

Financial Statements
Years Ended
June 30, 2010 and 2009



Solving Insurance and Healthcare Access Problems | *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, 2010 and 2009, 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 above present fairly, in all material respects, the financial position of **Patient Advocate Foundation** as of June 30, 2010 and 2009, 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 20, 2010, 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 considered in assessing the results of our audits.

Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Newport News, Virginia
September 20, 2010

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Patient Advocate Foundation

Statements of Financial Position

June 30,	2010	2009
Assets		
Current assets		
General operating cash and cash equivalents	\$ 2,688,952	\$ 2,804,701
Restricted CPR cash and cash equivalents	30,234,822	20,579,341
Unconditional promises to give	120,611	45,325
Interest receivable	70,656	73,050
Service contract receivable	240,629	116,074
Employee travel advances	1,088	-
Inventories	69,359	76,237
Prepaid expenses	260,049	75,867
Investments and cash equivalents	1,974,377	1,975,136
Total current assets	35,660,543	25,745,731
Property and equipment - net	1,178,231	895,208
Other assets		
Refundable deposits	114,374	15,463
	\$ 36,953,148	\$ 26,656,402
Liabilities and Net Assets		
Current liabilities		
Current portion of obligation under capital lease	\$ 63,379	\$ 58,660
Accounts payable and accrued expenses	494,944	360,238
Deferred revenue	2,407,856	1,957,297
Accrued vacation leave	378,951	313,508
Total current liabilities	3,345,130	2,689,703
Long-term liabilities		
Obligation under capital lease - less current portion	123,427	186,805
Total liabilities	3,468,557	2,876,508
Unrestricted	1,275,392	1,225,417
Temporarily restricted	30,234,822	20,579,341
Permanently restricted	1,974,377	1,975,136
Total net assets	33,484,591	23,779,894
	\$ 36,953,148	\$ 26,656,402

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

Patient Advocate Foundation

Statements of Activities

Years Ended June 30,	2010				2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support								
Contributions								
Grants	\$ 4,676,771	\$ 23,153,996	\$ -	\$ 27,830,767	\$ 4,592,337	\$ 12,106,822	\$ -	\$ 16,699,159
Private and public donations	107,085	-	-	107,085	129,933	-	-	129,933
Donated services and materials	505,819	-	-	505,819	136,234	-	-	136,234
Program Administration	6,192,045	-	-	6,192,045	3,212,883	-	-	3,212,883
Patient Congress	207,300	-	-	207,300	204,715	-	-	204,715
Promise of Hope	231,450	-	-	231,450	267,297	-	-	267,297
Miscellaneous income	204,224	-	-	204,224	132,974	-	-	132,974
Investment income (loss)	304,091	-	(759)	303,332	490,847	-	37,653	528,500
Net assets released from restrictions								
Satisfaction of program restrictions:								
Financial Aid Awards	13,498,515	(13,498,515)	-	-	10,333,650	(10,333,650)	-	-
Total revenues, gains and other support	25,927,300	9,655,481	(759)	35,582,022	19,500,870	1,773,172	37,653	21,311,695
Expenses								
Program services								
Patient services	5,912,931	-	-	5,912,931	5,053,936	-	-	5,053,936
Co-Pay Relief	16,190,409	-	-	16,190,409	12,506,046	-	-	12,506,046
Service contracts	1,492,920	-	-	1,492,920	332,963	-	-	332,963
Supporting services:								
Management and general	1,355,571	-	-	1,355,571	862,809	-	-	862,809
Fundraising	925,494	-	-	925,494	690,682	-	-	690,682
Total expenses	25,877,325	-	-	25,877,325	19,446,436	-	-	19,446,436
Change in net assets	49,975	9,655,481	(759)	9,704,697	54,434	1,773,172	37,653	1,865,259
Net assets - beginning of year	1,225,417	20,579,341	1,975,136	23,779,894	1,170,983	18,806,169	1,937,483	21,914,635
Net assets - end of year	\$ 1,275,392	\$ 30,234,822	\$ 1,974,377	\$ 33,484,591	\$ 1,225,417	\$ 20,579,341	\$ 1,975,136	\$ 23,779,894

