*Financial Statements*
*Years Ended*
*June 30, 2011 and 2010*

PAF Patient Advocate Foundation

Solving Insurance and Healthcare Access Problems | *since* 1996

DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

## *Patient Advocate Foundation*

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DIXON HUGHES GOODMAN LLP
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# *Report of Independent Auditors*

Board of Directors
***Patient Advocate Foundation***

We have audited the accompanying statement of financial position of the ***Patient Advocate Foundation*** (a nonprofit organization) as of June 30, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. This financial statement is the responsibility of the ***Patient Advocate Foundation's*** management. Our responsibility is to express an opinion on this financial statement based on our audit. The financial statements as of June 30, 2010, were audited by Goodman & Company, LLP, who merged into Dixon Hughes Goodman LLP as of April 1, 2011, and whose report dated September 20, 2010, expressed an unqualified opinion on those statements.

We conducted our audit 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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, 2011, and the changes in its net assets and its cash flows for the year 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 9, 2011, 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.





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Our audit was 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.

Dixon Hughes Goodman, LLP

Newport News, Virginia
September 9, 2011

*Patient Advocate Foundation*

*Statements of Financial Position*

| June 30, | 2011 | 2010 |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| General operating cash and cash equivalents | $ 3,187,235 | $ 2,688,952 |
| Restricted CPR cash and cash equivalents | 38,331,347 | 30,234,822 |
| Unconditional promises to give | 102,925 | 120,611 |
| Interest receivable | 56,501 | 70,656 |
| Related party receivable | 2,131 | - |
| Service contract receivable | 501,299 | 240,629 |
| Employee travel advances | 21,728 | 1,088 |
| Inventories | 86,957 | 69,359 |
| Prepaid expenses | 235,869 | 260,049 |
| Investments and cash equivalents | 1,943,750 | 1,974,377 |
| **Total current assets** | 44,469,742 | 35,660,543 |
| **Property and equipment - net** | 1,542,011 | 1,178,231 |
| **Other assets** | | |
| Refundable deposits | 108,540 | 114,374 |
| | $ 46,120,293 | $ 36,953,148 |
| **Liabilities and Net Assets** | | |
| **Current liabilities** | | |
| Current portion of obligation under capital lease | $ 68,477 | $ 63,379 |
| Accounts payable and accrued expenses | 631,953 | 494,944 |
| Deferred revenue | 2,322,968 | 2,407,856 |
| Accrued vacation leave | 406,593 | 378,951 |
| **Total current liabilities** | 3,429,991 | 3,345,130 |
| **Long-term liabilities** | | |
| Obligation under capital lease - less current portion | 54,950 | 123,427 |
| **Total liabilities** | 3,484,941 | 3,468,557 |
| Unrestricted | 2,360,255 | 1,275,392 |
| Temporarily restricted | 38,331,347 | 30,234,822 |
| Permanently restricted | 1,943,750 | 1,974,377 |
| **Total net assets** | 42,635,352 | 33,484,591 |
| | $ 46,120,293 | $ 36,953,148 |

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

## *Patient Advocate Foundation*

## *Statements of Activities*

| Years Ended June 30, | 2011 | | | | 2010 | | | |
|---|---|---|---|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| **Revenues, gains and other support** | | | | | | | | |
| Contributions | | | | | | | | |
| Grants | $ 6,849,584 | $27,183,586 | $ - | $ 34,033,170 | $ 4,676,771 | $23,153,996 | $ - | $27,830,767 |
| Private and public donations | 82,268 | - | - | 82,268 | 107,085 | - | - | 107,085 |
| Donated services and materials | 166,699 | - | - | 166,699 | 505,819 | - | - | 505,819 |
| Program Administration | 8,884,423 | - | - | 8,884,423 | 6,192,045 | - | - | 6,192,045 |
| Patient Congress | 225,920 | - | - | 225,920 | 207,300 | - | - | 207,300 |
| Prescription Access Point | 750,000 | - | - | 750,000 | - | - | - | - |
| Promise of Hope | 285,606 | - | - | 285,606 | 231,450 | - | - | 231,450 |
| Miscellaneous income | 453,652 | - | - | 453,652 | 204,224 | - | - | 204,224 |
| Investment income (loss) | 285,788 | - | (30,627) | 255,161 | 304,091 | - | (759) | 303,332 |
| Net assets released from restrictions | | | | | | | | |
| Satisfaction of program restrictions: | | | | | | | | |
| Financial Aid Awards | 19,087,061 | (19,087,061) | - | - | 13,498,515 | (13,498,515) | - | - |
| **Total revenues, gains and other support** | 37,071,001 | 8,096,525 | (30,627) | 45,136,899 | 25,927,300 | 9,655,481 | (759) | 35,582,022 |
| **Expenses** | | | | | | | | |
| Program services: | | | | | | | | |
| Patient services | 8,832,046 | - | - | 8,832,046 | 5,912,931 | - | - | 5,912,931 |
| Co-Pay Relief | 21,711,008 | - | - | 21,711,008 | 16,190,409 | - | - | 16,190,409 |
| Service contracts | 2,354,439 | - | - | 2,354,439 | 1,492,920 | - | - | 1,492,920 |
| Supporting services: | | | | | | | | |
| Management and general | 1,873,430 | - | - | 1,873,430 | 1,355,571 | - | - | 1,355,571 |
| Fundraising | 1,215,215 | - | - | 1,215,215 | 925,494 | - | - | 925,494 |
| **Total expenses** | 35,986,138 | - | - | 35,986,138 | 25,877,325 | - | - | 25,877,325 |
| **Change in net assets** | 1,084,863 | 8,096,525 | (30,627) | 9,150,761 | 49,975 | 9,655,481 | (759) | 9,704,697 |
| **Net assets - beginning 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 |
| **Net assets - end of year** | $ 2,360,255 | $38,331,347 | $ 1,943,750 | $ 42,635,352 | $ 1,275,392 | $30,234,822 | $ 1,974,377 | $33,484,591 |

