

DELAWARE ACADEMY OF MEDICINE, INC. AND SUPPORTING ORGANIZATIONS

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

December 31, 2024

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3
FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	6
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS	7
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES	8
STATEMENTS OF CASH FLOWS	9
NOTES TO FINANCIAL STATEMENTS	10
SUPPLEMENTARY INFORMATION – SINGLE AUDIT	
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	27
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	29
SCHEDULE OF CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS EXPENDITURES	33
NOTES TO SCHEDULE OF CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS EXPENDITURES	34
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	35
CORRECTIVE ACTION PLAN	37



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying consolidated financial statements of Delaware Academy of Medicine, Inc. and Supporting Organizations (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2024, 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, except for the effects of the miscellaneous income recorded in the financial statements described in the Basis for Qualified Opinion section of our report, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Delaware Academy of Medicine, Inc. and Supporting Organizations as of December 31, 2024, and the changes in its net assets, functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

As more fully described in Note P to the consolidated financial statements, the Organization has not provided sufficient evidence for the miscellaneous income recorded in the consolidated financial statements. In our opinion, accounting principles generally accepted in the United States of America require that all income be recorded at fair value at the date earned. The effects on the accompanying consolidated financial statements due to the failure to substantiate the miscellaneous income amounts to \$51,160.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Delaware Academy of Medicine, Inc. and 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 qualified audit opinion.

Prior Period Financial Statements

The financial statements of Delaware Academy of Medicine, Inc. and Supporting Organizations as of December 31, 2023 were audited by other auditors whose report dated November 15, 2024, expressed an unmodified opinion on those statements.

To the Board of Directors
Delaware Academy of Medicine, Inc. and 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 Delaware Academy of Medicine, Inc. and Supporting Organizations' 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 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, 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 Delaware Academy of Medicine, Inc. and Supporting Organizations' internal control. 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 Trustees
Delaware Academy of Medicine, Inc. and Supporting Organizations

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Delaware Academy of Medicine, Inc. and Supporting Organizations' 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 procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule 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 March 19, 2026, on our consideration of Delaware Academy of Medicine, Inc. and Supporting Organizations' 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 Delaware Academy of Medicine, Inc. and Supporting Organizations' 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 Delaware Academy of Medicine, Inc. and Supporting Organizations' internal control over financial reporting and compliance.



March 19, 2026
Wilmington, Delaware

DELAWARE ACADEMY OF MEDICINE, INC. AND SUPPORTING ORGANIZATIONS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2024 and 2023

ASSETS

	<u>2024</u>	<u>2023</u>
Current assets		
Cash and cash equivalents	\$ 740,939	\$ 233,216
Accounts and other receivables	-	8,380
Prepaid expenses	-	879
Investments	<u>864,049</u>	<u>2,115,146</u>
Total current assets	1,604,988	2,357,621
Property, plant, and equipment - net	<u>218,037</u>	<u>230,025</u>
Other assets		
Student loans receivable	455,170	369,787
Charitable trusts - supporting organizations	6,242,293	5,996,927
Investments - with donor restrictions	<u>2,800,749</u>	<u>2,508,738</u>
Total other assets	<u>9,498,212</u>	<u>8,875,452</u>
TOTAL ASSETS	<u>\$ 11,321,237</u>	<u>\$ 11,463,098</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued expenses	\$ 78,951	\$ 129,724
Advances on government grants	<u>1,324,351</u>	<u>1,977,356</u>
TOTAL LIABILITIES	<u>1,403,302</u>	<u>2,107,080</u>
NET ASSETS		
Without donor restrictions		
Operating	568,703	204,506
Property and equipment, net	<u>218,037</u>	<u>230,025</u>
	786,740	434,531
With donor restrictions	<u>9,131,195</u>	<u>8,921,487</u>
Total net assets	<u>9,917,935</u>	<u>9,356,018</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,321,237</u>	<u>\$ 11,463,098</u>

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

DELAWARE ACADEMY OF MEDICINE, INC. AND SUPPORTING ORGANIZATIONS
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended December 31, 2024 and 2023

