December 31, 2022, were audited by other auditors whose report dated January 19, 2024, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

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

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

Management is responsible for the preparation and fair presentation of the 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 Delaware Academy of Medicine, Inc. & Supporting Organization'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 of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government 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 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 Delaware Academy of Medicine, Inc. & Supporting Organizations 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.

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Delaware Academy of Medicine, Inc. & Supporting Organization'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.

### ***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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2024, on our consideration of the Delaware Academy of Medicine, Inc. & Supporting Organization'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 Delaware Academy of Medicine, Inc. & Supporting Organization'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 Delaware Academy of Medicine, Inc. & Supporting Organization's internal control over financial reporting and compliance.

*Belfint, Lyons & Shuman, P.A.*

November 15, 2024  
Wilmington, Delaware

**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2023**  
**(With Comparative Totals for 2022)**

	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 233,218	\$ 794,951
Accounts Receivable	20,380	115,647
Prepaid Expenses	879	9,639
Investments	2,115,146	340,805
<b>TOTAL CURRENT ASSETS</b>	<b>2,369,623</b>	<b>1,261,042</b>
<b>PROPERTY, PLANT, AND EQUIPMENT</b>		
Net of Accumulated Depreciation	230,025	242,013
<b>OTHER ASSETS</b>		
Student Loans Receivable	350,875	343,513
Charitable Trusts - Supporting Organizations	5,996,927	5,572,585
Investments - With Donor Restrictions	2,508,738	1,950,174
<b>TOTAL OTHER ASSETS</b>	<b>8,856,540</b>	<b>7,866,272</b>
<b>TOTAL ASSETS</b>	<b>\$ 11,456,188</b>	<b>\$ 9,369,327</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 129,724	\$ 207,932
Advances on Government Grants	1,977,356	495,673
<b>TOTAL LIABILITIES</b>	<b>2,107,080</b>	<b>703,605</b>
<b>NET ASSETS</b>		
Without Donor-Restrictions		
Operating	197,596	19,067
Property and Equipment, Net	230,025	242,013
	427,621	261,080
With Donor-Restrictions	8,921,487	8,404,642
<b>TOTAL NET ASSETS</b>	<b>9,349,108</b>	<b>8,665,722</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 11,456,188</b>	<b>\$ 9,369,327</b>

The accompanying notes are an integral part of these consolidated financial statements.

**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS**  
**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2023**  
**(With Comparative Totals for 2022)**

			<u>Total</u>	
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023</u>	<u>2022</u>
<b>REVENUES AND OTHER SUPPORT</b>				
Contributions	\$ 20,261	\$ -	\$ 20,261	\$ 175,115
Membership Dues	6,186	-	6,186	2,474
Conference Income	25,725	-	25,725	27,282
Program Service Contracts	60,069	-	60,069	79,727
Contract Support Services	9,600	-	9,600	21,698
Grant Income	-	830,590	830,590	947,580
Sublet Income	2,084	-	2,084	2,520
Student Loan Interest	-	7,520	7,520	6,385
Investment Return; Net	112,957	1,115,836	1,228,793	(1,285,208)
Net Assets Released from Restrictions	1,437,101	(1,437,101)	-	-
	<u>1,673,983</u>	<u>516,845</u>	<u>2,190,828</u>	<u>(22,427)</u>
<b>EXPENSES</b>				
Programs	1,280,682	-	1,280,682	1,303,398
Management and General	202,484	-	202,484	99,181
Fundraising	24,276	-	24,276	17,079
	<u>1,507,442</u>	<u>-</u>	<u>1,507,442</u>	<u>1,419,658</u>
<b>CHANGE IN NET ASSETS</b>	166,541	516,845	683,386	(1,442,085)
<b>NET ASSETS - Beginning of Year</b>	<u>261,080</u>	<u>8,404,642</u>	<u>8,665,722</u>	<u>10,107,807</u>
<b>NET ASSETS - End of Year</b>	<u>\$ 427,621</u>	<u>\$ 8,921,487</u>	<u>\$ 9,349,108</u>	<u>\$ 8,665,722</u>

The accompanying notes are an integral part of these consolidated financial statements.