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

## *Patient Advocate Foundation*

## *Statement of Functional Expenses*

| **Year Ended June 30, 2011** | 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 | $ 4,630,843 | $ 1,834,061 | $ 1,437,853 | $ 7,902,757 | $ 1,258,148 | $ 764,516 | $ 2,022,664 | $ 9,925,421 |
| Payroll taxes | 345,565 | 139,874 | 101,088 | 586,527 | 85,244 | 53,575 | 138,819 | 725,346 |
| Employee insurance | 365,288 | 193,664 | 185,251 | 744,203 | 53,739 | 18,708 | 72,447 | 816,650 |
| Employee retirement | 58,539 | 30,752 | 29,746 | 119,037 | 8,406 | 3,026 | 11,432 | 130,469 |
| **Total salaries and related expenses** | 5,400,235 | 2,198,351 | 1,753,938 | 9,352,524 | 1,405,537 | 839,825 | 2,245,362 | 11,597,886 |
| Accounting fees | - | 4,702 | - | 4,702 | 40,632 | - | 40,632 | 45,334 |
| CPAF Financial Aid Awards | 11,363 | - | - | 11,363 | - | - | - | 11,363 |
| Bad debts | - | - | - | - | 25,000 | - | 25,000 | 25,000 |
| Bank fees and interest | 47,142 | 25,220 | 17,384 | 89,746 | 6,081 | 3,248 | 9,329 | 99,075 |
| CCL Financial Aid Awards | 656,163 | - | - | 656,163 | - | - | - | 656,163 |
| Conferences, conventions and meetings | 199,621 | - | - | 199,621 | 40,372 | 147,537 | 187,909 | 387,530 |
| Consultants | 43,286 | 2,913 | - | 46,199 | 9,284 | 6,596 | 15,880 | 62,079 |
| CPR Financial Aid Awards | - | 18,419,537 | - | 18,419,537 | - | - | - | 18,419,537 |
| Depreciation | 187,455 | 80,219 | 23,452 | 291,126 | 17,161 | 6,245 | 23,406 | 314,532 |
| Donations | - | - | - | - | 1,279 | - | 1,279 | 1,279 |
| Equipment rental and maintenance | 176,543 | 66,262 | 23,096 | 265,901 | 6,193 | 3,911 | 10,104 | 276,005 |
| Insurance | 9,964 | 5,216 | 3,921 | 19,101 | 38,783 | 490 | 39,273 | 58,374 |
| Legal fees | 32,244 | 3,010 | - | 35,254 | 24,322 | 905 | 25,227 | 60,481 |
| Loss on abandonment of fixed assets | - | - | - | - | 5,652 | - | 5,652 | 5,652 |
| Marketing | 234,969 | 51,523 | 35,641 | 322,133 | 11,796 | 10,803 | 22,599 | 344,732 |
| Occupancy | 386,443 | 195,000 | 134,933 | 716,376 | 45,452 | 19,334 | 64,786 | 781,162 |
| Postage and shipping | 108,037 | 84,252 | 59,434 | 251,723 | 9,925 | 8,362 | 18,287 | 270,010 |
| Printing and publications | 139,447 | 65,902 | 14,996 | 220,345 | 34,143 | 29,025 | 63,168 | 283,513 |
| Professional fees - NPAF | 502,605 | 261,085 | - | 763,690 | 32,000 | 24,310 | 56,310 | 820,000 |
| Property taxes | 16,305 | 8,543 | 8,264 | 33,112 | 2,334 | 841 | 3,175 | 36,287 |
| Recruiting | 4,643 | 2,439 | 2,359 | 9,441 | 667 | 240 | 907 | 10,348 |
| Scholarships | 31,500 | - | - | 31,500 | - | - | - | 31,500 |
| Staff meeting and incentives | 27,472 | 13,973 | 13,251 | 54,696 | 60,512 | 1,865 | 62,377 | 117,073 |
| Supplies | 44,960 | 49,333 | 49,461 | 143,754 | 13,037 | 13,877 | 26,914 | 170,668 |
| Telephone | 325,438 | 160,457 | 210,535 | 696,430 | 36,294 | 17,180 | 53,474 | 749,904 |
| Travel | 246,211 | 13,071 | 3,774 | 263,056 | 6,974 | 80,621 | 87,595 | 350,651 |
| **Total functional expenses** | $ 8,832,046 | $ 21,711,008 | $ 2,354,439 | $ 32,897,493 | $ 1,873,430 | $ 1,215,215 | $ 3,088,645 | $ 35,986,138 |