	2024		
	Without Restrictions	With Restrictions	Total
REVENUE AND OTHER SUPPORT			
Contributions	\$ 13,731	\$ 1,250	\$ 14,981
Membership dues	10,216	-	10,216
Conference income	10,929	-	10,929
Program service contracts	86,996	-	86,996
Contract support services	6,500	-	6,500
Grant income	-	2,229,484	2,229,484
Sublet income	2,464	-	2,464
Student loan interest	-	8,466	8,466
Investment return - net	52,674	1,040,946	1,093,620
Student Loans	68,048	-	68,048
Miscellaneous Income	144,404	-	144,404
Net assets released from restrictions	<u>3,070,438</u>	<u>(3,070,438)</u>	<u>-</u>
Total revenues and other support	3,466,400	209,708	3,676,108
OPERATING EXPENSE			
Programs	2,871,072	-	2,871,072
Management and general	219,505	-	219,505
Fundraising	23,613	-	23,613
Total operating expense	<u>3,114,191</u>	<u>-</u>	<u>3,114,191</u>
Change in net assets	352,209	209,708	561,917
Net assets – beginning of year	<u>434,531</u>	<u>8,921,487</u>	<u>9,356,018</u>
Net assets – end of year	<u>\$ 786,740</u>	<u>\$ 9,131,195</u>	<u>\$ 9,917,935</u>

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

2023		
Without Restrictions	With Restrictions	Total
\$ 20,261	\$ -	\$ 20,261
6,186	-	6,186
25,725	-	25,725
60,069	-	60,069
9,600	-	9,600
-	830,590	830,590
2,084	-	2,084
-	7,520	7,520
112,957	1,115,836	1,228,793
<u>1,437,101</u>	<u>(1,437,101)</u>	<u>-</u>
1,673,983	516,845	2,190,828
1,280,682	-	1,280,682
202,484	-	202,484
24,276	-	24,276
<u>1,507,442</u>	<u>-</u>	<u>1,507,442</u>
166,541	516,845	683,386
<u>267,990</u>	<u>8,404,642</u>	<u>8,672,632</u>
<u>\$ 434,531</u>	<u>\$ 8,921,487</u>	<u>\$ 9,356,018</u>

DELAWARE ACADEMY OF MEDICINE, INC. AND SUPPORTING ORGANIZATIONS

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended December 31, 2024 and 2023

	2024					
	Community Education and Resources	Student Financial Aid	Total Programs	Management and General	Fundraising	Total
EXPENSES						
Salaries	\$ 436,443	\$ 22,971	\$ 459,414	\$ 71,100	\$ 16,408	\$ 546,921
Payroll taxes	10,850	571	11,421	1,768	408	13,597
Employee benefits	73,901	3,890	77,791	12,039	2,778	92,608
	<u>521,195</u>	<u>27,431</u>	<u>548,626</u>	<u>84,906</u>	<u>19,594</u>	<u>653,126</u>
Archivist expenses	440	-	440	-	-	440
Bank and credit card fees	1,534	-	1,534	-	-	1,534
Conference expenses	22,210	567	22,777	-	4,020	26,797
Credit loss expenses	-	-	-	-	-	-
Depreciation	11,988	-	11,988	-	-	11,988
Dues and publications	3,378	-	3,378	-	-	3,378
Information technology	103,333	-	103,333	-	-	103,333
Insurance	22,006	-	22,006	7,335	-	29,341
Loan expenses	93,697	-	93,697	-	-	93,697
Marketing and outreach	22,923	-	22,923	-	-	22,923
Office lease expense	24,116	-	24,116	2,680	-	26,795
Office supplies	20,650	-	20,650	-	-	20,650
Other operating expenses	23,692	-	23,692	52,734	-	76,426
DPHA	6,296	-	6,296	-	-	6,296
Professional fees	265,148	-	265,148	16,924	-	282,072
Program support	1,694,728	-	1,694,728	52,414	-	1,747,149
Telephone expenses	2,512	-	2,512	2,512	-	5,023
Travel, training, and education	3,230	-	3,230	-	-	3,230
	<u>\$ 2,843,074</u>	<u>\$ 27,998</u>	<u>\$ 2,871,072</u>	<u>\$ 219,505</u>	<u>\$ 23,613</u>	<u>\$ 3,114,198</u>
Total functional expenses						