**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2023**  
**(With Comparative Totals for 2022)**

	<b>2023</b>					<b>2022</b>	
	<b>Program Services</b>						
	<b>Community Education and 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	\$ 395,966	\$ 19,798	\$ 415,764	\$ 64,345	\$ 14,849	\$ 494,958	\$ 386,186
Employee Benefits	53,277	2,664	55,941	8,657	1,998	66,596	47,367
Payroll Taxes	29,081	1,454	30,535	4,725	1,091	36,351	28,227
Total Salaries and Related Expenses	<u>478,324</u>	<u>23,916</u>	<u>502,240</u>	<u>77,727</u>	<u>17,938</u>	<u>597,905</u>	<u>461,780</u>
Archivist Expenses	2,970	-	2,970	-	-	2,970	22,189
Bank and Credit Card Fees	1,999	6	2,005	-	-	2,005	2,671
Conference Expenses	35,918	-	35,918	-	6,338	42,256	21,505
Credit Loss Expense	-	-	-	15,240	-	15,240	-
Depreciation	11,988	-	11,988	-	-	11,988	12,974
Dues and Publications	7,142	-	7,142	-	-	7,142	2,188
Information Technology	109,980	-	109,980	-	-	109,980	142,570
Insurance	22,560	-	22,560	7,520	-	30,080	12,131
Marketing and Outreach	12,302	-	12,302	-	-	12,302	1,180
Office Lease Expense	19,376	-	19,376	2,153	-	21,529	22,326
Office Supplies	18,656	-	18,656	-	-	18,656	15,216
Other Operating Expenses	35,723	-	35,723	80,155	-	115,878	-
DPHA	8,103	-	8,103	-	-	8,103	8,978
Professional Fees	133,626	-	133,626	8,529	-	142,155	362,833
Program Support	339,440	-	339,440	10,498	-	349,938	325,260
Telephone Expense	663	-	663	662	-	1,325	5,314
Travel, Training and Education	17,990	-	17,990	-	-	17,990	543
<b>TOTAL EXPENSES</b>	<u>\$ 1,256,760</u>	<u>\$ 23,922</u>	<u>\$ 1,280,682</u>	<u>\$ 202,484</u>	<u>\$ 24,276</u>	<u>\$ 1,507,442</u>	<u>\$ 1,419,658</u>

The accompanying notes are an integral part of these consolidated financial statements.



**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2023**  
**(With Comparative Totals for 2022)**

	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 683,386	\$ (1,442,085)
Adjustments to Reconcile Change in Net Cash Used in Operating Activities		
Depreciation	11,988	12,974
Credit Loss Expense	15,240	-
Losses (Gains) on Investments	(1,077,469)	1,472,824
Change in Assets and Liabilities		
Accounts Receivable	95,267	(75,375)
Prepaid Expenses	8,760	(2,639)
Accounts Payable	(78,208)	196,646
Advancement on Government Grant	1,481,683	495,673
	<b>1,140,647</b>	<b>658,018</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Issuance of New Student Loans	(85,000)	(24,000)
Collections on Student Loans	62,398	21,813
Purchase of Investments and Investments Held in Charitable Trusts	(3,225,706)	(453,952)
Reinvested Interest and Dividends, Net	(151,324)	(187,616)
Proceeds from Sale of Investments and Investments Held in Charitable Trusts	1,697,252	742,100
	<b>(1,702,380)</b>	<b>98,345</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(561,733)</b>	<b>756,363</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of Year</b>	<b>794,951</b>	<b>38,588</b>
<b>CASH AND CASH EQUIVALENTS - End of Year</b>	<b>\$ 233,218</b>	<b>\$ 794,951</b>

The accompanying notes are an integral part of these consolidated financial statements.

**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 1: ORGANIZATION**

Delaware Academy of Medicine, Inc. & Supporting Organizations (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 and 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.

***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.

The Academy also conducts the following programs:

***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.

***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 CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

**NOTE 1: ORGANIZATION - CONTINUED**

*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.

**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 (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 during consolidation.