*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 |
| Colorectal CareLine payments | 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 |
| Co-Pay Relief payments | - | 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 abandonmnet of fixed asset | - | - | - | - | 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*

*Statements of Cash Flows*

| Years Ended June 30, | 2011 | 2010 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Change in net assets | $ 9,150,761 | $ 9,704,697 |
| Adjustments to reconcile to net cash from operating activities: | | |
| Depreciation | 314,532 | 260,795 |
| Loss on disposal on abandonment property and equipment | 5,652 | 258,968 |
| Unrealized and realized (gain)/loss on investments | 77,046 | (194,256) |
| Donated property and equipment | - | (367,277) |
| Change in: | | |
| Unconditional promises to give | 17,686 | (75,286) |
| Interest receivable | 14,155 | 2,394 |
| Related party receivable | (2,131) | - |
| Service contract receivable | (260,670) | (124,555) |
| Employee travel advances | (20,640) | (1,088) |
| Inventories | (17,598) | 6,878 |
| Prepaid expenses | 24,180 | (184,182) |
| Refundable deposits | 5,834 | (98,911) |
| Accounts payable and accrued expenses | 137,009 | 134,706 |
| Deferred revenue | (84,888) | 450,559 |
| Accrued vacation leave | 27,642 | 65,443 |
| **Net cash from operating activities** | 9,388,570 | 9,838,885 |
| **Cash flows from investing activities** | | |
| Acquisition of property and equipment | (683,964) | (435,508) |
| Net purchase and proceeds from investments | (46,419) | 195,015 |
| **Net cash from investing activities** | (730,383) | (240,493) |
| **Cash flows from financing activities** | | |
| Repayment of obligation under captial lease | (63,379) | (58,660) |
| **Net change in cash and cash equivalents** | 8,594,808 | 9,539,732 |
| **Cash and cash equivalents - beginning of year** | 32,923,774 | 23,384,042 |
| **Cash and cash equivalents - end of year** | $ 41,518,582 | $ 32,923,774 |
| **Balance sheet presentation of cash and cash equivalents** | | |
| General operating cash and cash equivalents | $ 3,187,235 | $ 2,688,952 |
| Restricted CPR cash and cash equivalents | 38,331,347 | 30,234,822 |
| | $ 41,518,582 | $ 32,923,774 |
| **Supplemental disclosure of cash flow information** | | |
| Cash paid for interest | $ 12,276 | $ 16,995 |

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

## 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 and service agreements.

## 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:

| | Years |
|---|---|
| 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 33,903 individuals in FY2010/2011. On average, case managers made 12.5 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 28 patient educational publications. In FY2010/2011, the Foundation began writing two full length publications: "Medicare-Answering Your Questions" and "The National Uninsured Resource Directory." The Foundation's publication committee published a one page article in the Winter 2010 Women's Magazine titled "Healthcare Reform: How Will It Affect You?" Additionally, In FY 10/11 the Foundation served as peer reviewers and provided edits on multiple national organization's publications to include: The Leukemia and Lymphoma Society's booklet "Financial Health Matters", Support for People with Oral and Head and Neck Caner (SPOHNC) book: "Meeting the Challenges of Oral and Head and Neck Cancer: A Survivor's Guide", Chapter 9 - "Meeting the Challenges of Insurance Issues"; The National Children's Cancer Society's "The Mountain you have Climbed: A Young Adult's guide to Childhood Cancer Survivorship" and "The Mountain You Have Climbed: A Parent's Guide to Childhood Cancer Survivorship." Lastly, The Foundation's publication committee translated the full length publication "Lighting the Way: Clinical Trials Guide" into Spanish.