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

Patient Advocate Foundation

Statement of Functional Expenses

Year Ended June 30, 2010	Program Services				Supporting Services			
	Patient/ Educational Services	Co-Pay Relief	Service Contracts	Total Program Expenses	Management and General	Fundraising	Total Supporting Services	Total Functional Expenses
Salaries and related expenses								
Salaries	\$ 3,367,688	\$ 1,510,855	\$ 896,880	\$ 5,775,423	\$ 605,752	\$ 478,434	\$ 1,084,186	\$ 6,859,609
Payroll taxes	263,716	121,565	58,514	443,795	42,629	34,968	77,597	521,392
Employee insurance	234,210	187,247	96,361	517,818	34,054	17,102	51,156	568,974
Employee retirement	36,476	29,359	15,124	80,959	5,338	2,669	8,007	88,966
Total salaries and related expenses	3,902,090	1,849,026	1,066,879	6,817,995	687,773	533,173	1,220,946	8,038,941
Accounting fees	9,505	14,049	3,004	26,558	30,420	672	31,092	57,650
Bank fees and interest	12,990	8,928	4,442	26,360	25,968	918	26,886	53,246
CCL Financial Aid Awards	113,643	-	-	113,643	-	-	-	113,643
Conferences, conventions and meetings	176,307	26	-	176,333	35,480	120,714	156,194	332,527
Consultants	57,354	9,862	3,141	70,357	13,758	20,039	33,797	104,154
CPR Financial Aid Awards	-	13,384,871	-	13,384,871	-	-	-	13,384,871
Depreciation	133,007	84,505	24,883	242,395	11,356	7,044	18,400	260,795
Donations	970	504	267	1,741	1,036	2,768	3,804	5,545
Equipment rental and maintenance	100,206	63,978	28,341	192,525	20,637	4,781	25,418	217,943
Insurance	8,133	3,866	718	12,717	37,321	392	37,713	50,430
Legal fees	21,143	11,913	31	33,087	19,434	16,939	36,373	69,460
Loss on abandonment of fixed assets	-	-	-	-	258,968	-	258,968	258,968
Marketing	144,834	42,573	15,676	203,083	7,095	17,481	24,576	227,659
Occupancy	239,730	151,722	74,468	465,920	47,308	15,366	62,674	528,594
Postage and shipping	76,164	92,192	69,621	237,977	4,838	4,420	9,258	247,235
Printing and publications	85,315	49,323	19,085	153,723	55,042	52,957	107,999	261,722
Professional fees - NPAF	286,640	236,000	5,595	528,235	44,245	27,520	71,765	600,000
Recruiting	3,115	1,045	525	4,685	253	9,603	9,856	14,541
Scholarships	31,500	-	-	31,500	-	-	-	31,500
Staff meeting and incentives	21,904	14,751	7,505	44,160	26,692	1,599	28,291	72,451
Supplies	43,588	31,089	19,970	94,647	8,601	9,152	17,753	112,400
Telephone	250,784	139,019	148,656	538,459	18,382	16,715	35,097	573,556
Travel	194,009	1,167	113	195,289	964	63,241	64,205	259,494
Total functional expenses	\$ 5,912,931	\$16,190,409	\$ 1,492,920	\$23,596,260	\$ 1,355,571	\$ 925,494	\$ 2,281,065	\$25,877,325