*Changes in Accounting Principles* - In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-13, *Financial Instruments - Credit Losses* (Topic 326), which significantly changes how organizations measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through changes in net assets. The most significant change is a shift from the incurred loss model to the expected loss model. Under Topic 326, disclosures are required to provide users of the consolidated financial statements with useful information in analyzing an organization's exposure to credit risk and the measurement of credit losses. Financial assets held by the Academy that are subject to the guidance in Topic 326 were accounts receivable. The Academy adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the consolidated financial statements and primarily resulted in enhanced disclosures only.

*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.

**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

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

***Financial Statement Presentation - Continued***

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 consolidated 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.

***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.

***Allowance for Credit Losses*** - The Academy utilizes a loss rate approach in determining its lifetime expected credited losses on its loans to students. This method is used for calculating an estimate of losses based primarily on the Academy's historical loss experience. In determining its loss rates, The Academy evaluates information related to its historical losses, adjusted for current conditions and further adjusted for the period of time that can be reasonably forecasted. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider all the following: the borrower's creditworthiness, changes in lending policy and procedures, and changes in nature and volume of the loan portfolio and in the terms of loans. The allowance for credit losses was \$22,936 as of December 31, 2023 and 2022. The Academy writes off loan-receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery, in accordance with the Academy's accounting policy election. Credit loss expense for the years ended December 31, 2023 and 2022, totaled \$15,240 and \$0.

***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.

**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

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

*Property and Equipment - Continued*

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
Leashold Improvements	40 Years

Donated property and equipment 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. Contributions of cash that must be used to acquire property and equipment are reported as revenue with donor restrictions.

*Contributions of Nonfinancial Assets* - Contributions of nonfinancial assets are recognized at fair value as revenue on the date of donation and expense at the time the assets are placed into service or distributed. The Academy recognized no contributions of nonfinancial assets during the years ended December 31, 2023 and 2022.

*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.

*Fair Value Hierarchy* - FASB ASC 820-10, *Fair Value Measurements*, 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.

**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

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

*Fair Value Hierarchy - Continued*

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 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 statement 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.

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, 2023 and 2022, the Academy had cost-reimbursable vendor contracts approximating \$1,977,356 and \$1,608,939, 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.

**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

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

***Revenue and Revenue Recognition - Continued***

*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, 2023 and 2022 were \$12,302 and \$1,180, 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).

Currently, the 2020, 2021, and 2022 tax years are open and subject to examination by the IRS. However, the Academy is not currently under audit nor has the Academy been contacted by this jurisdiction. Interest and penalties related to income taxes are included in income tax expense when incurred.

*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 statement 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 in total, but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Academy's consolidated financial statements for the year ended December 31, 2022, from which the summarized information was derived.

**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

**NOTE 3: LIQUIDITY AND AVAILABILITY**

The following reflects financial assets as of the date of the consolidated statements of financial position, reduced by amounts not available for general use because of contractual, board-designated, or donor-imposed restrictions within one year of the consolidated statements of financial position date:

	2023	2022
Financial Assets as of December 31		
Cash and Cash Equivalents	\$ 233,218	\$ 794,951
Investments	4,623,884	2,290,979
Charitable Trusts - Supporting Organizations	5,996,927	5,572,585
Accounts Receivable	20,380	115,647
Student Loans Receivables	350,875	343,513
Total Financial Assets as of December 31	\$ 11,225,284	\$ 9,117,675
Less: Amounts Not Available for General Expenditures Within One Year		
Board - Designated Endowment With Donor Restrictions	\$ 8,505,665	\$ 7,522,759
Donor Restricted - Specified Purpose	415,822	881,883
Assets Whose Use is Limited	1,977,356	495,673
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 326,441	\$ 217,360

**NOTE 4: PROPERTY AND EQUIPMENT**

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

	2023	2022
Furniture and Equipment	\$ 55,291	\$ 132,512
Leasehold Improvements	380,194	380,194
Total	435,485	512,706
Less: Accumulated Depreciation	205,460	270,693
Property and Equipment	\$ 230,025	\$ 242,013



**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

**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.

The following investments are recognized and disclosed at their fair value in the consolidated statement of financial position. The fair 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	2023 Fair Value	2022 Fair Value
Money Market Funds	\$ 1,793,229	\$ 146,221
Equities and Other	2,042,025	1,709,930
Fixed Income	788,630	434,828
Total Investments Measured at Fair Value	\$ 4,623,884	\$ 2,290,979