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

2023

Program Services						
Community Education and Resources	Student Financial Aid	Total Programs	Management and General	Fundraising	Total	
\$ 395,966	\$ 19,798	\$ 415,764	\$ 64,345	\$ 14,849	\$ 494,956	
53,277	2,664	55,941	8,657	1,998	66,597	
29,081	1,454	30,535	4,725	1,091	36,351	
478,324	23,916	502,240	77,727	17,938	597,904	
2,970	-	2,970	-	-	2,970	
1,999	6	2,005	-	-	2,004	
35,918	-	35,918	-	6,338	42,256	
-	-	-	15,240	-	15,240	
11,988	-	11,988	-	-	11,988	
7,142	-	7,142	-	-	7,142	
109,980	-	109,980	-	-	109,979	
22,560	-	22,560	7,520	-	30,080	
12,302	-	12,302	-	-	12,302	
19,376	-	19,376	2,153	-	21,529	
18,656	-	18,656	-	-	18,657	
35,723	-	35,723	80,155	-	115,879	
8,103	-	8,103	-	-	8,103	
133,626	-	133,626	8,529	-	142,156	
339,440	-	339,440	10,498	-	349,939	
663	-	663	662	-	1,325	
17,990	-	17,990	-	-	17,989	
\$ 1,256,760	\$ 23,922	\$ 1,280,682	\$ 202,484	\$ 24,276	\$ 1,507,442	

DELAWARE ACADEMY OF MEDICINE, INC. AND SUPPORTING ORGANIZATIONS

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 561,917	\$ 683,386
Adjustments to reconcile changes in net assets to net cash provided (utilized) by operating activities		
Depreciation	11,988	11,988
Credit loss expense	-	15,240
Unrealized gains on investments	(580,617)	(1,077,469)
Changes in assets and liabilities		
Accounts and other receivables	8,380	95,267
Prepaid expenses	879	8,760
Accounts payable	50,773	(78,208)
Advancement on government grant	(653,005)	1,481,683
Net cash (utilized) provided by operating activities	<u>(599,685)</u>	<u>1,140,647</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Issuance of new student loans	(85,383)	(85,000)
Collections on student loans	93,849	62,398
Proceeds from sale of investments	815,348	-
Purchase of investments and investments held in charitable trusts	(509,933)	(3,225,706)
Reinvested interest and dividends, net	(181,951)	(151,324)
Proceeds from sale of investments and investments held in charitable trusts	<u>975,478</u>	<u>1,697,252</u>
Net cash provided (utilized) by investing activities	1,107,408	(1,702,380)
Change in cash and cash equivalents	507,723	(561,733)
Cash and cash equivalents – beginning of year	<u>233,216</u>	<u>794,951</u>
Cash and cash equivalents – end of year	<u>\$ 740,939</u>	<u>\$ 233,216</u>

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

DELAWARE ACADEMY OF MEDICINE, INC. AND SUPPORTING ORGANIZATIONS
NOTES TO FINANCIAL STATEMENTS

December 31, 2024 and 2023

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

1. Nature of Activities

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.

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. Nature of Activities Continued

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.

2. 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.

3. Principles of Consolidation

The financial statements of Delaware Academy of Medicine, Inc. have been consolidated with its supporting organizations 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.

4. 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.

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Basis of Presentation

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

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose performing the primary objectives of the Academy. These net assets may be used at the discretion of the Academy's management and board of trustees.

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Academy or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions.

Gains and losses of investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or law.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

6. 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, 2024 and 2023. The Academy writes off loan-receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Allowance for Credit Losses Continued

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, 2024 and 2023, totaled \$ 0 and \$15,240 respectfully.

7. Cash and Cash Equivalents

Cash and cash equivalents consist of all highly liquid investments with an original maturity of three months or less. Money market funds held by the trustee in trust accounts are not considered cash or cash equivalents for financial statement purposes.

8. 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.

9. Use of Estimates

The preparation of 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 financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

10. Property, Plant 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	between 5 and 10 years
Equipment and Improvements	between 5 and 10 years
Leasehold Improvements	40 years

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

11. 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, 2024 and 2023.

