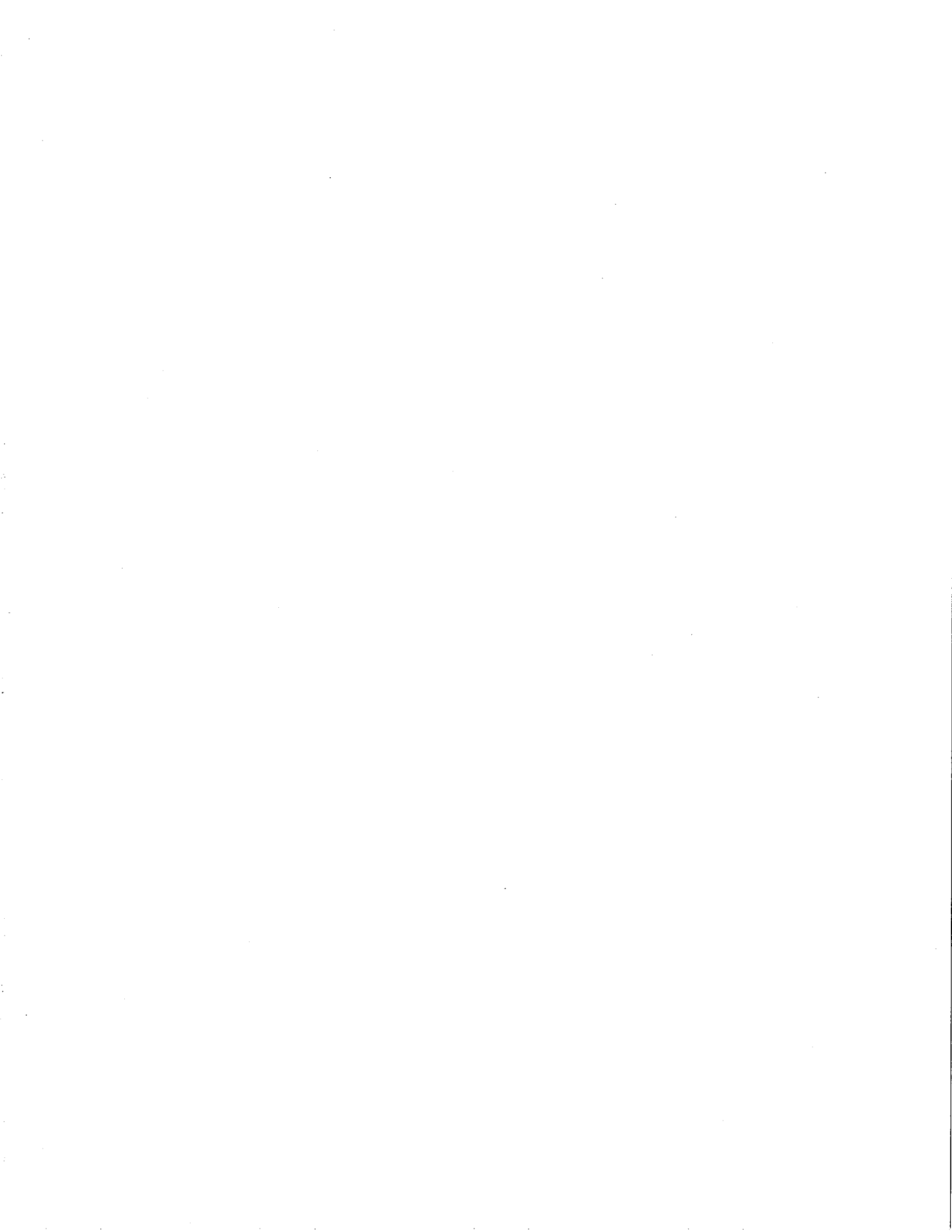


Financial Statements
Years Ended
June 30, 2007 and 2006



BECAUSE WHAT WE DO MATTERS | SINCE 1996



Patient Advocate Foundation

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Report of Independent Auditors

Certified Public Accountants
Specialized Services
Business Solutions

Board of Directors
Patient Advocate Foundation

We have audited the accompanying statements of financial position of *Patient Advocate Foundation* (a nonprofit organization) as of June 30, 2007 and 2006, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of *Patient Advocate Foundation's* management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of *Patient Advocate Foundation* as of June 30, 2007 and 2006, and the change in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2007, on our consideration of *Patient Advocate Foundation's* internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of *Patient Advocate Foundation* taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Goodman & Company P.C.A.