The following investments are held in the Academy's charitable trusts and are recognized and disclosed at their fair market value in the consolidated statement 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	2023 Fair Value	2022 Fair Value
Money Market Funds	\$ 247,812	\$ 350,874
Equities and Other	4,086,123	3,502,679
Fixed Income	1,005,079	1,006,510
Total Investments Held in Trusts Measured at Fair Value	\$ 5,339,014	\$ 4,860,063

**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

**NOTE 5: INVESTMENTS - CONTINUED**

The following investments are held in the Academy’s charitable trusts and are measured using NAV per share as a practical expedient as of December 31:

	2023			
	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private Equity Funds	\$ 593,037	\$ 214,423	Illiquid	None
Real Estate Funds	1,538	139,816	Illiquid	None
Debt/Fixed Income	63,338	35,369	Illiquid	None
Total	\$ 657,913	\$ 389,608		
	2022			
	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private Equity Funds	\$ 204,087	\$ 188,775	Illiquid	None
Real Estate Funds	508,435	447,556	Illiquid	None
Total	\$ 712,522	\$ 636,331		

**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 credit loss reasonable.

	2023	2022
Student Loans Receivable	\$ 373,811	\$ 366,449
Allowance for Credit Loss	(22,936)	(22,936)
Student Loans Receivable - Net	\$ 350,875	\$ 343,513
Interest Income	\$ 7,520	\$ 6,385

**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

**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 statements of financial position. As of December 31, the Academy owed the Trusts as follows:

	2023	2022
Amounts due to Trusts from the Academy Student Loan Program		
Carpenter Trust	\$ 326,223	\$ 323,308
Preston Trust	10,765	10,765
Total Due to the Trust	\$ 336,988	\$ 334,073

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, 2023 and 2022, were \$243,430 and \$282,812, 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:

	2023	2022
Fair Market Value of Investments Held by the Trust		
Carpenter Trust	\$ 172,233	\$ 167,764
Preston Trust	5,824,694	5,404,821
Total Supporting Organizations	\$ 5,996,927	\$ 5,572,585

**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

**NOTE 8: NET ASSETS**

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

	<u>2023</u>	<u>2022</u>
Financial Assistance to Students in the Study of Medicine	\$ 1,061,646	\$ 942,032
Funds for the Lewis B. Flinn Library	569,909	486,847
Capital Improvement	1,289,855	1,062,770
Hoopes Lectures	<u>3,150</u>	<u>6,335</u>
	<u>2,924,560</u>	<u>2,497,984</u>
Carpenter Trust Investments for the Benefit of the Delaware Academy of Medicine	172,233	491,072
Preston Charitable Trust Investments for the Benefit of Delaware Academy of Medicine	<u>5,824,694</u>	<u>5,415,586</u>
Net Assets with Donor Restrictions	<u>\$ 8,921,487</u>	<u>\$ 8,404,642</u>

**NOTE 9: ENDOWMENT ASSETS**

The Academy receives contributions restricted by donors for scholarships, capital purposes, and long-term operations. Because these contributions are unable to be spent in the near term, the Board of Directors have designated these amounts to function as endowments. These endowments were not created by a donor stipulation requiring investment of the gift in perpetuity or for a specified term.

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Endowments created by a Board of Directors from net assets with donor restrictions are classified with net assets with donor restrictions until the restrictions are met.

The Academy's net asset composition of endowed assets was as follows as of December 31:

	<u>2023</u>	<u>2022</u>
	<u>With Donor Restrictions</u>	<u>With Donor Restrictions</u>
Board-Designated Endowment Funds	<u>\$ 8,505,665</u>	<u>\$ 7,522,759</u>

**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

**NOTE 9: ENDOWMENT ASSETS - CONTINUED**

Changes in endowment net assets for years ended December 31 were as follows:

	<u>2023</u>	<u>2022</u>
	<u>With Donor Restrictions</u>	<u>With Donor Restrictions</u>
Endowment Net Assets - January 1	\$ 7,522,759	\$ 8,945,432
Investment Return, Net	1,115,836	(1,164,995)
Deposits	157,500	66,695
Appropriated for Expenditure	<u>(290,430)</u>	<u>(324,373)</u>
Endowment Net Assets - December 31	<u>\$ 8,505,665</u>	<u>\$ 7,522,759</u>

The Board of Trustees of the Academy has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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.

