

# EPISODE 1: IN THE GRASP OF THE GANG \*




\* KEYSTONE KOPS (1914)

16 QUESTIONS TO TEST YOUR KNOWLEDGE OF THE  
MAD-CAPPED FINANCIAL ADVENTURES AT THE AMERICAN  
BOARD OF INTERNAL MEDICINE AND ABIM FOUNDATION





⌘ A CHARLES P. KROLL PRODUCTION (MEMBER AICPA) ⌘  
PROMOTING FINANCIAL REPORTING TRANSPARENCY  
AT HEALTHCARE NOT-FOR-PROFIT ORGANIZATIONS



# ABOUT

BORN IN CHICAGO (SOUTH SIDE)

GREW UP IN CHICAGO HEIGHTS



LOYOLA UNIVERSITY OF CHICAGO  
HEALTHCARE FORENSIC ACCOUNTANT  
PROUD FATHER-RUNNER-DRUMMER



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Pervasive Accounting Smoke and Mirrors



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# QUESTION NO. 1

WHEN WAS THE AMERICAN BOARD OF INTERNAL MEDICINE  
“ADMINISTRATIVELY DISSOLVED” BY THE STATE OF IOWA?

- (A) 1998
- (B) 2004
- (C) 2009
- (D) 2012
- (E) 2013

ANSWER: (C) 2009

**MICHAEL A. MAURO**  
IOWA SECRETARY OF STATE



LUCAS BUILDING, FIRST FLOOR  
DES MOINES, IOWA 50319

No: W00633377  
504RDN-054421

THE AMERICAN BOARD OF INTERNAL MEDICINE  
BRETT J TROUT  
516 WALNUT ST  
DES MOINES, IA 50309

Date: August 7, 2009

### **CERTIFICATE OF ADMINISTRATIVE DISSOLUTION**

The corporation named above is administratively dissolved pursuant to Iowa Code sections 504.1421(1) and 504.1422 effective August 6, 2009 due to failure to file the 2009 Biennial Report as required by Iowa Code section 504.1613.



# QUESTION NO. 2

WAS ABIM FOUNDATION INCORPORATED IN THE STATE OF IOWA IN 1999, AS REPORTED ON FORM 990?

<b>A For the 2012 calendar year, or tax year beginning 07-01-2012 , 2012, and ending 06-30-2013</b>		
<b>B</b> Check if applicable <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	<b>C</b> Name of organization ABIM FOUNDATION	<b>D</b> Employer identification number 23-2585181
	Doing Business As	
	Number and street (or P O box if mail is not delivered to street address) Room/suite 510 WALNUT STREET NO 1700	<b>E</b> Telephone number (215) 446-3500
	City or town, state or country, and ZIP + 4 PHILADELPHIA, PA 191063699	<b>G</b> Gross receipts \$ 74,850,274
	<b>F</b> Name and address of principal officer VINCENT MANDES 510 WALNUT STREET NO 1700 PHILADELPHIA, PA 191063699	<b>H(a)</b> Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>I</b> Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) ( ) ◀ (insert no ) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527		<b>H(b)</b> Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions)
<b>J</b> Website: ▶ WWW.ABIMFOUNDATION.ORG		<b>H(c)</b> Group exemption number ▶
<b>K</b> Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶		<b>L</b> Year of formation 1999 <b>M</b> State of legal domicile IA
<b>Part I Summary</b>		

# ANSWER: NO



## IOWA SECRETARY OF STATE

# Matt Schultz

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[Home](#) » [Search Databases](#) » [Business Entities](#) » [Results](#)

## Business Entities Results

[print](#)

Searched: **ABIM Foundation**

Results 0

Business No.	Name	Status	Type
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Sorry, no results. [Search again](#)

[Screen Help](#)



# QUESTION NO. 3

WHERE AND WHEN WAS ABIM FOUNDATION  
INCORPORATED?