Newport News, Virginia
September 5, 2007

Fountain Plaza One, 701 Town Center Drive, Suite 700
Newport News, VA 23606-4295
ph: 757.873.1033
fax: 757.873.1106
www.goodmanco.com

Patient Advocate Foundation

Statements of Financial Position

June 30,	2007	2006
Assets		
Current assets		
General operating cash and cash equivalents	\$ 3,772,793	\$ 2,062,002
Restricted CPR cash and cash equivalents	18,431,332	11,996,924
Unconditional promises to give	52,000	13,000
Interest receivable	73,146	38,553
Employee receivable	409	498
Due from NPAF	97	110
Inventories	47,128	42,235
Prepaid expenses	41,874	39,841
Investments	1,740,435	1,729,082
Total current assets	24,159,214	15,922,245
Property and equipment - net	472,642	267,313
Other assets		
Refundable deposits	11,402	11,402
	\$ 24,643,258	\$ 16,200,960
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 301,821	\$ 232,997
Deferred revenue	2,322,498	1,349,167
Accrued vacation leave	113,905	88,930
Total liabilities	2,738,224	1,671,094
Net assets		
Unrestricted	1,593,140	712,913
Temporarily restricted	18,431,332	11,996,924
Permanently restricted	1,880,562	1,820,029
Total net assets	21,905,034	14,529,866
	\$ 24,643,258	\$ 16,200,960

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

Patient Advocate Foundation
Statements of Activities

Years Ended June 30,	2007			2006				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support								
Contributions								
Grants	\$6,439,873	\$16,421,111	\$ -	\$ 22,860,984	\$4,307,317	\$12,866,667	\$ -	\$17,173,984
Private and public donations	29,559	-	-	29,559	31,556	-	-	31,556
Donated services and materials	147,739	-	-	147,739	126,395	-	-	126,395
Patient Congress	186,537	-	-	186,537	199,390	-	-	199,390
Promise of Hope	203,840	-	-	203,840	146,388	-	-	146,388
Special events	152,073	-	-	152,073	59,011	-	-	59,011
Investment income (loss)	953,827	-	60,533	1,014,360	416,178	-	(39,642)	376,536
Net assets released from restrictions	9,986,703	(9,986,703)	-	-	5,827,598	(5,827,598)	-	-
Total revenues, gains and other support	18,100,151	6,434,408	60,533	24,595,092	11,113,833	7,039,069	(39,642)	18,113,260
Expenses								
Program services								
Patient services	3,533,363	-	-	3,533,363	2,523,380	-	-	2,523,380
Co-Pay Relief	12,235,123	-	-	12,235,123	7,461,400	-	-	7,461,400
Patient Congress	346,537	-	-	346,537	338,037	-	-	338,037
Scholarships	80,217	-	-	80,217	75,248	-	-	75,248
Supporting services:								
Management and general	681,392	-	-	681,392	576,354	-	-	576,354
Fundraising	343,293	-	-	343,293	149,902	-	-	149,902
Total expenses	17,219,924	-	-	17,219,924	11,124,320	-	-	11,124,320
Change in net assets	880,227	6,434,408	60,533	7,375,168	(10,487)	7,039,069	(39,642)	6,988,940
Net assets - beginning of year	712,913	11,996,924	1,820,029	14,529,866	723,400	4,957,855	1,859,671	7,540,926
Net assets - end of year	\$1,593,140	\$18,431,332	\$ 1,880,562	\$ 21,905,034	\$ 712,913	\$11,996,924	\$ 1,820,029	\$14,529,866