In accordance with UPMIFA, 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.

**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

**NOTE 9: ENDOWMENT ASSETS - CONTINUED**

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 more than 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, 2023 and 2022, was \$2,084 and \$2,520, respectively.

**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, 2023 and 2022, were \$10,619 and \$9,748, respectively.

**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

**NOTE 12: INVESTMENT INCOME**

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

	<u>2023</u>	<u>2022</u>
Investment Income		
Interest and Dividends Reinvested - DE Academy	\$ 79,847	\$ 16,497
Interest and Dividends Reinvested - Trusts	91,384	187,423
Investment Fees	<u>(19,907)</u>	<u>(16,304)</u>
Total Investment Income, Net	<u>151,324</u>	<u>187,616</u>
Realized Gains (Losses)		
Gains from Sale of Investments - DE Academy	47,431	9,200
Gains (Losses) from Sale of Investments - Trusts	<u>55,381</u>	<u>(1,836)</u>
Total Realized Gains	<u>102,812</u>	<u>7,364</u>
Unrealized Gains (Losses)		
Changes in Fair Value - DE Academy	438,464	(649,893)
Changes in Fair Value - Trusts	<u>536,193</u>	<u>(830,295)</u>
Total Unrealized Gains (Losses)	<u>974,657</u>	<u>(1,480,188)</u>
Total Investment Return, Net	<u>\$ 1,228,793</u>	<u>\$ (1,285,208)</u>

**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 four 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 \$21,529 and \$22,326 for the years ended December 31, 2023 and 2022, respectively.

**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

**NOTE 13: LEASE COMMITMENT - CONTINUED**

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

2024	\$	23,849
2025		23,931
2026		<u>20,012</u>
Total	\$	<u><u>67,792</u></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. Uninsured cash balances as of December 31, 2023, totaled \$14,996.

*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.

*Student Loan Receivables* - The Academy extends credit to medical students from Delaware. Student loan receivable are periodically reviewed by management; and an allowance for credit loss is established.

**NOTE 15: FUNCTIONALIZED EXPENSES**

The consolidated 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.



**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

**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.

**NOTE 17: FEDERAL GOVERNMENT CONTRACTS**

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 disbursed to the Academy through December 31, 2023, was \$3,405,300. The total amount expended by the Academy through December 31, 2023 was \$1,427,914. Any funds received, but not expended, during the performance period must be returned to the State of Delaware. As of December 31, 2023, \$1,977,356 has been recorded as an advancement on government grants on the consolidated statement of financial position.

During the year ended December 2023 the Academy entered into a subaward agreement with the Christian Care Office of Graduate Education (Christiana Care). Under the terms of the agreement, the Academy will subaward \$2,260,000 of its SLFRF grant award to Christiana Care during the period July 1, 2023 through June 30, 2024. Christiana Care will provide quarterly invoices to the Academy who will reimburse these amounts on a cost reimbursement basis. As of December 31, 2023, \$260,863 of the \$2,260,000 has been disbursed to Christiana Care.

**NOTE 18: SUBSEQUENT EVENTS**

The Academy evaluated its December 31, 2023, consolidated financial statements for subsequent events through the date of the independent auditor's report, the date the consolidated financial statements were available to be issued.

**SINGLE AUDIT**



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***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***

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

We have audited, in accordance with the 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 consolidated financial statements of Delaware Academy of Medicine, Inc. & Supporting Organizations (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2023 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 15, 2024.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the consolidated financial statements, we considered Delaware Academy of Medicine, Inc. & Supporting Organizations 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Delaware Academy of Medicine, Inc. & Supporting Organizations internal control. Accordingly, we do not express an opinion on the effectiveness of Delaware Academy of Medicine, Inc. & Supporting Organizations 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.