- (A) ILLINOIS 1986
- (B) PENNSYLVANIA 1989
- (C) IOWA 1992
- (D) NEW YORK 1996
- (E) CALIFORNIA 1998

# ANSWER: (B) PENNSYLVANIA 1989



**Corporations**

[Online Services](#) | [Corporations](#) | [Forms](#) | [Contact Corporations](#) | [Business Services](#)

**Business Entity Filing History**  
Date: 8/30/2014 (Select the link above to view the Business Entity's Filing History)

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**Business Name History**

Name	Name Type
ABIM FOUNDATION	Current Name

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**Non-Profit (Non Stock) - Domestic - Information**

Entity Number:	1531129
Status:	Active
Entity Creation Date:	10/17/1989
State of Business.:	PA
Registered Office Address:	510 WALNUT ST STE 1700 PHILADELPHIA PA 19106-3699 Philadelphia



# QUESTION NO. 4

IS A 501(C)(3) NOT-FOR-PROFIT INCORPORATED IN THE STATE OF PENNSYLVANIA REQUIRED TO FILE AUDITED FINANCIAL STATEMENTS WITH THE STATE, AND ARE THE STATEMENTS PUBLIC INFORMATION ?

- (A) YES AND NO
- (B) YES AND YES
- (C) NO AND NO

# ANSWER: (B) YES AND YES

## Pennsylvania

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### Audit Required: Yes

**Statute and Description:** [10 Pa. Cons. Stat. §162.5 \(f\)](#) | A charitable organization with annual contributions of \$300,000 or more must file an audited financial statement prepared by an independent CPA. A charitable organization with annual contributions less than \$300,000 and at least \$100,000 must file a financial statement that is *reviewed* or audited by an independent CPA. A charitable organization with annual contributions less than \$100,000 and at least \$50,000 must have a compilation, review, or audit of its financial statements prepared by an independent CPA.

### Section 162.11. Information filed to become public records

[back to top](#)

Except as otherwise provided in section 12, registration statements and applications, reports, notices, contracts or agreements between charitable organizations and professional fundraising counsel, professional solicitors and commercial coventurers, and all other documents and information required to be filed under this act with the department shall become public records in the office of the bureau and shall be open to the general public at such time and under such conditions as the department may prescribe.

# QUESTION NO. 5

THE JOSHUA MACY, JR FOUNDATION GRANTED \$35,000 TO ABIM FOUNDATION FOR THE “CHOOSING WISELY” CAMPAIGN. WAS THIS REPORTED BY ABIM FOUNDATION?

**Study: Exploration of how to use the Choosing Wisely campaign in medical education**

**Theme:** New Curriculum Content, New Models for Clinical Education

**Institution:** ABIM Foundation


**Grant Type:** President's Grant

**Award Amount:** \$35,000

**Grant Awarded:** June 2012


# ANSWER: NO

NOT ON FISCAL YEAR ENDED JUNE 30, 2012 . . .

		Prior Year	Current Year
Revenue	<b>8</b> Contributions and grants (Part VIII, line 1h) . . . . . 	0	0
	<b>9</b> Program service revenue (Part VIII, line 2g) . . . . .	0	0
	<b>10</b> Investment income (Part VIII, column (A), lines 3, 4, and 7d )	2,701,879	2,323,085
	<b>11</b> Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	84,921	80,840
	<b>12</b> Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12) . . . . .	2,786,800	2,403,925

. . . OR FISCAL YEAR 2013 (\$2,500,000



		Prior Year	Current Year
Revenue	<b>8</b> Contributions and grants (Part VIII, line 1h) . . . . . 	0	2,500,000
	<b>9</b> Program service revenue (Part VIII, line 2g) . . . . .	0	0
	<b>10</b> Investment income (Part VIII, column (A), lines 3, 4, and 7d )	2,323,085	20,023,858
	<b>11</b> Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	80,840	101,357
	<b>12</b> Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12) . . . . .	2,403,925	22,625,215





# QUESTION NO. 6

HOW MUCH DID THE AMERICAN BOARD OF INTERNAL  
MEDICINE GRANT IN CASH IN TOTAL TO ABIM  
FOUNDATION IN FISCAL YEARS 2007 AND 2008?