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

Patient Advocate Foundation
Statement of Functional Expenses

	Program Services						Supporting Services		
	Patient/ Educational Services	Co-Pay Relief	Patient Congress	Scholarships	Total Program Expenses	Management and General	Fundraising	Supporting Services	Total Functional Expenses
Salaries and related expenses									
Salaries	\$ 1,874,814	\$ 1,300,891	\$ 38,262	\$ 38,262	\$ 3,252,228	\$ 344,354	\$ 229,569	\$ 573,923	\$ 3,826,150
Payroll taxes	135,872	94,279	2,773	2,773	235,697	24,956	16,637	41,594	277,290
Employee insurance	111,873	77,626	2,283	2,283	194,066	20,548	13,699	34,247	228,313
Employee retirement	30,132	20,908	615	615	52,269	5,534	3,690	9,224	61,493
Total salaries and related expenses	2,152,691	1,493,704	43,932	43,932	3,734,259	395,392	263,595	658,987	4,393,246
Accounting fees	-	-	-	-	-	30,209	-	30,209	30,209
Colorectal CareLine payments	29,839	-	-	-	29,839	-	-	-	29,839
Conferences, conventions and meetings	57,065	9,511	126,019	-	192,595	-	45,177	45,177	237,772
Consultants	368	32,367	4,046	-	36,781	-	-	-	36,781
Co-Pay Relief payments	-	9,927,456	-	-	9,927,456	-	-	-	9,927,456
Depreciation	-	-	-	-	-	71,688	-	71,688	71,688
Donations	-	-	-	-	-	7,055	-	7,055	7,055
Equipment rental and maintenance	123,862	15,679	-	-	139,540	17,247	-	17,247	156,787
Hurricane Relief payments	29,408	-	-	-	29,408	-	-	-	29,408
Insurance	15,712	8,010	-	-	23,722	5,545	1,540	7,086	30,808
Legal fees	38,975	19,196	-	-	58,171	-	-	-	58,171
Marketing	39,780	82,127	-	-	121,908	5,133	1,283	6,416	128,324
Occupancy	117,489	56,569	-	-	174,058	41,339	2,176	43,515	217,573
Penalties and finance charges	-	-	-	-	-	4,256	-	4,256	4,256
Postage and shipping	66,464	54,905	1,445	1,445	124,258	17,338	2,890	20,228	144,486
Printing and publications	93,685	26,297	24,654	-	144,636	8,218	11,505	19,723	164,359
Professional fees - NPAF	380,000	380,000	-	-	760,000	-	-	-	760,000
Recruiting	-	-	-	-	-	23,527	-	23,527	23,527
Scholarships	-	-	-	33,000	33,000	-	-	-	33,000
Staff meeting and incentives	35,965	33,396	-	-	69,360	16,270	-	16,270	85,630
Supplies	73,688	22,427	1,068	-	97,183	5,340	4,272	9,611	106,794
Telephone	84,604	69,890	1,839	1,839	158,173	22,071	3,678	25,749	183,922
Travel	193,770	3,588	143,533	-	340,891	10,765	7,177	17,942	358,833
Total functional expenses	\$ 3,533,363	\$ 12,235,123	\$ 346,537	\$ 80,217	\$ 16,195,239	\$ 681,392	\$ 343,293	\$ 1,024,685	\$ 17,219,924

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

Patient Advocate Foundation

Statement of Functional Expenses

	Program Services					Supporting Services			
	Patient/ Educational Services	Co-Pay Relief	Patient Congress	Scholarships	Total Program Expenses	Management and General	Fundraising	Supporting Services	Total Functional Expenses
Salaries and related expenses									
Salaries	\$ 1,315,520	\$ 1,086,734	\$ 28,598	\$ 28,598	\$ 2,459,450	\$ 343,179	\$ 57,197	\$ 400,376	\$ 2,859,826
Payroll taxes	95,008	78,485	2,065	2,065	177,624	24,785	4,131	28,915	206,539
Employee insurance	67,655	55,889	1,471	1,471	126,485	17,649	2,942	20,591	147,076
Employee retirement	24,589	20,313	535	535	45,970	6,414	1,069	7,484	53,454
Total salaries and related expenses	1,502,772	1,241,420	32,669	32,668	2,809,529	392,028	65,338	457,365	3,266,895
Accounting fees	-	-	-	-	-	26,526	-	26,526	26,526
Conferences, conventions and meetings	70,021	11,670	154,629	-	236,320	-	55,433	55,433	291,753
Consultants	116	10,184	1,273	-	11,573	-	-	-	11,573
Co-Pay Relief payments	-	5,723,760	-	-	5,723,760	-	-	-	5,723,760
Depreciation	-	-	-	-	-	60,541	-	60,541	60,541
Donations	-	-	-	-	-	2,550	-	2,550	2,550
Equipment rental and maintenance	50,208	6,355	-	-	56,563	6,991	-	6,991	63,554
Hurricane Relief payments	103,838	-	-	-	103,838	-	-	-	103,838
Insurance	9,759	4,975	-	-	14,734	3,444	957	4,401	19,135
Legal fees	24,058	11,849	-	-	35,907	-	-	-	35,907
Marketing	13,571	28,017	-	-	41,588	1,751	438	2,189	43,777
Occupancy	64,743	31,172	-	-	95,915	22,780	1,199	23,979	119,894
Penalties and finance charges	-	-	-	-	-	4,227	-	4,227	4,227
Postage and shipping	46,888	38,734	1,019	1,019	87,661	12,232	2,039	14,270	101,931
Printing and publications	96,432	27,069	25,377	-	148,878	8,459	11,843	20,301	169,179
Professional fees - NPAF	240,000	240,000	-	-	480,000	-	-	-	480,000
Scholarships	-	-	-	40,000	40,000	-	-	-	40,000
Staff meeting and incentives	5,901	5,480	-	-	11,381	2,670	-	2,670	14,051
Supplies	60,424	18,390	876	-	79,690	4,379	3,503	7,881	87,571
Telephone	71,794	59,308	1,561	1,561	134,223	18,729	3,121	21,850	156,073
Travel	162,856	3,016	120,634	-	286,507	9,048	6,032	15,079	301,586
Total functional expenses	\$ 2,523,380	\$ 7,461,400	\$ 338,037	\$ 75,248	\$ 10,398,066	\$ 576,354	\$ 149,902	\$ 726,254	\$ 11,124,320