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

Our consideration of the 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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001, that we consider to be material weaknesses.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Delaware Academy of Medicine, Inc. & Supporting Organizations consolidated 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 determination of financial statements. 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 no 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Belfint, Lyons & Shuman, P.A.*

November 15, 2024  
Wilmington, Delaware



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***Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required By Uniform Guidance***

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

**Report on Compliance for Each Major Federal Program**

***Qualified Opinion***

We have audited Delaware Academy of Medicine, Inc. and Supporting Organizations' 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, 2023. 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.

***Qualified Opinion on COVID-19 Coronavirus State and Local Fiscal Recovery Funds***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion* section of our report, Delaware Academy of Medicine, Inc. and Supporting Organizations complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2023.

***Basis for Qualified Opinion***

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.

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

We are required to be independent of Delaware Academy of Medicine, Inc. and Supporting Organizations 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 Delaware Academy of Medicine, Inc. and Supporting Organizations' compliance with the compliance requirements referred to above.

***Matter Giving Rise to Qualified Opinion on Qualified Opinion on COVID-19 Coronavirus State and Local Fiscal Recovery Funds***

As described in the accompanying schedule of findings and questioned costs, Delaware Academy of Medicine, Inc. and Supporting Organizations did not comply with requirements regarding the COVID-19 Coronavirus State and Local Fiscal Recovery Funds as described in finding number 2023-002.

Compliance with such requirements is necessary, in our opinion, for Delaware Academy of Medicine, Inc. and Supporting Organizations to comply with the requirements applicable to the program.

***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 Delaware Academy of Medicine, Inc. and Supporting Organizations 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 Delaware Academy of Medicine, Inc. and Supporting Organizations compliance with the requirements of each major federal program as a whole.

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

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

#### ***Other Matters***

Government Auditing Standards require the auditor to perform limited procedures on Delaware Academy of Medicine, Inc. and Supporting Organizations' response to noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Delaware Academy of Medicine, Inc. and Supporting Organizations' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

#### ***Report on Internal Control Over Compliance***

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section on the previous page 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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

*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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-002 to be material weaknesses.

*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 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.

Government Auditing Standards requires the auditor to perform limited procedures on Delaware Academy of Medicine, Inc. and Supporting Organizations' response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Delaware Academy of Medicine, Inc. and Supporting Organizations' response was not subjected to the other auditing procedures applied to the audit of compliance and, accordingly, we express no opinion on the response.

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.

*Belfint, Lyons & Shuman, P.A.*

November 15, 2024  
Wilmington, Delaware



**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2023**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Pass Thru- Entity Identifying</b>	<b>Assistance Listing Number</b>	<b>Total Federal Disbursements</b>	<b>Amounts Provided to Subrecipients</b>
<b>U.S. Department of the Health and Human Services</b>				
Public Health Management Corporation	-	93.011	\$ 44,653	\$ -
<b>U.S. Department of Treasury</b>				
State of Delaware				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	-	21.027	<u>785,937</u>	<u>260,863</u>
<b>TOTAL FEDERAL AWARDS</b>			<u><u>\$ 830,590</u></u>	<u><u>\$ 260,863</u></u>

**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**DECEMBER 31, 2023**

**NOTE 1: BASIS OF ACCOUNTING**

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the Delaware Academy of Medicine, Inc. and Supporting Organizations' (Academy) consolidated 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.

**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS**  
**SCHEDULES OF AUDIT FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**I. SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of Auditor's Report Issued:	Unmodified	
Internal Control Over Financial Reporting:		
• Material Weaknesses Identified?	<u>  x  </u> Yes	<u>      </u> No
• Significant Deficiencies Identified that are Not Considered to be Material Weaknesses?	<u>      </u> Yes	<u>  x  </u> None Reported
Noncompliance Material to Financial Statements Noted?	<u>      </u> Yes	<u>  x  </u> No

**Federal Awards**

Internal Control Over Major Programs:		
• Material Weaknesses Identified?	<u>  x  </u> Yes	<u>      </u> No
• Significant Deficiencies Identified that are Not Considered to be Material Weaknesses?	<u>      </u> Yes	<u>  x  </u> None Reported
Type of Auditor's Report Issued on Compliance for Major Programs:	Qualified	
Any Audit Findings Disclosed that are Required to be Reported in Accordance with 2 CFR section 200.516(a)?	<u>  x  </u> Yes	<u>      </u> No