- (A) \$2,300,000
- (B) \$6,000,000
- (C) \$7,000,000
- (D) \$13,000,000

# ANSWER: (D) \$ 13,000,000

## TY 2006 Cash Grants Paid Schedule

**Name:** The AMERICAN BOARD OF INTERNAL MEDICINE

**EIN:** 39-0866228

Class of Activity	Recipient's name	Address	Amount	Relationship
	ABIM FOUNDATION	510 WALNUT STREET SUITE 1700 Philadelphia, PA 19106	7,000,000	AFFILIATE

## TY 2007 Cash Grants Paid Schedule

**Name:** The American Board of Internal Medicine

**EIN:** 39-0866228

Class of Activity	Recipient's name	Address	Amount	Relationship
Funding for various research projects	ABIM FOUNDATION	510 WALNUT STREET SUITE 1700 Philadelphia, PA 19106	6,000,000	AFFILIATE

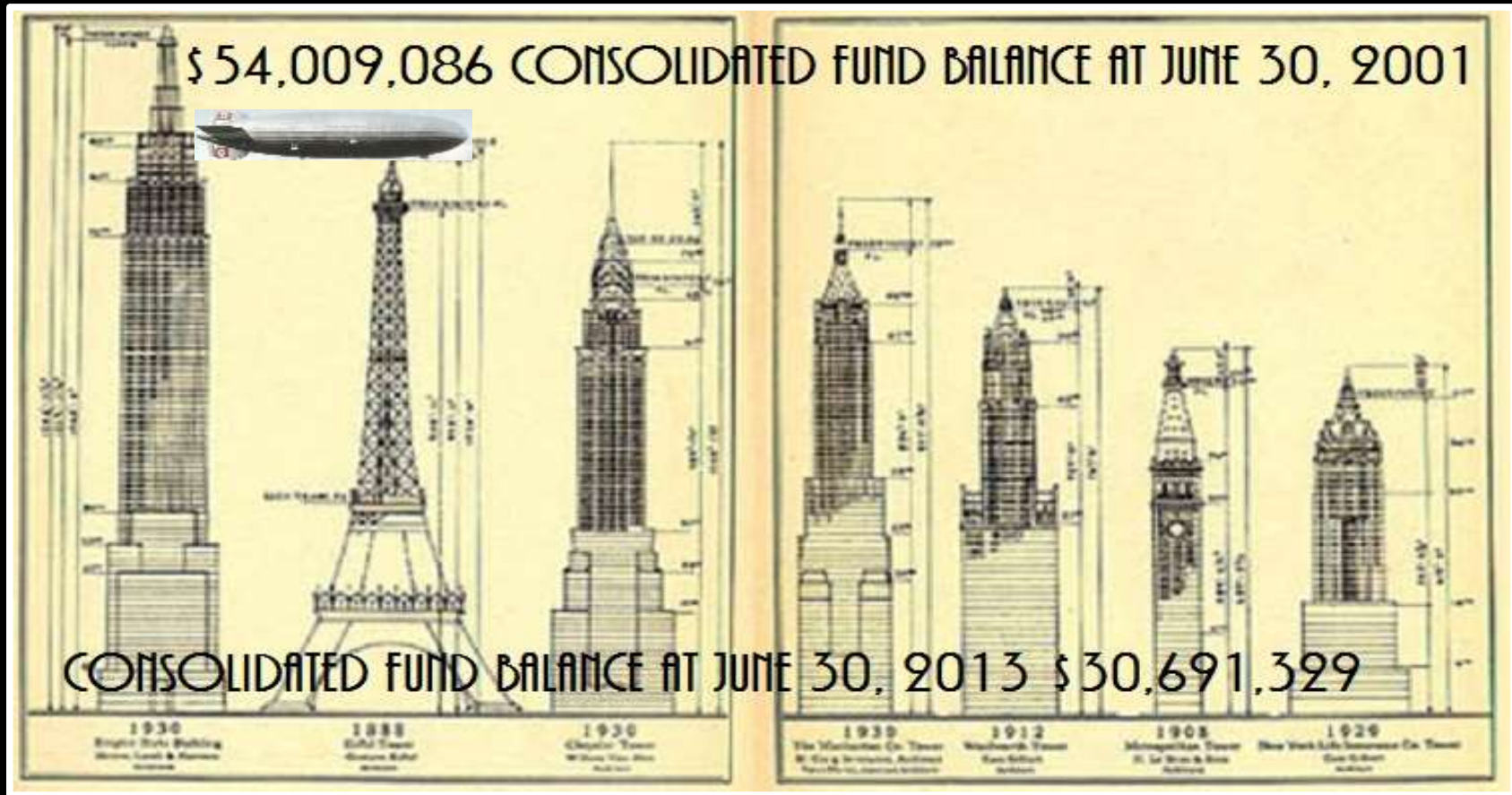
\$ 1,600,000 IN FY 02, \$ 1,000,000 IN FY 03, \$ 1,760,000 IN FY 04