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

Patient Advocate Foundation

Statements of Cash Flows

Years Ended June 30,	2007	2006
Cash flows from operating activities		
Change in net assets	\$ 7,375,168	\$ 6,988,940
Adjustments to reconcile to net cash from operating activities:		
Depreciation	71,688	60,541
Unrealized and realized loss on investments	50,080	40,340
Change in:		
Unconditional promises to give	(39,000)	24,574
Interest receivable	(34,593)	5,360
Employee receivable	89	456
Due from NPAF	13	(36)
Inventories	(4,893)	9,304
Prepaid expenses	(2,033)	(22,147)
Accounts payable and accrued expenses	68,824	84,484
Deferred revenue	973,331	837,292
Accrued vacation leave	24,975	4,732
Net cash from operating activities	8,483,649	8,033,840
Cash flows from investing activities		
Acquisition of property and equipment	(277,017)	(110,783)
Net purchase and proceeds from investments	(61,433)	(18,742)
Refundable deposits	-	(1,148)
Net cash from investing activities	(338,450)	(130,673)
Net change in cash and cash equivalents	8,145,199	7,903,167
Cash and cash equivalents - beginning of year	14,058,926	6,155,759
Cash and cash equivalents - end of year	\$ 22,204,125	\$ 14,058,926
Balance sheet presentation of cash and cash equivalents		
General operating cash and cash equivalents	\$ 3,772,793	\$ 2,062,002
Restricted CPR cash and cash equivalents	18,431,332	11,996,924
	\$ 22,204,125	\$ 14,058,926

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

Patient Advocate Foundation

Notes to Financial Statements

June 30, 2007 and 2006

1. Organization and Nature of Business

Patient Advocate Foundation (Foundation) is a national nonprofit organization that serves as an active liaison between the patient and the insurer, employer and/or creditors to resolve insurance, job discrimination, and/or debt crisis matters relative to the diagnosis through case managers and attorneys. The Foundation seeks to safeguard patients through effective mediation assuring access to care, maintenance of employment and preservation of their financial stability. The Foundation assists patients throughout the United States and is supported primarily through donor contributions and educational grants.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Classes of Net Assets

The financial statements report amounts separately by class of net assets as follows:

- *Unrestricted* amounts are those currently available at the discretion of the Board of Directors for use in the Foundation's operations.
- *Temporarily restricted* amounts are those that are stipulated by donors for specific purposes. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.
- *Permanently restricted* amounts are restricted to investments in perpetuity, the income from which is expendable in accordance with the conditions of each specific donation.

All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to other legal restrictions.

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 certain reported amounts and disclosures. Amounts reported in the financial statements may be affected by these estimates and assumptions. Actual results could differ from these estimates and assumptions.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Unconditional Promises to Give

Unconditional promises to give are recognized by the Foundation when a donor makes a promise to give that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

All promises to give are deemed to be fully collectible by the Foundation; therefore, no provision has been made for an allowance for uncollectible unconditional promises to give.

Contributed Services and Property

Certain contributed services and property are recorded as support and expenses at fair market value when determinable, otherwise at values indicated by the donor. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Inventories

Inventories, which consist of brochures and marketing material, are stated at the lower of cost or market.