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

Patient Advocate Foundation

Statement of Functional Expenses

Year Ended June 30, 2009	Program Services				Supporting Services			
	Patient/ Educational Services	Co-Pay Relief	Service Contracts	Total Program Expenses	Management and General	Fundraising	Total Supporting Services	Total Functional Expenses
Salaries and related expenses								
Salaries	\$ 2,822,465	\$ 1,167,668	\$ 169,684	\$ 4,159,817	\$ 500,022	\$ 329,449	\$ 829,471	\$ 4,989,288
Payroll taxes	215,993	94,023	9,804	319,820	31,025	23,114	54,139	373,959
Employee insurance	261,636	144,819	10,382	416,837	2,198	18,275	20,473	437,310
Employee retirement	46,317	23,554	4,564	74,435	5,070	2,139	7,209	81,644
Total salaries and related expenses	3,346,411	1,430,064	194,434	4,970,909	538,315	372,977	911,292	5,882,201
Accounting fees	18,593	10,640	687	29,920	2,946	1,234	4,180	34,100
Bank fees and interest	15,702	12,421	724	28,847	25,695	1,514	27,209	56,056
Colorectal CareLine payments	85,243	-	-	85,243	-	-	-	85,243
Conferences, conventions and meetings	115,787	-	-	115,787	37,978	130,906	168,884	284,671
Consultants	15,151	11,772	2,000	28,923	26,725	10,819	37,544	66,467
Co-Pay Relief payments	-	10,248,407	-	10,248,407	-	-	-	10,248,407
Depreciation	92,938	52,719	-	145,657	50,027	5,206	55,233	200,890
Donations	3,135	-	-	3,135	-	-	-	3,135
Equipment rental and maintenance	87,881	38,253	40,940	167,074	11,838	984	12,822	179,896
Insurance	17,904	10,026	533	28,463	1,369	1,107	2,476	30,939
Legal fees	1,350	2,378	10,533	14,261	25,421	44,308	69,729	83,990
Marketing	132,948	68,524	7,401	208,873	13,852	19,041	32,893	241,766
Occupancy	164,164	88,706	8,503	261,373	19,153	8,247	27,400	288,773
Postage and shipping	66,918	49,100	9,555	125,573	6,180	5,972	12,152	137,725
Printing and publications	89,832	49,010	4,197	143,039	3,452	23,703	27,155	170,194
Professional fees - NPAF	245,000	245,000	-	490,000	-	-	-	490,000
Recruiting	5,856	-	691	6,547	42,872	730	43,602	50,149
Scholarships	27,000	-	-	27,000	-	-	-	27,000
Staff meeting and incentives	52,977	25,238	2,678	80,893	12,092	3,422	15,514	96,407
Supplies	30,055	26,444	7,962	64,461	8,404	4,454	12,858	77,319
Telephone	263,299	133,986	41,447	438,732	29,116	13,479	42,595	481,327
Travel	175,792	3,358	678	179,828	7,374	42,579	49,953	229,781
Total functional expenses	\$ 5,053,936	\$ 12,506,046	\$ 332,963	\$ 17,892,945	\$ 862,809	\$ 690,682	\$ 1,553,491	\$ 19,446,436

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

Patient Advocate Foundation

Statements of Cash Flows

Years Ended June 30,	2010	2009
Cash flows from operating activities		
Change in net assets	\$ 9,704,697	\$ 1,865,259
Adjustments to reconcile to net cash from operating activities:		
Depreciation	260,795	200,890
Loss on disposal on abandonment property and equipment	258,968	-
Unrealized and realized (gain)/loss on investments	(194,256)	(40,431)
Donated property and equipment	(367,277)	-
Change in:		
Unconditional promises to give	(75,286)	(40,100)
Interest receivable	2,394	2,589
Service contract receivable	(124,555)	(116,074)
Employee travel advances	(1,088)	-
Inventories	6,878	(29,815)
Prepaid expenses	(184,182)	12,239
Refundable deposits	(98,911)	(4,061)
Accounts payable and accrued expenses	134,706	66,975
Deferred revenue	450,559	(267,973)
Accrued vacation leave	65,443	48,796
Net cash from operating activities	9,838,885	1,698,294
Cash flows from investing activities		
Acquisition of property and equipment	(435,508)	(299,446)
Net purchase and proceeds from investments	195,015	(105,125)
Net cash from investing activities	(240,493)	(404,571)
Cash flows from financing activities		
Repayment of obligation under captial lease	(58,660)	(54,293)
Net change in cash and cash equivalents	9,539,732	1,239,430
Cash and cash equivalents - beginning of year	23,384,042	22,144,612
Cash and cash equivalents - end of year	\$ 32,923,774	\$ 23,384,042
Balance sheet presentation of cash and cash equivalents		
General operating cash and cash equivalents	\$ 2,688,952	\$ 2,804,701
Restricted CPR cash and cash equivalents	30,234,822	20,579,341
	\$ 32,923,774	\$ 23,384,042
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 16,995	\$ 21,362