12. Fair Value Hierarchy

The Organization adopted ASC-820, *Fair Value Measurements*, which provides the framework for measuring fair value under generally accepted accounting principles in the United States of America. The Organization's investments on the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels – defined by ASC-820 and directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities – are as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Academy has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 – Inputs that are unobservable, including those that are not derived from market data, or which cannot be corroborated by market data. The determination of fair value for investments included in the Level 3 category requires considerable subjectivity and estimation.

13. 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.

14. 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

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. Revenue and Revenue Recognition Continued

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, 2024 and 2023, the Academy had cost-reimbursable vendor contracts approximating \$1,324,351 and \$1,977,356, respectively, for which no amounts had been received in advance or recognized as revenue because qualifying expenditures had not yet been incurred.

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

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

15. Income Taxes

The Academy is exempt from income tax under the provisions of Section 501(c)(3) of the *Internal Revenue Code* and, therefore, has made no provision for federal income taxes in the accompanying financial statements.

The Academy follows ASC 740-10, *Income Taxes*, as it relates to uncertain tax positions. Management has reviewed its current and past federal income tax positions and has determined, based on clear and unambiguous tax law and regulations, that the tax positions taken are certain and that there is no likelihood that a material tax assessment would be made if a respective government agency examined tax returns subject to audit. Accordingly, no provision for the effects of uncertain tax positions has been recorded.

Currently, the 2022, 2023 and 2024 tax years are open and subject to examination by the Internal Revenue Service. However, the Academy is not currently under audit, nor has the Academy been contacted by this federal agency. There was no interest or penalty related to income taxes included in the Academy's financial statements for 2024 and 2023.

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

16. Advertising Expense

Advertising is expensed as incurred. Advertising expense for the years ended December 31, 2024 and 2023 was \$22,923 and \$12,302, respectively.

17. Subsequent Events

The Academy has evaluated subsequent events through March 19, 2026, which is the date the financial statements were available to be issued.

18. 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, 2023, from which the summarized information was derived.

NOTE B – LIQUIDITY AND AVAILABILITY

The following reflects financial assets as of the date of the consolidated statement 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:

	<u>2024</u>	<u>2023</u>
Financial Assets as of December 31		
Cash and cash equivalents	\$ 740,939	\$ 233,216
Investments	3,664,798	4,623,884
Charitable trusts - supporting organizations	6,242,293	5,996,927
Accounts receivable	-	8,380
Student loan receivables	455,170	369,787
Total financial assets available within one year	<u>11,103,200</u>	<u>11,232,194</u>
Less:		
Amounts not available for general expenditures within one year :		
Board - designated endowment with donor restrictions	9,043,042	8,505,665
Donor restricted - specific revenue	88,153	415,822
Assets whose use is limited	<u>1,324,351</u>	<u>1,977,356</u>
Financial assets available to meet general expenditure over the next twelve months	<u>\$ 647,654</u>	<u>\$ 333,351</u>

NOTE C – PROPERTY AND EQUIPMENT

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

	<u>2024</u>	<u>2023</u>
Furniture and equipment	\$ 55,291	\$ 55,291
Leasehold improvements	<u>380,194</u>	<u>380,194</u>
Total	435,485	435,485
Less: accumulated depreciation	<u>(217,448)</u>	<u>(205,460)</u>
Property and equipment	<u><u>\$ 218,037</u></u>	<u><u>\$ 230,025</u></u>

NOTE D – INVESTMENTS

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

	<u>2024</u>	<u>2023</u>
Money market funds	\$ 544,415	\$ 1,793,229
Equities and other	2,348,144	2,042,025
Fixed income	<u>772,239</u>	<u>788,630</u>
Total investments measured at fair value	<u><u>\$ 3,664,798</u></u>	<u><u>\$ 4,623,884</u></u>

The following investments are held in the Academy's charitable trusts and are recognized and disclosed at their fair 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.

NOTE D – INVESTMENTS (CONTINUED)

	2024	2023
Money market funds	\$ 546,636	\$ 247,812
Equities and other	4,719,841	4,086,123
Fixed income	975,816	1,005,079
Total investments measured at fair value	\$ <u>6,242,293</u>	\$ <u>5,339,014</u>

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:

		2024			
		Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds	\$	366,713	\$ 233,287	Illiquid	None
Real estate funds		344,467	155,533	Illiquid	None
Debt/fixed income		77,804	22,196	Illiquid	None
Toal	\$	<u>788,984</u>	<u>\$ 411,016</u>		

		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
Toal	\$	<u>657,913</u>	<u>\$ 389,608</u>		

NOTE E – 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.