Property and Equipment

It is the Foundation's policy to capitalize property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Asset donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment is depreciated on the straight-line method over the following estimate useful lives:

	<u>Years</u>
Furniture and fixtures	7
Office equipment	5
Computers, software and other assets	3 - 5
Leasehold improvements	39

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by donor are reported as increases in unrestricted net assets if the restrictions expire (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Deferred Revenue

The Foundation records a portion of the administrative funding for the Co-Pay Relief Program as deferred revenue. Revenue is recognized for administrative funding based on the contract term on the straight-line method.

Functional Expenses

The Foundation's expenses are related to the performance of three functions: program services, management and general, and fundraising. Definitions of these functions are as follows:

- **Program Services** - The Foundation operates 17 distinct patient programs the largest of which include direct case management on behalf patients working with their insurer, employer and creditors to resolve access to care, job retention and debt crisis matters. Additionally, the Foundation administers the Co-Pay Relief Program that provides financial assistance with pharmaceutical co-payments to patients that medically and financially qualify. All costs related to the operation of these programs, including the day-to-day administration of the programs and other costs related to the programs are included in this function.
- **Management and General** - All management and general costs not identifiable with a program or fundraising activity, but indispensable to the conduct of such programs and activities and the Foundation's existence, are included in this function. This includes expenses for the overall direction of the Foundation's business management, general record keeping, budgeting, financial reporting and activities relating to the function such as salaries, rent, supplies, equipment and other general overhead.
- **Fundraising** - Activities performed by the Foundation to generate funds to operate.

Income Taxes

The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, is exempt from federal and state income taxes.

3. Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash with various banks and investment securities. The Foundation places its temporary cash investments with high credit quality financial institutions. Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At June 30, 2007 and 2006, the Foundation had approximately \$22,625,000 and \$14,130,000, respectively, of deposits in excess of FDIC coverage. At June 30, 2007 and 2006, the Foundation had \$140,127 and \$90,946, respectively, in money market funds and \$1,740,435 and \$1,729,082, respectively, in investments at fair value (see Note 4), which are protected up to their full net equity value by a combination of coverage provided by the Securities Investor Protection Corporation (SIPC) and additional private insurer protection. SIPC protects up to \$500,000 of the Foundation's investments of which \$100,000 may be uninvested cash. Excess coverage provides additional protection up to the full equity value of each account including unlimited coverage for uninvested cash.

4. Investments

Investments are stated at fair value and consist of the following at June 30, 2007 and 2006:

	<u>2007</u>	Cost	Fair Value	Unrealized Gain (Loss)
Corporate bonds		60,000	59,437	(563)
Treasury securities		530,379	516,348	(14,031)
Federal agency bonds		521,836	503,844	(17,992)
Certificates of deposit		674,788	660,806	(13,982)
		<u>\$ 1,787,003</u>	<u>\$ 1,740,435</u>	<u>\$ (46,568)</u>
	<u>2006</u>			
Corporate bonds		60,000	58,047	(1,953)
Treasury securities		702,673	666,813	(35,860)
Federal agency bonds		410,792	390,423	(20,369)
Certificates of deposit		639,788	613,799	(25,989)
		<u>\$ 1,813,253</u>	<u>\$ 1,729,082</u>	<u>\$ (84,171)</u>

5. Property and Equipment

Property and equipment consist of the following:

	<u>2007</u>	<u>2006</u>
Furniture and fixtures	\$ 190,784	\$ 116,782
Office equipment	132,459	103,642
Computers, software and other assets	343,877	219,177
Leasehold improvements	153,608	104,110
	<u>820,728</u>	<u>543,711</u>
Less - accumulated depreciation	<u>(348,086)</u>	<u>(276,398)</u>
	<u>\$ 472,642</u>	<u>\$ 267,313</u>

Depreciation expense for 2007 and 2006, was \$71,688 and \$60,541, respectively.

6. Restrictions on Net Assets

For 2007 and 2006, the Foundation had both temporarily and permanently restricted net assets.