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

Patient Advocate Foundation

Notes to Financial Statements

June 30, 2010 and 2009

1. Organization and Nature of Business

Patient Advocate Foundation (Foundation) is a national nonprofit organization that seeks to safeguard patients through effective mediation assuring access to care, maintenance of employment and preservation of their financial stability relative to their diagnosis of life threatening or debilitating diseases. The Foundation assists patients throughout the United States and is supported primarily through grant contributions

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 is satisfied by utilizing the funding for its intended purpose, 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 educational 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 has three distinct program services areas:

Direct Patient and Educational Services

The Foundation provides sustained, one on one, case management services to patients throughout the country who are experiencing access to care issues. The professional case management staff works with patient's insurers, employers and/or creditors in an effort to resolve access to care, debt crisis and job retention issues that are a result of a life threatening and/or debilitating illness. The Foundation's professional case management staff directly assisted 26,309 individuals in FY2009/2010. On average, case managers made 15.3 contacts on behalf of each patient to relevant stakeholders in order to bring resolution to the patient's access issue.

The Foundation has an established publications committee that is responsible for publishing new patient education materials that are widely used with Foundation patients as well as provided to other organizations and facilities for use with patients. The Foundation has authored a total of 27 patient educational publications. In FY2009/2010, the Foundation published two new titles in the Foundation's greater understanding series, "Patients: How to Discuss the Cost of Health Care Treatments with Your Provider" and "Back to Basics: A Primer of Questions for Providers to Ask When Discussing Health Care Treatment Costs with Patients". Additionally, in FY2009/2010 the Foundation published the following full length patient educational publications, "A New Approach: A Simple Dialogue Between the Patient and Provider About the Cost of Medical Care", "Your Well-Being: A Health Guide for the Hispanic/ Latino Community" and "The National Underinsured Resource Directory" (online custom resource tool available at <http://www.patientadvocate.org/help4u.php> as well as printed version of resource directory). The Foundation publications committee also developed educational content that has been utilized in the newly redesigned Foundation website (www.patientadvocate.org). Lastly, the following Foundation publications were reviewed and revised during FY2009/2010 by the publications committee resulting in new editions of, "A Greater Understanding: Clinical Trials Guide", "Greater Understanding: Discovering Your Role as a Volunteer", "Greater Understanding: The Medicare Modernization Act of 2003", "Greater Understanding: Social Security Disability vs. Supplemental Security Income and Subsequent Entitlements" and "Promoting a Healthier American Indian & Alaska Native Community".

The Foundation direct patient services staff provided follow up educational materials to all patients served by the Foundation. The Foundation case management staff selects appropriate educational materials from over 300 publications available in the Foundation's resource center. These publications include those authored by Foundation as well as materials published by government agencies, various nonprofit healthcare organizations, academic institutions, healthcare providers and facilities as well as for profit healthcare companies. The Foundation distributed 20,337 custom patient education packets to those served in FY2009/2010.

During FY2009/2010, the Foundation direct patient services team also conducted educational outreach at the local, regional and national levels with the goal of educating healthcare professionals, nonprofit organizations and the general public about the services offered by the Foundation. This outreach was, in some cases, targeted to a specific population that is known to be considered disparate in healthcare access and disease outcomes data. These targeted outreach populations include the African American population, Hispanic/Latino populations and the hematologic cancer patient population. In FY2009/2010, the Foundation distributed over 30,000 educational publications through these outreach events.

Through patient advocate foundations scholarship for survivors, 10 scholarships are awarded to students whose studies were interrupted or delayed by a diagnosis of a life threatening, chronic or debilitating disease. The students must be enrolled full-time, maintain GPA of 3.0 or better and complete 20 hours of community service during the academic year.

Co-Pay Relief Program

Launched in 2004, the Patient Advocate Foundation Co-Pay Relief Program currently provides direct financial support to insured patients, including privately insured, employer sponsored and Medicare part D beneficiaries, who financially and medically qualify to fulfill their out of pocket co-payment responsibilities, thus, insuring access to needed therapies. The program offers personal service to all patients through the use of call counselors; personally guiding patients through the enrollment and benefit process.