# QUESTION NO. 7

WAS ABIM AND ABIM FOUNDATION IN A SLOW MOTION  
FINANCIAL DEATH SPIRAL PRIOR TO 2014?



ANSWER: FUND BALANCE ↓ 43.2%\*



\* S&P 500 ↑ 37.07% PER FINANCE.YAHOO.COM



“

... OH, THE

HUMANITY! WHAT TO

DO? ...”



ALL NEW VAUDEVILLE ACT!

“MAINTENANCE OF CERTIFICATION!”





# QUESTION NO. 8

WHAT WAS THE PRICE OF A 2,579 S.F. 3 BEDROOM LUXURY CONDOMINIUM PURCHASED IN CASH BY ABIM FOUNDATION IN PHILADELPHIA IN DECEMBER 2007?

- (A) \$750,000
- (B) \$1,250,000
- (C) \$1,750,000
- (D) \$2,300,000

ANSWER: (D) \$2,300,000 \*



UPDATE: CONDOMINIUM PUT ON THE  
MARKET DECEMBER 12<sup>TH</sup> FOR \$1,975,000

\* UNIT 11 NW ~ THE AYER (1929)





# QUESTION NO. 9

WHAT IS THE MARKET VALUE OF THE CONDOMINIUM AS REPORTED BY CITY-DATA.COM (01/2013)?

- (A) \$3,000,000, \$700,000 UNREALIZED GAIN
- (B) \$2,500,000, \$200,000 UNREALIZED GAIN
- (C) \$1,800,000, \$500,000 UNREALIZED LOSS
- (D) \$1,437,900, \$862,100 UNREALIZED LOSS

ANSWER: (D) \$ 1,437,900

210 W Washington Square #11NW

[Philadelphia, PA 19106](#)

 [Find on map >>](#)

 [Show street view](#)

Owner: **ABIM FOUNDATION**

Assessed land value: \$143,790 (it was \$4,806 in 2009)

Assessed building value: \$200,172 (it was \$45,210 in 2009)

Total assessed value for property: \$343,962 (it was \$50,016 in 2009)

Market value: \$1,437,900

Date of last market value change: 01/2013

Sale price: \$2,300,000

Date the deed was transferred: 12/27/2007





# QUESTION NO. 10

HOW MUCH HAS ABIM FOUNDATION REPORTED IN  
“CONDOMINIUM EXPENSES” SINCE THE PURCHASE IN  
DECEMBER 2007 THROUGH JUNE 30, 2013?