**Identification of Major Programs**

CFDA Number(s) - Name of Federal Program or Cluster  
 21.027 Coronavirus State and Local Fiscal Recovery Funds

Dollar Threshold Used to Distinguish between Type A and

Type B Programs:	\$	750,000
Auditee Qualified as Low-Risk Auditee?	<u>      </u> Yes	<u>  x  </u> No

**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS**  
**SCHEDULES OF AUDIT FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**Reference Number:** 2023-001

**Type of Finding:** Material Weakness (Internal Control over Financial Reporting)

**Condition:** Material audit adjustments were necessary to present the Academy's consolidated financial statements for the year ended December 31, 2023 in accordance with generally accepted accounting principles. These audit adjustments cumulatively increased (decreased) 2023 total assets, liabilities, net assets, revenues, expenses, and change in net assets by \$166,792, \$659,596, \$6,063, \$(215,921), \$282,906, and \$(498,827). Significant causes of the adjustments included failure to properly record investment activity, failure to properly track government contract awards received but not yet earned, failure to account for fixed asset activity within the Academy's financial reporting software, and failure to properly record student financial aid loan activity throughout the year. Additionally, the Academy failed to account for certain investment assets and activity within its financial reporting software during 2023. The Academy did not account for investment assets and activity related to a US Bank Brown Advisory investment account that had a fair value of \$2,875,639 as of December 31, 2023. The Academy also did not account for investments and activity of its two supporting organizations (Carpenter Trust and Daniel J. Preston Trust). These trusts had a combined fair value of \$6,331,000.

Since the Academy's internal control policies and procedures did not prevent, or detect and correct, material misstatements of the consolidated financial statements, we concluded there is a material weakness in the Academy's internal control over financial reporting.

**Criteria:** The Academy's transactions are required to be recorded in their consolidated financial statements in accordance with generally accepted accounting principles (GAAP).

**Cause:** The Academy did not have the expertise internally to analyze complex transactions and ensure all transactions were properly recorded in the consolidated financial statements in accordance with GAAP.

**Effect:** We proposed several material adjustments during our audit of the December 31, 2023, consolidated financial statements.

**Recommendation:** Management should assess the adequacy of the design of its policies and procedures related to the preparation of the consolidated financial statements and design appropriate controls as necessary to rectify inadequacies. Some of the specific areas that need to be addressed include the proper and complete tracking and recording of student loan activity, bank and investment activity, restricted fund activity, and interfund activity.

**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS**  
**SCHEDULES OF AUDIT FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**Reference Number:** 2023-002  
**Federal Agencies:** Department of the Treasury  
**Federal Program** COVID-19 Coronavirus State and Local Fiscal 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)

**Condition:** For the year ended December 31, 2023, the Academy's allowable indirect costs were limited to \$33,237 based on total modified direct costs. Based on results of audit procedures performed, \$97,368 of indirect costs were charged to the grant during the year ended December 31, 2023.

**Criteria:** The Academy embedded a 7.5% allowable overhead rate in its contract. The default 10% rate was superseded by this provision. As a result, the Academy's indirect costs were limited to 7.5% of total modified direct costs. As defined by 2 CFR Section 200, total modified direct costs equal total direct costs less all but \$25,000 of subawards (regardless of the period of performance of the subaward).

**Cause:** The Academy did not properly calculate allowable indirect costs under the grant award during the year ended December 31, 2023.

**Effect:** Amounts charged to the contract exceeded allowable costs by \$64,130.

**Recommendation:** Management should develop procedures to calculate allowable indirect costs under its awards.

**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - UNAUDITED**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**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)

**Condition:** The Academy did not identify its DHHS 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.

**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.

**Current Status:** Refer to Appendix A

**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - UNAUDITED - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

<b>Reference Number:</b>	<b>2022-002</b>
<b>Federal Agency:</b>	<b>Department of the Treasury</b>
<b>Federal Program:</b>	<b>COVID-19 Coronavirus State and Local Recovery Funds</b>
<b>CFDA #:</b>	<b>21.027</b>
<b>Award Number and Year:</b>	<b>ARPA00003 (2022)</b>
<b>Compliance Requirement:</b>	<b>Activities Allowed or Unallowed/Cost Principles</b>
<b>Type of Finding:</b>	<b>Material Weakness (Internal Control over Compliance)</b>