The Foundation's Co-Pay Relief Program currently assists insured patients who are financially and medically qualified and are being treated for breast, lung, lymphoma, prostate, kidney, colon, pancreatic, cutaneous t-cell lymphoma, head/neck cancers, malignant brain tumors, sarcoma, diabetes, multiple myeloma, myelodysplastic syndrome (and other pre-leukemia diseases), osteoporosis, chronic pain, hepatitis c, rheumatoid arthritis, selected autoimmune disorders, chemotherapy induced anemia and chemotherapy induced neutropenia.

Currently the Foundation's Co-Pay Relief Program offers a dedicated, secured website for medical providers to enroll electronically for the Co-Pay Relief Program on behalf of their patients. As well, offer a dedicated, secured web based application for patients to enroll electronically for the Co-Pay Relief Program directly from the Co-Pay Relief Program website.

In FY2009/2010, the Foundation provided co-payment assistance to 11,161 qualified patients through the Co-Pay Relief Program. Since its inception in 2004, the Foundation has provided co-payment assistance to over 35,000 individuals providing more than \$75,000 million dollars in co-payment awards.

Service Contract

In FY2008/2009, the Foundation entered into a transparent service administration contract with a national nonprofit organization. The Foundation has been contracted to provide full service, transparent administration services to qualified patients that enter their co-pay assistance program. The Foundation continued to provide this contractual service during FY2009/2010 and was paid administration fees on a monthly basis through this service contract. The Foundation administered services to 9,333 patients in FY2009/2010 through this contract.

- **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.

Reclassifications

Certain amounts in the 2009 financial statements have been reclassified to conform to the 2010 financial statement presentation. Such reclassifications had no affect the previously reported net assets.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through September 20, 2010, the date the financial statements were available to be issued.

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 \$250,000. At June 30, 2010 and 2009, the Foundation had approximately \$32,517,000 and \$23,893,000, respectively, of deposits in excess of the FDIC coverage. At June 30, 2010 and 2009, the Foundation had \$290,400 and \$99,043 respectively, in money market funds and \$1,683,977 and \$1,876,093, 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 \$250,000 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>2010</u>		Unrealized
	Cost	Fair Value	Gain
Treasury securities	\$ 737,944	\$ 765,245	\$ 27,301
Federal agency bonds	284,982	300,247	15,265
Certificates of deposit	594,996	618,485	23,489
Money market funds	290,400	290,400	-
	<u>\$ 1,908,322</u>	<u>\$ 1,974,377</u>	<u>\$ 66,055</u>

2009

Treasury securities	\$ 682,969	\$ 696,526	\$ 13,557
Federal agency bonds	425,831	450,321	24,490
Certificates of deposit	704,788	729,246	24,458
Money market funds	99,043	99,043	-
	<u>\$ 1,912,631</u>	<u>\$ 1,975,136</u>	<u>\$ 62,505</u>

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See below for discussion of fair value measurements.

Fair Value Measurements

Financial Accounting Standards Board (FASB), Accounting Standard Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted market prices for identical assets in active markets that the Foundation has the ability to access.
Level 2	Inputs to the valuation methodology include: <ul style="list-style-type: none">• Quoted prices for similar assets or liabilities in active markets;• Quoted prices for identical or similar assets or liabilities in inactive markets;• Inputs other than quoted prices that are observable for the asset or liability;• Inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2010 and 2009.

Treasury securities and federal agency bonds: valued at prices obtained from an independent pricing service when such prices are available.

Certificates of deposit: long-term certificates of deposit purchased within five years to maturity are valued at amortized cost, which approximates market value.

Money market funds: valued at quoted market price for similar assets and other observable inputs such as interest rates offered on similar investments.