  The Foundation's direct patient services staff provided follow up educational materials to all patients served by the Foundation. The Foundation's case management staff selects appropriate educational materials from over 300 publications available in the Foundation's resource center. These publications include those authored by the 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 96,689 pieces of educational material in customized patient education packets to those patients served in FY2010/2011.

During FY2010/2011, the Foundation's 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 FY2010/2011, the Foundation distributed over 59,000 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 a 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 (CPR) 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 patients who are being treated for breast, colon, head and neck, kidney, lung, lymphoma, non-squomous non-small cell lung (NSCLC),pancreatic and prostate cancers, autoimmune disorders, chemotherapy induced anemia or neutropenia, cutaneous t-cell lymphoma, diabetes, hepatitis C, malignant brain tumors, multiple myeloma, myelodysplastic syndrome, osteoporosis, pain, rheumatoid arthritis and sarcoma.

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, CPR offers a dedicated, secure web based application for patients to enroll electronically for the Co-Pay Relief Program directly from the Co-Pay Relief Program website.

In FY2010/2011, the Foundation provided co-payment assistance to 13,781 qualified patients through the Co-Pay Relief Program. Since its inception in 2004, the Foundation has provided co-payment assistance to over 50,000 individuals allocating more than $130,000 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 FY2010/2011 and was paid administration fees on a monthly basis through this service contract. The Foundation administered services to 16,195 patients in FY2010/2011 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 is exempt from income taxes under Section 501(c)(3) of the Internal revenue code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Foundation has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2010. Fiscal years ending on or after December 31, 2007 remain subject to examination by federal and state tax authorities.

**Subsequent Events**

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through September 9, 2011, 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, 2011 and 2010, the Foundation had approximately $38,993,000 and $32,517,000, respectively, of deposits in excess of the FDIC coverage. At June 30, 2011 and 2010, the Foundation had $229,738 and $290,400 respectively, in money market funds and $1,714,012 and $1,683,977, 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:

| **2011** | Cost | Fair Value | Unrealized Gain |
|---|---|---|---|
| Treasury securities | $ 709,053 | $ 733,135 | $ 24,082 |
| Federal agency bonds | 234,679 | 240,175 | 5,496 |
| Certificates of deposit | 719,996 | 740,702 | 20,706 |
| Money market funds | 229,738 | 229,738 | - |
| | $ 1,893,466 | $ 1,943,750 | $ 50,284 |

| 2010 | | | | | | |
|---|---|---|---|---|---|---|
| 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 | | - |
| | $ | 1,908,322 | $ | 1,974,377 | $ | 66,055 |

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:<br>• Quoted prices for similar assets or liabilities in active markets;<br>• Quoted prices for identical or similar assets or liabilities in inactive markets;<br>• Inputs other than quoted prices that are observable for the asset or liability;<br>• Inputs that are derived principally from or corroborated by observable market data by correlation or other means.<br>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, 2011 and 2010.

*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, 2011** | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Treasury securities | $ - | $ 733,135 | $ - | $ 733,135 |
| Federal agency bonds | - | 240,175 | - | 240,175 |
| Certificates of deposit | 740,702 | - | - | 740,702 |
| Money market funds | - | 229,738 | - | 229,738 |
| | $ 740,702 | $ 1,203,048 | $ - | 1,943,750 |

| | **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 |
| | $ 618,485 | $ 1,355,892 | $ - | $ 1,974,377 |

## 5. Property and Equipment

Property and equipment consist of the following:

| | **2011** | **2010** |
|---|---|---|
| Furniture and fixtures | $ 391,043 | $ 373,732 |
| Office equipment | 385,231 | 389,780 |
| Computers, software and other assets | 1,162,739 | 965,502 |
| Leasehold improvements | 78,896 | 73,549 |
| Projects in progress | 359,400 | - |
| | 2,377,309 | 1,802,563 |
| Less - accumulated depreciation | (835,298) | (624,332) |
| | $ 1,542,011 | $ 1,178,231 |

Depreciation expense for 2011 and 2010 was $314,532 and $260,795, 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 2011 and 2010, amortization under the aforementioned lease was $62,537 each year.

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

| | | |
|---|---|---|
| 2012 | $ | 75,656 |
| 2013 | | 56,741 |
| | | 132,397 |
| Less - amount representing interest | | (8,970) |
| Present value of minimum lease payments | $ | 123,427 |

**7. Restrictions on Net Assets**

For 2011 and 2010, the Foundation had both temporarily and permanently restricted net assets.