- (A) \$ 250,000
- (B) \$ 500,000
- (C) \$ 750,000
- (D) \$ 850,340

ANSWER: (D) \$850,340

FY 2008	\$42,522
FY 2009	\$164,460 *
FY 2010	\$161,957 *
FY 2011	\$165,982 *
FY 2012	\$161,980 *
FY 2013	\$153,439 *

\* REPORTED AS "PROGRAM SERVICE EXPENSES" (INCLUDES DEPRECIATION EXPENSE)

# INTERMISSION

“CHOOSING WISELY TAKES AIM AT WASTE”





# QUESTION NO. 11

ABIM FOUNDATION INVESTED EXCLUSIVELY IN PUBLICLY TRADED INVESTMENT SECURITIES FOR THE 11 YEARS ENDING JUNE 30, 2012. HOW MUCH WAS REPORTED IN NON-PUBLICLY TRADED SECURITIES AS OF JUNE 30, 2013

- (A) \$220,790
- (B) \$2,207,907
- (C) \$22,079,077

# ANSWER: (C) \$22,079,077

<b>11</b>	Investments—publicly traded securities . . . . .	67,661,279	<b>11</b>	50,552,500
<b>12</b>	Investments—other securities See Part IV, line 11 . . . . .		<b>12</b>	22,079,077
<b>13</b>	Investments—program-related See Part IV, line 11 . . . . .		<b>13</b>	
<b>14</b>	Intangible assets . . . . .		<b>14</b>	



Schedule D (Form 990) 2012 Page **3**

**Part VII Investments—Other Securities.** See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A) TIFF KEYSTONE FUND, LP	22,079,077	F



**6. Federal Exemption(s) and Exclusion(s) Claimed (select all that apply)**

- |  |   |   |
|--|---|---|
| <input type="checkbox"/> Rule 504(b)(1) (not (i), (ii) or (iii)) | <input checked="" type="checkbox"/> Investment Company Act Section 3(c) |   |
| <input type="checkbox"/> Rule 504 (b)(1)(i)                      | <input type="checkbox"/> Section 3(c)(1)                                | <input type="checkbox"/> Section 3(c)(9)  |
| <input type="checkbox"/> Rule 504 (b)(1)(ii)                     | <input type="checkbox"/> Section 3(c)(2)                                | <input type="checkbox"/> Section 3(c)(10) |
| <input type="checkbox"/> Rule 504 (b)(1)(iii)                    | <input type="checkbox"/> Section 3(c)(3)                                | <input type="checkbox"/> Section 3(c)(11) |
| <input type="checkbox"/> Rule 505                                | <input type="checkbox"/> Section 3(c)(4)                                | <input type="checkbox"/> Section 3(c)(12) |
| <input checked="" type="checkbox"/> Rule 506(b)                  | <input type="checkbox"/> Section 3(c)(5)                                | <input type="checkbox"/> Section 3(c)(13) |
| <input type="checkbox"/> Rule 506(c)                             | <input type="checkbox"/> Section 3(c)(6)                                | <input type="checkbox"/> Section 3(c)(14) |
| <input type="checkbox"/> Securities Act Section 4(a)(5)          | <input checked="" type="checkbox"/> Section 3(c)(7)                     |   |





# QUESTION NO. 12

WHAT DID ABIM FOUNDATION AND THE AMERICAN BOARD OF INTERNAL MEDICINE REPORT AS NET UNREALIZED LOSSES ON INVESTMENTS IN FY 2013

- (A) NET UNREALIZED LOSSES OF \$ 2,500,000
- (B) NET UNREALIZED LOSSES OF \$ 7,500,000
- (C) NET UNREALIZED LOSSES OF \$ 10,000,000
- (D) NET UNREALIZED LOSSES OF \$ 12,531,552



ANSWER: (D) ↓ \$12,531,552 \*

ABIM FOUNDATION NET UNREALIZED LOSSES \$12,436,662

5	Net unrealized gains (losses) on investments . . . . .		5	-12,436,662
6	Donated services and use of facilities . . . . .		6	
7	Investment expenses . . . . .		7	