NOTE E – STUDENT LOANS CONTINUED

	<u>2024</u>	<u>2023</u>
Student loan receivable	\$ 478,106	\$ 392,723
Allowance for credit loss	<u>(22,936)</u>	<u>(22,936)</u>
Student loans receivable- net	<u>\$ 455,170</u>	<u>\$ 369,787</u>
Interest income	<u>\$ 8,466</u>	<u>\$ 7,520</u>

NOTE F – 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:

	<u>2024</u>	<u>2023</u>
Amount due to trust from the academy student loan program		
Carpenter trust	\$ 354,183	\$ 326,223
Preston trust	<u>10,766</u>	<u>10,766</u>
Total due to the trust	<u>\$ 364,949</u>	<u>\$ 336,989</u>

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, 2024 and 2023, were \$365,176 and \$243,430 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.

NOTE F – SUPPORTING ORGANIZATIONS CONTINUED

The investment value within the Trusts consisted of the following as of December 31:

	<u>2024</u>	<u>2023</u>
Fair market value of investments held by trust		
Carpenter trust	\$ 151,572	\$ 172,233
Preston trust	<u>6,090,721</u>	<u>5,824,694</u>
Total due to the trust	<u>\$ 6,242,293</u>	<u>\$ 5,996,927</u>

NOTE G – NET ASSETS

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

	<u>2024</u>	<u>2023</u>
Financial assistance to students in the study of medicine	\$ 849,550	\$ 1,061,646
Funds for the Lewis B Flinn Library	585,347	569,909
Capital improvements	1,450,725	1,289,855
Hoopes lectures	3,280	3,150
	<u>\$ 2,888,902</u>	<u>\$ 2,924,560</u>
Carpenter trust investments for the benefit of the Delaware Academy of Medicine	151,572	172,233
Preston charitable trust investments for the benefit of the Delaware Academy of Medicine	<u>6,090,721</u>	<u>5,824,694</u>
Net assets with donor restrictions	<u>\$ 9,131,195</u>	<u>\$ 8,921,487</u>

NOTE H – 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.

NOTE H- ENDOWMENT ASSETS (CONTINUED)

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>2024</u>	<u>2023</u>
	With donor restrictions	With donor restrictions
Board designated endowment funds	\$ <u>9,043,042</u>	\$ <u>8,505,665</u>

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

	<u>2024</u>	<u>2023</u>
	With donor restrictions	With donor restrictions
Endowment net assets - January 1	\$ 8,505,665	\$ 7,522,759
Investment return, net	1,002,494	1,115,836
Deposits	(50,000)	157,500
Appropriate for expenditure	<u>(415,117)</u>	<u>(290,430)</u>
Endowment net assets - December 31	\$ <u>9,043,042</u>	\$ <u>8,505,665</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:

NOTE H— ENDOWMENT ASSETS (CONTINUED)

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.

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 I – 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, 2024 and 2023, was \$2,464 and \$2,084, respectively.

NOTE J – 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, 2024 and 2023, were \$6,421 and 10,619, respectively.

NOTE K – 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>2024</u>	<u>2023</u>
Investment income		
Interest and dividends reinvested - DE academy	\$ 111,251	\$ 79,847
Interest and dividends reinvested - trusts	92,333	91,384
Investment fees	<u>(21,633)</u>	<u>(19,907)</u>
Total due to the trust	<u>181,951</u>	<u>151,324</u>
Realized gain		
Gains from sale of investments - DE academy	60,870	47,431
Gains from sale of investments - trusts	<u>270,182</u>	<u>55,381</u>
Total realized gains	<u>331,052</u>	<u>102,812</u>
Unrealized gain		
Changes in fair value - DE academy	239,190	438,464
Changes in fair value - trusts	<u>341,427</u>	<u>536,193</u>
Total unrealized gains	<u>580,617</u>	<u>974,657</u>
Total investment return, net	\$ <u><u>1,093,620</u></u>	\$ <u><u>1,228,793</u></u>

NOTE L – 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 \$26,795 and \$21,529 for the years ended December 31, 2024 and 2023, respectively.