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

| | | 2011 | | 2010 |
|---|---|---|---|---|
| Colorectal CareLine (CCL) | $ | - | $ | 18,663 |
| Cancer Premium Assistance funding (CPAF) | | 32,137 | | - |
| Co-Pay Relief Program funding (CPR) | | 38,299,210 | | 30,216,159 |
| | $ | 38,331,347 | $ | 30,234,822 |

The Co-Pay Relief Program was launched 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 2,400 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 transportation to and from treatment.

In April 2011, in collaboration with the American Cancer Society, the Foundation established the Cancer Premium Assistance Fund, administered through the Co-Pay Relief Program in order to provide cancer patients who medically and financially qualify with assistance for their insurance premiums when they cannot afford them in an effort to maintain their insurance benefits. This program offers premium assistance to cancer patients who are commercially insured and/or are pursuing a high risk pool or COBRA benefit. Patients who are approved for support receive a maximum award amount of $2000, ensuring that premium support is provided, ideally, for a 4-6 month period. All patients served through this program are referred to the Foundation through the American Cancer Society's National Cancer Information Health Insurance Assistance Team.

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, 2011 and 2010, permanently restricted net assets were $1,943,750 and $1,974,377, respectively.

## 8. Pension Plan

Effective November 1, 2008, the Foundation established a 401(k) plan and terminated the 403(b) plan. Employee retirement plan expense was $130,468 and $88,967 for 2011 and 2010, respectively.

## 9. Donated Services and Property

During 2011 and 2010, donated materials were valued at $73,821 and $57,732 respectively, primarily in support of the Foundation's annual Promise of Hope Affair.

In 2011 and 2010, the Foundation received pro bono legal services on behalf of patients being serviced by the Foundation through the National Legal Resources Network valued at $22,000 and $18,000, respectively. As well, during 2011 and 2010, $70,878 and $62,780, 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. There was no donated property acquired during 2011.

## 10. Related Party Transactions

During 2011 and 2010, the Foundation paid consulting fees of $820,000 and $600,000 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. At June 30, 2011, there was $2,131 due to the Foundation from NPAF.

## 11. Commitments

The Foundation leased 20,000 square feet of office space for $22,170 per month, under a five-year lease agreement that expired 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 and in San Antonio, Texas for $3,000 per month under a three-year lease agreement which expires in March 2014.

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

Total lease payments for 2011 and 2010 were $752,592 and $423,616 respectively.

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

| | |
|---|---|
| 2012 | $ 724,376 |
| 2013 | 737,106 |
| 2014 | 724,785 |
| 2015 | 707,883 |
| 2016 | 728,385 |
| Thereafter | 2,112,672 |
| | $ 5,735,207 |

## 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 2011 is as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total Net Endowment Fund Assets |
|---|---|---|---|---|
| Board designated endowment funds | $ - | $ - | $ 1,943,750 | $ 1,943,750 |

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 |

Changes in endowment fund net assets in 2011 were as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total Net Endowment Fund Assets |
|---|---|---|---|---|
| Endowment fund net assets - beginning of year | $ - | $ - | $ 1,974,377 | $ 1,974,377 |
| Investment loss | - | - | (30,627) | (30,627) |
| Endowment fund net assets - end of year | $ - | $ - | $ 1,943,750 | $ 1,943,750 |

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 |

* * * * *

***Patient Advocate Foundation***

***Supplementary Information***

***June 30, 2011***

## *Patient Advocate Foundation*

## *Schedule of Expenditures of Federal Awards*

**Year Ended June 30, 2011**

| 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 | | $ 456,298 |
| Early Detection of Survivorship of Cancer in Underserved Populations | 93.283 | | 370,257 |
| Virginia Cares Uninsured Program | 93.779 | * | 373,890 |
| **Total** | | | $ 1,200,445 |

* Major Federal Program Award

## 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, 2011***

DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

# *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 year ended June 30, 2011, and have issued our report thereon dated September 9, 2011. We conducted our audit 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.*



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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.

Dixon Hughes Goodman LLP

Newport News, Virginia
September 9, 2011

DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

# *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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. ***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 program 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, 2011.



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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 of laws, regulations, contracts and grants applicable to its major federal programs. 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 by the ***Patient Advocate Foundation's*** internal control 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.

Dixon Hughes Goodman LLP

Newport News, Virginia
September 9, 2011

**Year Ended June 30, 2011**

## 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:

  Virginia Cares Uninsured Program (CFDA No. 93.779)

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.