

*Financial Statements
Years Ended
June 30, 2008 and 2007*



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Patient Advocate Foundation

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Report of Independent Auditors

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, 2008 and 2007, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of management of *Patient Advocate Foundation*. 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, 2008 and 2007, and the changes 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, 2008, 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 important for assessing 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.

Newport News, Virginia
September 5, 2008

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Patient Advocate Foundation

Statements of Financial Position

June 30,	2008	2007
Assets		
Current assets		
General operating cash and cash equivalents	\$ 3,338,443	\$ 3,772,793
Restricted CPR cash and cash equivalents	18,806,169	18,431,332
Unconditional promises to give	5,225	52,000
Interest receivable	75,639	73,146
Employee receivable	-	409
Due from NPAF	-	97
Inventories	46,422	47,128
Prepaid expenses	88,106	41,874
Investments	1,829,580	1,740,435
Total current assets	24,189,584	24,159,214
Property and equipment - net	796,651	472,642
Other assets		
Refundable deposits	11,402	11,402
	\$ 24,997,637	\$ 24,643,258
Liabilities and Net Assets		
Current liabilities		
Current portion of obligation under capital lease	\$ 54,293	\$ -
Accounts payable and accrued expenses	293,263	301,821
Deferred revenue	2,225,270	2,322,498
Accrued vacation leave	264,712	113,905
Total current liabilities	2,837,538	2,738,224
Long term liabilities		
Obligation under capital lease-less current portion	245,464	-
Total liabilities	3,083,002	2,738,224
Net assets		
Unrestricted	1,170,983	1,593,140
Temporarily restricted	18,806,169	18,431,332
Permanently restricted	1,937,483	1,880,562
Total net assets	21,914,635	21,905,034
	\$ 24,997,637	\$ 24,643,258

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

Patient Advocate Foundation
Statements of Activities

Years Ended June 30,	2008			2007				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support								
Contributions								
Grants	\$ 6,600,706	\$10,917,427	\$ -	\$ 17,518,133	\$6,439,873	\$16,421,111	\$ -	\$22,860,984
Private and public donations	148,178	-	-	148,178	29,559	-	-	29,559
Donated services and materials	146,480	-	-	146,480	147,739	-	-	147,739
Patient Congress	211,634	-	-	211,634	186,537	-	-	186,537
Promise of Hope	278,079	-	-	278,079	203,840	-	-	203,840
Special events	90,553	-	-	90,553	152,073	-	-	152,073
Investment income	797,721	-	56,921	854,642	953,827	-	60,533	1,014,360
Net assets released from restrictions	10,542,590	(10,542,590)	-	-	9,986,703	(9,986,703)	-	-
Total revenues, gains and other support	18,815,941	374,837	56,921	19,247,699	18,100,151	6,434,408	60,533	24,595,092
Expenses								
Program services								
Patient services	4,396,300	-	-	4,396,300	3,533,363	-	-	3,533,363
Co-Pay Relief	13,130,405	-	-	13,130,405	12,235,123	-	-	12,235,123
Patient Congress	329,945	-	-	329,945	346,537	-	-	346,537
Scholarships	90,741	-	-	90,741	80,217	-	-	80,217
Supporting services:								
Management and general	1,050,935	-	-	1,050,935	681,392	-	-	681,392
Fundraising	239,772	-	-	239,772	343,293	-	-	343,293
Total expenses	19,238,098	-	-	19,238,098	17,219,924	-	-	17,219,924
Change in net assets	(422,157)	374,837	56,921	9,601	880,227	6,434,408	60,533	7,375,168
Net assets - beginning 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
Net assets - end of year	\$ 1,170,983	\$18,806,169	\$ 1,937,483	\$ 21,914,635	\$1,593,140	\$18,431,332	\$ 1,880,562	\$21,905,034