Net assets are temporarily restricted by time and specific purpose as presented below:

	<u>2007</u>	<u>2006</u>
Colorectal CareLine	\$ 170,162	\$ -
Hurricane Relief Program	16,755	46,163
Co-Pay Relief Program funding	18,244,415	11,950,761
	<u>\$ 18,431,332</u>	<u>\$ 11,996,924</u>

The Co-Pay Relief Program (CPR) was implemented during 2004 to specifically provide cash assistance to individuals diagnosed with certain illnesses in need of financial assistance for medical and/or pharmaceutical out-of-pocket expenditures. The Co-Pay Relief Program is a patient assistance program approved for operation under an Office of Inspector General opinion. The program has been approved to operate twenty-seven (27) separate disease specific silos. As funding becomes available, the Foundation will evaluate the provision of financial assistance for additional disease silos. Program funds are specifically designated for the exclusive use of patients who meet certain eligibility requirements as established by the federal poverty guidelines. Unused funds at the end of a twelve-month period are reallocated for use by other eligible individuals and are not available for general operating purposes.

In September 2005, the Hurricane Relief Fund was established by the Foundation to help assist people with debilitating diseases who were displaced due to Hurricane Katrina. Funds for the program were provided by the Susan G. Komen Breast Cancer Foundation and Lance Armstrong Foundations. The funds are to be used to help victims with emergency housing, rental expenses, chemotherapy treatment, and various prescriptions. Once the remainder of funds has been disbursed, the program will terminate.

In November 2006, the Colorectal CareLine (CCL) was established by the Foundation with the express purpose of providing assistance to patients who have been diagnosed with colorectal cancer and are seeking education and access to care. Patient Advocate Foundation (PAF) provides direct case management services to up to 7,000 colorectal cancer patients annually through this program.

As well, the Colorectal CareLine Financial Aid Fund (FAF) was simultaneously established in order to provide financial assistance to colorectal patients in need of debt crisis assistance. PAF provides \$200.00 one-time grants to individuals who have a diagnosis of colorectal cancer and earn \$75,000 or less regardless of family size. Small grants are available for temporary housing assistance as a result of treatment, transportation to and from treatment, childcare necessitated by treatment, and food costs incurred as a result of out of town treatment. PAF received funding to provide 1,000 patients per year with small grants through CCL.

Permanently restricted net assets consist of endowment fund investments to be held indefinitely, the income from which is expendable to support the general operations of the Foundation. As of June 30, 2007, permanently restricted net assets totaled \$1,880,562 (comprised of \$1,740,435 in investments and \$140,127 in restricted cash) and \$1,820,029 (comprised of \$1,729,082 in investments and \$90,947 in restricted cash), respectively.

7. Pension Plan

The Foundation maintains a 403(b) plan for the benefit of its employees. Employee retirement plan expense was \$61,493 and \$53,454 for 2007 and 2006, respectively.

8. Donated Services and Property

During 2007 and 2006, donated materials were valued at \$62,563 and \$49,578, respectively, primarily in support of the Foundation's annual Promise of Hope Affair.

In 2007 and 2006, the Foundation received pro bono legal services on behalf of patients being serviced by the Foundation through the National Legal Resources Network valued at \$43,000 and \$28,000, respectively. As well, during 2007 and 2006, \$42,176 and \$48,817, respectively, in other professional services were donated and recognized as related income and expense for donated services.

9. Related Party Transactions

During 2007 and 2006, the Foundation paid consulting fees of \$560,000 and \$480,000, respectively, to National Patient Advocate Foundation (NPAF). These fees are governed by an arm's length contractual arrangement between the two separate organizations and are in accordance with Internal Revenue Service guidelines dealing with transactions between a section 501(c)(3) organization and a section 527 policy making entity.

Additionally in 2007, the Foundation provided funding in the amount of \$200,000 for the direct support of research studies that were being conducted by the Global Access Project that is managed and administered by National Patient Advocate Foundation.

10. Commitments

The Foundation leases 20,000 square feet of office space for \$20,417 per month, under a five-year lease agreement which was due to expire in February 2008. In October 2005, the lease term was extended for an additional two years and seven months and will expire in September 2010.

In March 2006, the Foundation began leasing additional office space in San Diego, California for \$1,147 per month, under a one-year lease agreement which expires in February 2007. In March 2007, the lease was renewed for one year at \$1,217 per month.

The Foundation also leases office equipment for use during operations, which consists of a copier and phone system.

Total lease payments for 2007 and 2006, were \$246,796 and \$134,740, respectively.