The preceding methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value:

Assets at Fair Value as of June 30, 2010				
	Level 1	Level 2	Level 3	Total
Treasury securities	\$ -	\$ 765,245	\$ -	\$ 765,245
Federal agency bonds	-	300,247	-	300,247
Certificates of deposit	618,485	-	-	618,485
Money market funds	-	290,400	-	290,400
	<u>\$ 618,485</u>	<u>\$ 1,355,892</u>	<u>\$ -</u>	<u>1,974,377</u>

Assets at Fair Value as of June 30, 2009				
	Level 1	Level 2	Level 3	Total
Treasury securities	\$ -	\$ 696,526	\$ -	\$ 696,526
Federal agency bonds	-	450,321	-	450,321
Certificates of deposit	729,246	-	-	729,246
Money market funds	-	99,043	-	99,043
	<u>\$ 729,246</u>	<u>\$ 1,245,890</u>	<u>\$ -</u>	<u>\$ 1,975,136</u>

5. Property and Equipment

Property and equipment consist of the following:

	2010	2009
Furniture and fixtures	\$ 373,732	\$ 212,721
Office equipment	389,780	483,223
Computers, software and other assets	965,502	682,583
Leasehold improvements	73,549	190,269
	<u>1,802,563</u>	<u>1,568,796</u>
Less - accumulated depreciation	(624,332)	(673,588)
	<u>\$ 1,178,231</u>	<u>\$ 895,208</u>

Depreciation expense for 2010 and 2009 was \$260,795 and \$200,890, 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 2010, amortization under the aforementioned lease was \$62,537.

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

2011	\$	75,656
2012		75,656
2013		56,741
		<u>208,053</u>
Less - amount representing interest		<u>(21,247)</u>
Present value of minimum lease payments	\$	<u>186,806</u>

7. Restrictions on Net Assets

For 2010 and 2009, the Foundation had both temporarily and permanently restricted net assets.

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

	<u>2010</u>	<u>2009</u>
Colorectal CareLine	\$ 18,663	\$ 132,306
Co-Pay Relief Program funding	30,216,159	20,447,035
	<u>\$ 30,234,822</u>	<u>\$ 20,579,341</u>

The Co-Pay Relief Program 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 forty-three (43) 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 never available for general operating purposes.

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. The Foundation 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. The Foundation provides \$400 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.

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, 2010 and 2009, permanently restricted net assets were \$1,974,377 and \$1,975,136, respectively.

8. Pension Plan

Prior to November 1, 2008, the Foundation maintained a 403(b) plan for the benefit of its employees. Effective November 1, 2008, the Foundation established a 401(k) plan and terminated the 403(b) plan. Employee retirement plan expense was \$88,967 and \$81,644 for 2010 and 2009, respectively.

9. Donated Services and Property

During 2010 and 2009, donated materials were valued at \$57,762 and \$58,703 respectively, primarily in support of the Foundation's annual Promise of Hope Affair.

In 2010 and 2009, the Foundation received pro bono legal services on behalf of patients being serviced by the Foundation through the National Legal Resources Network valued at \$18,000 and \$23,000, respectively. As well, during 2010 and 2009, \$62,780 and \$54,531, respectively, in other professional services were donated and recognized as related income and expense for donated services.

In October 2009, the Foundation entered into a new building lease agreement, by which it acquired donated furniture and equipment of \$367,277.

10. Related Party Transactions

During 2010 and 2009, the Foundation paid consulting fees of \$600,000 and \$490,000 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.

11. Commitments

The Foundation leased 20,000 square feet of office space for \$22,170 per month, under a five-year lease agreement due to expire in September 2010. In April 2010, the Foundation moved its operations to a 36,500 square feet office space, entering into a new ten-year lease agreement for \$51,901 per month, due to expire in December 2019.

The Foundation leases additional office space in San Diego, California for \$2,370 per month, under a three-year lease agreement which expires in March 2012.

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

Total lease payments for 2010 and 2009 were \$423,616 and \$292,640, respectively.

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

2011	\$	734,703
2012		686,388
2013		698,118
2014		694,626
2015		706,227
Thereafter		<u>2,840,091</u>
	\$	<u>6,360,153</u>

12. Board Designated Endowments (UPMIFA) After Implementation of FSP FAS 117-1

The Foundation's endowment fund was established to support its mission and exempt purpose by supporting its Direct Patient Services including case management and legal counseling/intervention and/or mediation necessary to assure access to health care for uninsured, underinsured and insured patients in addition to support in addressing debt crisis and/or job retention resulting from the diagnosis of a chronic or life threatening disease. The endowment fund builds long-term stability for the future of the Foundation by providing an additional source of income to meet an increasing demand for its programs and services.