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

Patient Advocate Foundation
Statements 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	\$ 2,384,599	\$ 1,349,773	\$ 44,992	\$ 44,992	\$ 3,824,356	\$ 539,909	\$ 134,977	\$ 674,886	\$ 4,499,244
Payroll taxes	171,875	97,288	3,243	3,243	275,649	38,915	9,729	48,644	324,292
Employee insurance	173,934	98,453	3,282	3,282	278,951	39,381	9,845	49,226	328,178
Employee retirement	40,077	22,685	756	756	64,274	9,074	2,269	11,343	75,617
Total salaries and related expenses	2,770,485	1,568,199	52,273	52,273	4,443,230	627,279	156,820	784,099	5,227,331
Accounting fees	-	-	-	-	-	26,766	-	26,766	26,766
Colorectal CareLine payments	102,812	-	-	-	102,812	-	-	-	102,812
Conferences, conventions and meetings	46,316	7,719	102,281	-	156,316	-	36,667	36,667	192,983
Consultants	498	43,815	5,477	-	49,790	-	-	-	49,790
Co-Pay Relief payments	-	10,423,023	-	-	10,423,023	-	-	-	10,423,023
Depreciation	-	-	-	-	-	124,612	-	124,612	124,612
Donations	-	-	-	-	-	5,730	-	5,730	5,730
Equipment rental and maintenance	92,710	11,735	-	-	104,445	12,909	-	12,909	117,354
Hurricane Relief payments	16,755	-	-	-	16,755	-	-	-	16,755
Insurance	17,738	9,043	-	-	26,781	6,261	1,739	8,000	34,781
Legal fees	39,618	19,514	-	-	59,132	-	-	-	59,132
Marketing	162,511	335,506	-	-	498,017	20,969	5,242	26,211	524,228
Occupancy	144,262	69,460	-	-	213,722	50,759	2,672	53,431	267,152
Penalties and finance charges	-	-	-	-	-	9,843	-	9,843	9,843
Postage and shipping	60,189	49,721	1,308	1,308	112,526	15,701	2,617	18,318	130,845
Printing and publications	130,004	36,492	34,212	-	200,708	11,404	15,965	27,369	228,078
Professional fees - NPAF	337,500	337,500	-	-	675,000	-	-	-	675,000
Recruiting	-	-	-	-	-	53,409	-	53,409	53,409
Scholarships	-	-	-	33,500	33,500	-	-	-	33,500
Staff meeting and incentives	58,231	54,072	-	-	112,303	26,343	-	26,343	138,646
Supplies	73,266	22,298	1,062	-	96,626	5,309	4,247	9,556	106,183
Telephone	168,343	139,066	3,660	3,660	314,729	43,916	7,319	51,235	365,964
Travel	175,062	3,242	129,672	-	307,976	9,725	6,484	16,209	324,181
Total functional expenses	\$ 4,396,300	\$ 13,130,405	\$ 329,945	\$ 90,741	\$ 17,947,391	\$ 1,050,935	\$ 239,772	\$ 1,290,707	\$ 19,238,098

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	Total 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

Statements of Cash Flows

Years Ended June 30,	2008	2007
Cash flows from operating activities		
Change in net assets	\$ 9,601	\$ 7,375,168
Adjustments to reconcile to net cash from operating activities:		
Depreciation	124,612	71,688
Unrealized and realized loss on investments	35,275	50,080
Change in:		
Unconditional promises to give	46,775	(39,000)
Interest receivable	(2,493)	(34,593)
Employee receivable	409	89
Due from NPAF	97	13
Inventories	706	(4,893)
Prepaid expenses	(46,232)	(2,033)
Accounts payable and accrued expenses	(8,558)	68,824
Deferred revenue	(97,228)	973,331
Accrued vacation leave	150,807	24,975
Net cash from operating activities	<u>213,771</u>	<u>8,483,649</u>
Cash flows from investing activities		
Acquisition of property and equipment	(135,935)	(277,017)
Net purchase and proceeds from investments	(124,420)	(61,433)
Net cash from investing activities	<u>(260,355)</u>	<u>(338,450)</u>
Cash flows from financing activities		
Repayment of obligation under capital lease	(12,929)	-
Net change in cash and cash equivalents	(59,513)	8,145,199
Cash and cash equivalents - beginning of year	<u>22,204,125</u>	<u>14,058,926</u>
Cash and cash equivalents - end of year	<u>\$ 22,144,612</u>	<u>\$ 22,204,125</u>
Balance sheet presentation of cash and cash equivalents		
General operating cash and cash equivalents	\$ 3,338,443	\$ 3,772,793
Restricted CPR cash and cash equivalents	<u>18,806,169</u>	<u>18,431,332</u>
	<u>\$ 22,144,612</u>	<u>\$ 22,204,125</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 5,984</u>	<u>\$ -</u>
Supplemental disclosure of noncash financing activities		
Equipment purchased with capital lease	<u>\$ 312,686</u>	<u>\$ -</u>

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

Patient Advocate Foundation

Notes to Financial Statements

June 30, 2008 and 2007

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 valued at the lower of cost (first-in, first-out method) 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 and Colorectal CareLine 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 conduct 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, 2008 and 2007, the Foundation had approximately \$22,405,000 and \$22,625,000, respectively, of deposits in excess of FDIC coverage. At June 30, 2008 and 2007, the Foundation had \$107,903 and \$140,127, respectively, in money market funds and \$1,829,580 and \$1,740,435, 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:

	<u>2008</u>	Cost	Fair Value	Unrealized Gain (Loss)
Treasury securities		\$ 605,202	\$ 607,913	\$ 2,711
Federal agency bonds		477,040	485,383	8,343
Certificates of deposit		729,788	736,284	6,496
		<u>\$ 1,812,030</u>	<u>\$ 1,829,580</u>	<u>\$ 17,550</u>
	<u>2007</u>			
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>

5. Property and Equipment

Property and equipment consist of the following:

	<u>2008</u>	<u>2007</u>
Furniture and fixtures	\$ 207,133	\$ 190,784
Office equipment	445,145	132,459
Computers, software and other assets	426,802	343,877
Leasehold improvements	190,269	153,608
	<u>1,269,349</u>	<u>820,728</u>
Less - accumulated depreciation	<u>(472,698)</u>	<u>(348,086)</u>
	<u>\$ 796,651</u>	<u>\$ 472,642</u>

Depreciation expense for 2008 and 2007 was \$124,612 and \$71,688, respectively.