AMER BD OF INT MED NET UNREALIZED LOSSES OF \$94,890

5	Net unrealized gains (losses) on investments . . . . .		5	-94,890
6	Donated services and use of facilities . . . . .		6	
7	Investment expenses . . . . .		7	

\* S&P 500 ↑ 18.56% PER FINANCE.YAHOO.COM



# QUESTION NO. 13

HOW MUCH VALUE, AS DEFINED BY NET ASSETS, DID THE AMERICAN BOARD OF INTERNAL MEDICINE DECREASE UNDER FORMER PRESIDENT CHRISTINE K. CASSEL?

- (A) DECREASED \$ 15,000,000
- (B) DECREASED \$ 20,000,000
- (C) DECREASED \$ 25,000,000
- (D) DECREASED \$ 32,220,063

ANSWER: (D) ↓ \$32,220,063 \*

NEGATIVE NET ASSETS AS OF JUNE 30, 2003 (\$10,930,327)

Net Assets	18	Expense or (deficit) for the year (subtract line 17 from line 12)	18	188,132.
	19	Net assets or fund balances at beginning of year (from line 73, column (A))	19	<10,762,954.>
	20	Other changes in net assets or fund balances (attach explanation) SEE STATEMENT 2	20	<355,505.>
	21	Net assets or fund balances at end of year (combine lines 18, 19, and 20)	21	<10,930,327.>

223001 01 22-03 LHA For Paperwork Reduction Act Notice, see the separate instructions Form 990 (2002)

NEGATIVE NET ASSETS AS OF JUNE 30, 2013 (\$43,150,390)

Net Assets or Fund Balances		Beginning of Current Year	End of Year
		20	Total assets (Part X, line 16)
21	Total liabilities (Part X, line 26)	86,965,563	83,581,151
22	Net assets or fund balances Subtract line 21 from line 20	-45,394,162	-43,150,390

**Part II Signature Block**  
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete Declaration of preparer (other than officer) is based on all information of which

\* S&P 500 ↑ 65.56% PER FINANCE.YAHOO.COM



# QUESTION NO. 14

HOW MUCH TOTAL COMPENSATION WAS PAID BY THE AMERICAN BOARD OF INTERNAL MEDICINE AND ABIM FOUNDATION TO FORMER PRESIDENT CHRISTINE K. CASSEL FROM FY 2004 TO FY 2013?

- (A) \$2,500,000
- (B) \$5,000,000
- (C) \$7,249,143



ANSWER: (C) \$7,249,143

FY 2004 \$580,377

FY 2005 \$593,014

FY 2006 \$653,922

FY 2007 \$646,510

FY 2008 \$627,472

FY 2009 \$865,451

FY 2010 \$862,191

FY 2011 \$794,852

FY 2012 \$786,751

FY 2013 \$838,603



# QUESTION NO. 15

ON A CONSOLIDATED BASIS, HOW MUCH MONEY HAS THE AMERICAN BOARD OF INTERNAL MEDICINE AND ABIM FOUNDATION LOST ON “PROGRAM SERVICES”, AS IRS-DEFINED, IN THE 5 YEARS ENDING JUNE 30, 2013?

- (A) NO LOSSES: PROFITABLE ON \$218.8M IN REVENUE
- (B) LOSSES OF \$39,786,466

ANSWER: (B) \$39,786,466

CONSOLIDATED PROGRAM SERVICE REVENUE MINUS PROGRAM  
SERVICE EXPENSES FOR THE FIVE YEARS ENDING JUNE 30, 2013

FY 2009	LOSSES OF \$11,152,975
FY 2010	LOSSES OF \$10,277,735
FY 2011	LOSSES OF \$7,737,571
FY 2012	LOSSES OF \$6,270,364
FY 2013	LOSSES OF \$4,347,821

# QUESTION NO. 16

IN THE 5 YEARS ENDING JUNE 30, 2013, HOW DID ABIM AND THE FOUNDATION MAKE PAYROLL OF \$125,723,269 WITH PROGRAM SERVICE LOSSES OF \$39,786,466?