Minimum future lease payments under the noncancelable operating leases as of June 30, 2007, are as follows:

2008	\$	271,635
2009		249,679
2010		254,988
2011		61,251
		<hr/>
	\$	837,553

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Patient Advocate Foundation

Supplementary Information

June 30, 2007

Patient Advocate Foundation

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2007

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number		Current Year Federal Expenditures
U.S. Department of Health and Human Services			
Strategies to Provide Information for Patients of Hematologic Cancers	93.283	*	\$ 304,948
Early Detection of Survivorship of Cancer in Underserved Populations	93.283	*	<u>278,637</u>
Total			<u>\$ 583,585</u>

* Major Federal Program Award

Patient Advocate Foundation

Note to Schedule of Expenditures of Federal Awards

June 30, 2007

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of *Patient Advocate Foundation* and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented or used in the preparation of the basic financial statements.

Patient Advocate Foundation

Compliance Reports

June 30, 2007



***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***

Certified Public Accountants
Specialized Services
Business Solutions

Board of Directors
Patient Advocate Foundation

We have audited the financial statements of *Patient Advocate Foundation* as of and for the years ended June 30, 2007 and 2006, and have issued our report thereon dated September 5, 2007. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered *Patient Advocate Foundation's* internal control over financial reporting as basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of *Patient Advocate Foundation's* internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the *Patient Advocate Foundation's* internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the *Patient Advocate Foundation's* ability to initiate, authorize, record, process, or report financial data reliably in accordance with general accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the *Patient Advocate Foundation's* financial statements that is more than inconsequential will not be prevented or detected by the *Patient Advocate Foundation's* internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the *Patient Advocate Foundation's* internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Fountain Plaza One
701 Town Center Drive, Suite 700
Newport News, VA 23606-4295
ph: 757.873.1033
fax: 757.873.1106
www.goodmanco.com

Board of Directors
Patient Advocate Foundation

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the *Patient Advocate Foundation's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the *Patient Advocate Foundation's* management and Board of Directors and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Goodman & Company T-T.P.

Newport News, Virginia
September 5, 2007



***Report on Compliance with Requirements
Applicable to Each Major Program and on
Internal Control Over Compliance in Accordance
with OMB Circular A-133***

Certified Public Accountants
Specialized Services
Business Solutions

Board of Directors
Patient Advocate Foundation

Compliance

We have audited the compliance of ***Patient Advocate Foundation*** with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The ***Patient Advocate Foundation's*** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the ***Patient Advocate Foundation's*** management. Our responsibility is to express an opinion on the ***Patient Advocate Foundation's*** compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the ***Patient Advocate Foundation's*** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the ***Patient Advocate Foundation's*** compliance with those requirements.

In our opinion, the ***Patient Advocate Foundation*** complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

Management of the ***Patient Advocate Foundation*** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the ***Patient Advocate Foundation's*** internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of ***Patient Advocate Foundation's*** internal control over compliance.

Fountain Plaza One
701 Town Center Drive, Suite 700
Newport News, VA 23606-4295
ph: 757.873.1033
fax: 757.873.1106
www.goodmanco.com

Board of Directors
Patient Advocate Foundation

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the *Patient Advocate Foundation's* ability to initiate, authorize, record, process, or report financial data reliably in accordance with general accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the *Patient Advocate Foundation's* financial statements that is more than inconsequential will not be prevented or detected by the *Patient Advocate Foundation's* internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the *Patient Advocate Foundation's* internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the *Patient Advocate Foundation's* management and Board of Directors and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

Goodman & Company T.T.P.

Newport News, Virginia
September 5, 2007

Patient Advocate Foundation

Schedule of Findings and Questioned Costs

Year Ended June 30, 2007

1. Summary of Auditors' Results

- a. An unqualified opinion was issued on the financial statements.
- b. There were no significant deficiencies in internal control disclosed by the audit.
- c. The audit did not disclose any noncompliance that would be material to the financial statements.
- d. There were no significant deficiencies in internal control over major programs to disclose.
- e. An unqualified opinion was issued on compliance for major programs.
- f. The audit did not disclose any audit finding required to be reported.
- g. The major programs are:
 - i) Strategy to Provide Information to Patients of Hematologic cancer (CFDA No. 93.283)
 - ii) Early Detection of Survivorship of Cancer in Underserved Populations (CFDA No. 93.283)
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i. The auditee qualified as a low-risk auditee.

2. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards

- a. None

3. Findings and Questioned Costs For Federal Awards

- a. None

4. Status of Prior Year Findings

- a. There were no findings for the prior year.