NOTE L – LEASE COMMITMENT (CONTINUED)

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

2025	\$	23,931
2026		<u>20,012</u>
Total	\$	<u><u>43,943</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 M – 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.

NOTE N – 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 O – 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, 2024, was \$5,000,000. The total amount expended by the Academy through December 31, 2024, was \$3,675,649. Any funds received, but not expended, during the performance period must be returned to the State of Delaware. As of December 31, 2024, \$1,324,351 has been recorded as an advancement on government grants on the consolidated statement of financial position.

NOTE O – FEDERAL GOVERNMENT CONTRACTS (CONTINUED)

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 SLRFR 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, 2024, \$1,777,417 of the \$2,260,000 has been disbursed to Christiana Care.

NOTE P – MISCELLANEOUS INCOME AND SUBSTANTIATION

During the fiscal year ended December 31, 2024, the Academy recorded \$51,160 in miscellaneous income. Due to a departmental record-keeping failure, management was unable to provide sufficient documentation to substantiate the source or nature of these receipts.

While management believes the recorded amounts represent valid business transactions, the absence of an adequate audit trail prevents a full verification of this balance. Accordingly, the consolidated financial statements reflect a \$51,160 impact to both Miscellaneous Income and Net Income. The Company has since initiated a review of its internal controls regarding the documentation and classification of non-operating income to ensure future compliance with reporting standards.

NOTE Q – SUBSEQUENT EVENTS

The Academy evaluated its December 31, 2024, 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.

SUPPLEMENTARY INFORMATION - SINGLE AUDIT



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. and 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 financial statements of Delaware Academy of Medicine, Inc. and Supporting Organizations (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2024, 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 March 19, 2026.

Report on Internal Control over Financial Reporting

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-02 that we consider to be material weaknesses.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Delaware Academy of Medicine, Inc. and Supporting Organizations' 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 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2024-01 and 2024-02.

Delaware Academy of Medicine, Inc. and Supporting Organizations' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Delaware Academy of Medicine, Inc. and Supporting Organizations' response to the findings identified in our audit and 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 the financial statements and, accordingly, we express no opinion on the response.

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.



Wilmington, Delaware
March 19, 2026



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Qualified Opinion

We have audited Delaware Academy of Medicine, Inc & 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, 2024. 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 & Supporting Organizations complied, in all material respects, with the compliance requirements referred to above that could have a direct material effect on its major federal program for the year ended December 31, 2024.

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 the Federal Regulations Part 200, Uniform Administrative Requirement, 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 Delaware Academy of Medicine, Inc & 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 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 & Supporting Organizations' compliance with the compliance requirements referred to above.

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

Matter Giving Rise to 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 the requirements regarding the COVID-19 Coronavirus State and Local Fiscal Recovery Funds described in finding number 2024-01 and 2024-02

In our opinion, except for the material noncompliance described in the preceding paragraph, Delaware Academy of Medicine, Inc. and Supporting Organizations complied, in all material respects, with the specified requirements referenced above during the year ended *December 31, 2024*.

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 Delaware Academy of Medicine, Inc. and Supporting Organizations's federal programs.

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

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2024-01 and 2024-02. Our opinion on each major federal program is not modified in respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Delaware Academy of Medicine, Inc & Supporting Organizations response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Delaware Academy of Medicine, Inc & 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.

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 2024-002 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.

Handwritten signature of William Wolfgram in cursive script.

Wilmington, Delaware
March 19, 2026

DELAWARE ACADEMY OF MEDICINE, INC. AND SUPPORTING ORGANIZATIONS

SCHEDULE OF CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS EXPENDITURES

For the Year Ended December 31, 2024

<u>Federal Grantor / Pass-through Grantor Program Title</u>	<u>ALN #</u>	<u>Pass-through Entity (PTE) Name</u>	<u>PTE #</u>	<u>Expenditures *</u>
U.S. Department of the Treasury Coronavirus State and Local Fiscal Recovery Funds	21.027	State of Delaware	N/A	\$ 2,229,484
Total federal expenditures				\$ <u>2,229,484</u>

* No awards were passed through to Subrecipients.

The accompanying notes are an integral part of this schedule.