The Foundation established the endowment fund in 2001. The funds were designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors of the Foundation has interpreted the state law under the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation's endowment fund classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the board designated endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate board designated endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the board designated endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation and (7) the Foundation's investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to the Foundation Direct Patient Services supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix that is intended to result in a consistent inflation-protected rate of return. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy. The Foundation's Board of Directors governs the use of the endowment fund and identifies the mission related programs and services for which the funds will be used.

Endowment fund net asset composition and type of fund for 2010 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Fund Assets
Board designated endowment funds	\$ -	\$ -	\$ 1,974,377	\$ 1,974,377

Endowment fund net asset composition and type of fund for 2009 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Fund Assets
Board designated endowment funds	\$ -	\$ -	\$ 1,975,136	\$ 1,975,136

Changes in endowment fund net assets in 2010 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Fund Assets
Endowment fund net assets - beginning of year	\$ -	\$ -	\$ 1,975,136	\$ 1,975,136
Investment loss	-	-	(759)	(759)
Endowment fund net assets - end of year	\$ -	\$ -	\$ 1,974,377	\$ 1,974,377

Changes in endowment fund net assets in 2009 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Fund Assets
Endowment fund net assets - beginning of year	\$ -	\$ -	\$ 1,937,483	\$ 1,937,483
Investment gain	-	-	37,653	37,653
Endowment fund net assets - end of year	\$ -	\$ -	\$ 1,975,136	\$ 1,975,136

* * * * *

Patient Advocate Foundation

Supplementary Information

June 30, 2010

Patient Advocate Foundation

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2010

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	93.945	*	\$ 465,019
Early Detection of Survivorship of Cancer in Underserved Populations	93.283		370,256
Virginia Cares Uninsured Program	93.779		<u>116,111</u>
Total			<u>\$ 951,386</u>

* Major Federal Program Award

Patient Advocate Foundation

Note to Schedule of Expenditures of Federal Awards

June 30, 2010

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, 2010



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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, 2010 and 2009, and have issued our report thereon dated September 20, 2010. 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 ***Patient Advocate Foundation's*** internal control over financial reporting.

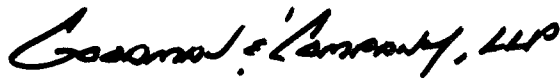
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of *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.

A handwritten signature in black ink that reads "Coopers & Lybrand, LLP". The signature is written in a cursive, flowing style.

Newport News, Virginia
September 20, 2010



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***Report on Compliance with Requirements
That Could Have a Direct and Material Effect on 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 *OMB Circular A-133 Compliance Supplement* that are could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. ***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 referred to above is the responsibility of ***Patient Advocate Foundation's*** management. Our responsibility is to express an opinion on ***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. 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 identified in the accompanying schedule of findings and questioned costs. An audit includes examining, on a test basis, evidence about ***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 of ***Patient Advocate Foundation's*** compliance with those requirements.

In our opinion, ***Patient Advocate Foundation*** complied, in all material respects, with the requirements referred to above that are could have a direct and material effect on each of its major federal programs identified in the accompanying schedule of findings and questioned costs for the year ended June 30, 2010.

Fountain Plaza One
701 Town Center Drive , Suite 700
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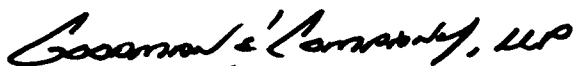
Internal Control Over Compliance

Management of *Patient Advocate Foundation* is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered *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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of *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.



Newport News, Virginia
September 20, 2010

Patient Advocate Foundation

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

1. Summary of Auditors' Results

- a. An unqualified opinion was issued on the financial statements.
- b. There were no 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 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 program is:
 - Strategy to Provide Information to Patients of Hematologic Cancer (CFDA No. 93.945)
- 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.