6. Capital Leases

During 2008, the Foundation entered into a lease classified as a capital lease of \$312,686. The economic substance of the lease is that the Foundation is financing the acquisition of the asset through the lease, and accordingly it is recorded in the Foundation's assets and liabilities. During 2008, amortization under the aforementioned lease was \$5,984.

The following is a schedule by years of future minimum payments required under the lease together with their present value as of June 30, 2008:

2009	\$	75,656
2010		75,656
2011		75,656
2012		75,656
2013		56,737
		<hr/>
		359,361
Less - amount representing interest		<hr/> (59,604)
Present value of minimum lease payments	\$	<hr/> 299,757

7. Restrictions on Net Assets

For 2008 and 2007, the Foundation had both temporarily and permanently restricted net assets.

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

	<u>2008</u>	<u>2007</u>
Colorectal CareLine	\$ 217,549	\$ 170,162
Hurricane Relief Program	-	16,755
Co-Pay Relief Program funding	18,588,620	18,244,415
	<hr/> \$ 18,806,169	<hr/> \$ 18,431,332

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. To date, all funds have been disbursed and the program has met all requirements.

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 3,500 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 750 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. At June 30, 2008 and 2007, permanently restricted net assets were \$1,937,483 (comprised of \$1,829,580 in investments and \$107,903 in restricted cash) and \$1,880,562 (comprised of \$1,740,435 in investments and \$140,127 in restricted cash), respectively.

8. Pension Plan

The Foundation maintains a 403(b) plan for the benefit of its employees. Employee retirement plan expense was \$75,617 and \$61,493 for 2008 and 2007, respectively.

9. Donated Services and Property

During 2008 and 2007, donated materials were valued at \$56,379 and \$62,563, respectively, primarily in support of the Foundation's annual Promise of Hope Affair.

In 2008 and 2007, the Foundation received pro bono legal services on behalf of patients being serviced by the Foundation through the National Legal Resources Network valued at \$46,000 and \$43,000, respectively. As well, during 2008 and 2007, \$44,101 and \$42,176, respectively, in other professional services were donated and recognized as related income and expense for donated services.

10. Related Party Transactions

During 2008 and 2007, the Foundation paid consulting fees of \$600,000 and \$560,000, 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 501(c)(4) policy making entity.

Additionally in 2008 and 2007, the Foundation provided funding in the amount of \$75,000 and \$200,000, respectively, 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.

11. Commitments

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

The Foundation leases additional office space in San Diego, California for \$1,217 per month, under a one-year lease agreement which expired in February 2008. In March 2008, the lease was changed to month-to-month at \$1,246 per month.

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

Total lease payments for 2008 and 2007, were \$292,640 and \$246,796, respectively.

Minimum future lease payments under the noncancelable operating leases are as follows:

2009	\$	251,754
2010		245,004
2011		<u>61,251</u>
	\$	<u>558,009</u>

* * * * *

Patient Advocate Foundation

Supplementary Information

June 30, 2008

Patient Advocate Foundation

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2008

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	*	\$ 430,827
Early Detection of Survivorship of Cancer in Underserved Populations	93.283	*	<u>280,330</u>
Total			<u>\$ 711,157</u>

* Major Federal Program Award

Patient Advocate Foundation

Note to Schedule of Expenditures of Federal Awards

June 30, 2008

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, 2008



Certified Public Accountants
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***Report on Internal Control Over
Financial Reporting and on Compliance
and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
with Government Auditing Standards***

Board of Directors
Patient Advocate Foundation

We have audited the financial statements of ***Patient Advocate Foundation*** as of and for the years ended June 30, 2008 and 2007, and have issued our report thereon dated September 5, 2008. 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.

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*.

We noted certain other matters that we reported to management of *Patient Advocate Foundation* in a separate letter dated September 5, 2008.

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, 2008

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

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, 2008. 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, 2008.

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

Board of Directors
Patient Advocate Foundation

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.

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.

Booth & Company F.T.P.

Newport News, Virginia
September 5, 2008

Patient Advocate Foundation

Schedule of Findings and Questioned Costs

Year Ended June 30, 2008

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

None

3. Findings and Questioned Costs For Federal Awards

None

4. Status of Prior Year Findings

There were no findings for the prior year.