# ANSWER: DEFERRED REVENUE

Liabilities	17	Accounts payable and accrued expenses . . . . .	5,646,759	17	5,255,379
	18	Grants payable . . . . .		18	
	19	Deferred revenue . . . . .	77,937,092	19	74,086,713
	20	Tax-exempt bond liabilities . . . . .		20	
	21	Escrow or custodial account liability Complete Part IV of Schedule D . . .		21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L . . . . .		22	
	23	Secured mortgages and notes payable to unrelated third parties . . .		23	
	24	Unsecured notes and loans payable to unrelated third parties . . . . .		24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D . . . . .	3,381,712	25	4,239,059
	26	<b>Total liabilities.</b> Add lines 17 through 25 . . . . .	86,965,563	26	83,581,151

COMING SOON IN EPISODE 2 . . . .

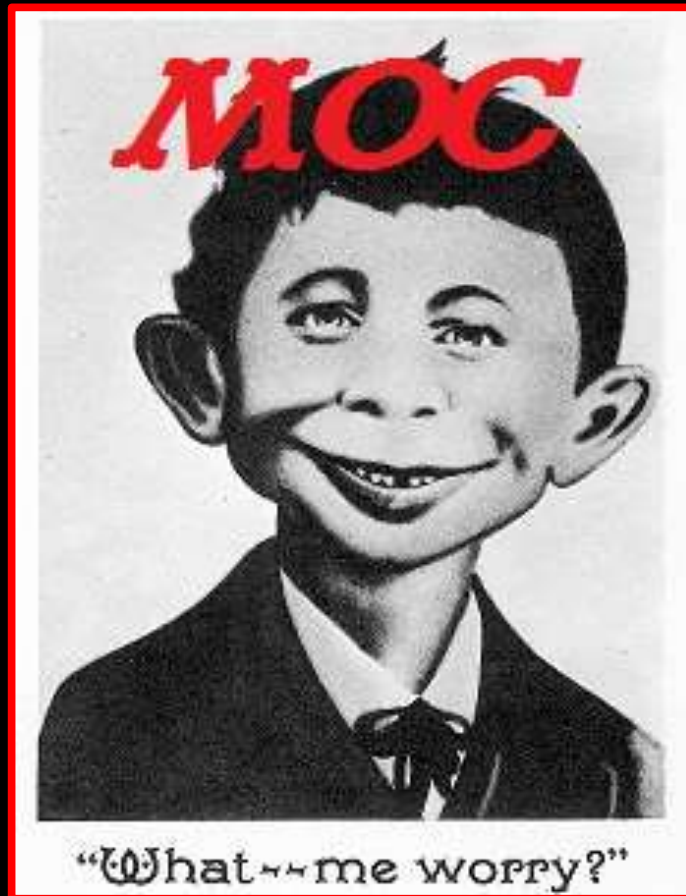
# \* Episode 2: Exposed

Everything you always  
wanted to know about  
deferred revenue\*

\* SEE HOW THIS ONE WEIRD ACCOUNTING TRICK ALLOWED THE AMERICAN BOARD OF INTERNAL MEDICINE TO RACK UP TENS OF MILLIONS OF DOLLARS IN PROGRAM SERVICE LOSSES, MAKE PAYROLL, PAY BILLS AND NOT GO BANKRUPT.

AT FIRST YOU'LL BE INTRIGUED. THEN YOU'LL BE OUTRAGED.

# “ETHICS AND NONPROFITS”



STANFORD SOCIAL INNOVATION REVIEW



# NON-PROFITS & SARBANES OXLEY



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. . . FOR HEALTHCARE NOT-FOR-PROFIT TRANSPARENCY

# The End



❧ A CHARLES P. KROLL PRODUCTION (MEMBER AICPA) ❧  
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