DELAWARE ACADEMY OF MEDICINE, INC. AND SUPPORTING ORGANIZATIONS
NOTES TO SCHEDULE OF CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY
FUNDS EXPENDITURES

For the Year Ended December 31, 2024

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Coronavirus State and Local Fiscal Recovery Funds Expenditures (The Schedule) includes the federal grant activity of Delaware Academy of Medicine, Inc. and Supporting Organizations under Assistance Listing Number 21.027 for the year ended December 31, 2024. The information in this schedule is presented in accordance with the requirements of the U.S. Department of the Treasury Coronavirus State and Local Fiscal Recovery Funds Compliance Supplement.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Title 2 U.S. Code of Federal Regulations Part 200, Uniform administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C: INDIRECT COST RATE

The Delaware Academy of Medicine, Inc. and Supporting Organizations has elected to use the 10% de minimis indirect cost rate as allowed under the uniform guidance.

DELAWARE ACADEMY OF MEDICINE, INC. AND SUPPORTING ORGANIZATIONS

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2024

Finding No: 2024-01

Type of Finding: Material Weakness (Internal Control over Compliance)

Condition: For the year ended December 31, 2024, the Academy's allowable indirect costs were limited to \$677,264 based on total modified direct costs. Based on results of procedures, \$265,687 of indirect costs were charged to the grant during the year ended December 31, 2024.

Criteria: The Academy correctly embedded a 10% allowable rate in its contract. However, 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, 2024.

Effect: Amounts charged to the contract exceed allowable costs by \$197,961, prior to correction.

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

DELAWARE ACADEMY OF MEDICINE, INC. AND SUPPORTING ORGANIZATIONS
QUESTIONED COSTS

For the Year Ended December 31, 2024

Finding No: 2024-02

Type of Finding: Material Weakness (Internal Control over Compliance)

Condition: Material audit adjustments were necessary to present the Academy's consolidated financial statements for the year ended December 31, 2024 in accordance with generally accepted accounting principles. These audit adjustments cumulatively increased (decreased) 2024 total assets liabilities, net assets, revenues, expenses, and change in net assets by \$9,341,761, (\$717,026), \$10,058,786, \$563,164, \$165,305 and \$397,859, respectfully. Significant causes of adjustments included failure to properly record investment activity, failure to properly track government contract awards but not yet earned, and failure to properly record student financial and loan activity throughout the year. Additionally, the Academy failed to wholly account for certain investment assets and activity related to a US Bank Brown Advisory investment account that had a fair value of the \$3,146,908 as of December 31, 2024. 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 \$6,242,293.

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 in accordance with GAAP.

Effect: We proposed several material adjustments during our audit for the December 31, 2024, 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. develop procedures to calculate allowable indirect costs under its awards.



THE
ACADEMY
ESTD. 1930

Corrective Action Plan

Audit of December 31, 2024 Financial Statements

March 19, 2026

Wheeler Wolfenden and Dwares, CPAs
4550 Linden Hill Road
Suite 201
Wilmington, DE 19808

To Whom it May Concern;

Delaware Academy of Medicine, Inc. and Subsidiaries respectfully submits the following corrective action plan which is responsive to the comments / findings noted in the 2024 audit.

Audit Period: January 1, 2024 through December 31, 2024

The findings from the December 31, 2024 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 2024-01: Internal Control over Compliance

The Academy learned of deficiencies pertaining to allowable indirect costs during the 2024 calendar year, at which time, after consultation with the funder, changes were made to the policies for calculation of indirect costs for the grant.

Finding 2024-02: Internal Control over Compliance

The Academy has not accounted for investment assets and activities related to our Brown Advisory investment account, nor for the investments and activities of our two supporting organizations (Carpenter Trust and Daniel J. Preston Trust). Brown Advisory are the sole trustee of these two trusts, and the Academy is the sole beneficiary. This information and responsibility belongs entirely to Brown Advisory.

We began marking federal funding as deferred revenue in 2024 after being advised during our 2023 audit to do so.

Student Financial Aid Amortization calculations are completed upon a student's graduation, and loan repayment begins one year after a student's graduation. These calculations are saved and referred to as the student completes payments. Those payments are updated monthly in Academy accounting software.

Sincerely,

Katherine Smith, MD, MPH

Executive Director