**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.

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

**Current Status:** Refer to Appendix A

**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - UNAUDITED - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

<b>Reference Number:</b>	<b>2022-003</b>
<b>Federal Agencies:</b>	<b>Department of Health and Human Services and Department of the Treasury</b>
<b>Federal Program</b>	<b>National Organizations of State and Local Officials and COVID-19 Coronavirus State and Local Recovery Funds</b>
<b>CFDA #:</b>	<b>93.011 and 21.027</b>
<b>Award Number and Year:</b>	<b>8501102202 (2022) and ARPA00003</b>
<b>Compliance Requirement:</b>	<b>Activities Allowed or Unallowed/Cost Principles</b>
<b>Type of Finding:</b>	<b>Material Weakness (Internal Control over Compliance)</b>

**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.

**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.

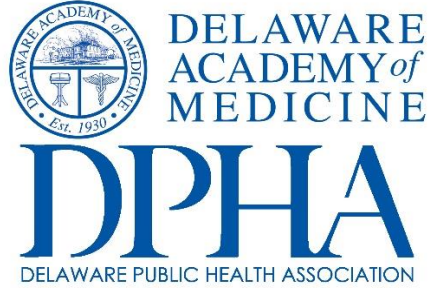
**Current Status:** Refer to Appendix A



**DELAWARE ACADEMY OF MEDICINE, INC. & SUPPORTING ORGANIZATIONS  
CORRECTIVE ACTION PLAN - UNAUDITED  
FOR THE YEAR ENDED DECEMBER 31, 2023**

Refer to Appendix A

Appendix A



**Corrective Action Plan Relating  
Audit of December 31, 2023 Financial Statements**

November 14, 2024

Delaware Academy of Medicine, Inc. and Subsidiaries respectfully submits the following corrective action plan which is responsive to the comments / findings noted in the 2023 audit.

Name and address of independent CPA firm:

Belfint, Lyons, Schuman  
1011 Centre Road, Suite 310  
Wilmington, DE 19805

Audit Period: January 1, 2023 through December 31, 2023

The findings from the December 31, 2023 Schedule of Findings and Questioned Costs are discussed below. The findings are placed consistent with their assigned number for both the financial statement management letter and the Schedule of Findings and Questioned Costs.

**Finding 2023-001: Internal Control over Financial Reporting**

The Academy received government funding in 2023, and it was not correctly accounted for. This has been corrected by marking federal funding as deferred revenue until such time that the Academy has completed the work for which we were paid.

The Academy has not accounted for investment assets and activities related to our Brown Advisory investment account, nor did we account for the investments and activities of our two supporting organizations (Carpenter Trust and Daniel J. Preston Trust). Moving forward, this activity will be accounted for at the end of every month.

Student Financial Aid Amortization calculations are completed upon a student's graduation. Loan repayments begin one year after a student's graduation. These calculations are saved and referred to as the student completes payments. Those payments will be updated monthly in Academy accounting software.

**Finding 2023-002: Application of Overhead to Federal Awards**

The Academy will ensure that only eligible expenses are included in the overhead calculation and that other rules and limitations are adhered to. The Academy increased the overhead rate to 10% default rate after learning of this overhead rule during the 2022 audit (mid-2023).

**Finding 2022-001: Identification of Federal Funding**

In the exploratory phase of applying for a grant, the Executive Director will ascertain whether or not the source of funding is federal. The Executive Director will be assisted in this responsibility by a professional accountant that has been retained from an accounting firm. Where any doubt exists, the funding partner will be contacted to confirm their perspective.

**Finding 2022-002: Documentation of Expenditures of Federal Awards**

Upon learning of this deficiency, formal timesheets were prepared and approved consistent with the payroll cycle, documenting the time spent on Federal grants and on other areas.

**Finding 2022-003: Application of Overhead to Federal Awards**

The Academy submitted a revision to its ARPA agreement allowing it to increase the overhead rate to 10% default rate. This was accepted by the State of Delaware, and we began charging 10% in 2023.

Very truly yours,

DocuSigned by:  
  
CFFF81027653487...  
\_\_\_\_\_  
Executive Director