Financial Statements
Years Ended
June 30, 2013 and 2012

Patient Advocate Foundation

Solving Insurance and Healthcare Access Problems | *since* 1996

DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

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Independent Auditors' Report

Board of Directors
Patient Advocate Foundation

We have audited the accompanying financial statements of ***Patient Advocate Foundation*** (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Dixon Hughes Goodman LLP

Newport News, Virginia
September 13, 2013

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Patient Advocate Foundation

Statements of Financial Position

June 30,	2013	2012
Assets		
Current assets		
General operating cash and cash equivalents	$ 3,143,521	$ 1,415,140
Restricted CPR cash and cash equivalents	30,812,296	26,031,769
Unconditional promises to give	453,417	149,943
Interest receivable	-	48,790
Related party receivable	391	4,078
Service contract receivable	402,722	446,074
Employee travel advances	672	920
Inventories	104,461	94,500
Prepaid expenses	226,540	171,200
Investments and cash equivalents	1,846,290	1,920,717
Total current assets	36,990,310	30,283,131
Property and equipment - net	1,225,238	1,400,184
Other assets		
Refundable deposits	103,631	103,631
	$ 38,319,179	$ 31,786,946
Liabilities and Net Assets		
Current liabilities		
Current portion of obligation under capital lease	$ 37,866	$ 54,951
Accounts payable and accrued expenses	681,349	453,431
Deferred revenue	2,882,010	1,261,366
Accrued vacation leave	380,199	357,156
Total current liabilities	3,981,424	2,126,904
Long-term liabilities		
Obligation under capital lease - less current portion	144,579	-
Total liabilities	4,126,003	2,126,904
Unrestricted	1,534,590	1,707,558
Unrestricted - board designated	1,846,290	1,920,715
Total unrestricted net assets	3,380,880	3,628,273
Temporarily restricted	30,812,296	26,031,769
Total net assets	34,193,176	29,660,042
	$ 38,319,179	$ 31,786,946

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

Patient Advocate Foundation

Statements of Activities

Years Ended June 30,			**2013**					**2012**		
	Unrestricted	Unrestricted - Board Designated	Total Unrestricted	Temporarily Restricted	Total	Unrestricted	Unrestricted - Board Designated	Total Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support										
Contributions:										
Grants	$ 4,578,357	$ -	$ 4,578,357	$ 34,177,188	$ 38,755,545	$ 4,610,445	$ -	$ 4,610,445	$ 27,124,500	$ 31,734,945
Private and public donations	74,109	-	74,109	-	74,109	96,676	-	96,676	-	96,676
Donated services and materials	75,832	-	75,832	-	75,832	105,943	-	105,943	-	105,943
Program Administration	8,670,194	-	8,670,194	-	8,670,194	10,389,380	-	10,389,380	-	10,389,380
Patient Congress	199,860	-	199,860	-	199,860	285,689	-	285,689	-	285,689
Promise of Hope	309,801	-	309,801	-	309,801	290,048	-	290,048	-	290,048
Miscellaneous income	210,958	-	210,958	-	210,958	338,084	-	338,084	-	338,084
Investment income (loss)	196,564	(74,425)	122,139	-	122,139	295,330	(23,035)	272,295	-	272,295
Net assets released from restrictions										
Satisfaction of program restrictions										
Financial Aid Awards	29,396,661	-	29,396,661	(29,396,661)	-	39,424,078	-	39,424,078	(39,424,078)	-
Total revenues, gains and other support	43,712,336	(74,425)	43,637,911	4,780,527	48,418,438	55,835,673	(23,035)	55,812,638	(12,299,578)	43,513,060
Expenses and losses										
Program services:										
Patient/educational services	5,671,565	-	5,671,565	-	5,671,565	6,719,227	-	6,719,227	-	6,719,227
Co-Pay Relief	32,614,888	-	32,614,888	-	32,614,888	43,800,408	-	43,800,408	-	43,800,408
Service contracts	2,630,444	-	2,630,444	-	2,630,444	2,900,039	-	2,900,039	-	2,900,039
Supporting services:					-			-		-
Management and general	1,662,222	-	1,662,222	-	1,662,222	1,884,242	-	1,884,242	-	1,884,242
Fundraising	964,185	-	964,185	-	964,185	1,146,465	-	1,146,465	-	1,146,465
Total expenses	43,543,304	-	43,543,304	-	43,543,304	56,450,381	-	56,450,381	-	56,450,381
Loss on abandonment of fixed assets	342,000	-	342,000	-	342,000	37,989	-	37,989	-	37,989
Total expenses and losses	43,885,304	-	43,885,304	-	43,885,304	56,488,370	-	56,488,370	-	56,488,370
Change in net assets	(172,968)	(74,425)	(247,393)	4,780,527	4,533,134	(652,697)	(23,035)	(675,732)	(12,299,578)	(12,975,310)
Net assets - beginning of year	1,707,558	1,920,715	3,628,273	26,031,769	29,660,042	2,360,255	1,943,750	4,304,005	38,331,347	42,635,352
Net assets - end of year	$ 1,534,590	$ 1,846,290	$ 3,380,880	$ 30,812,296	$ 34,193,176	$ 1,707,558	$ 1,920,715	$ 3,628,273	$ 26,031,769	$ 29,660,042

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

Patient Advocate Foundation

Statement of Functional Expenses

Year Ended June 30, 2013	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	$ 3,312,729	$ 1,771,697	$ 1,656,598	$ 6,741,024	$ 849,485	$ 568,290	$ 1,417,775	$ 8,158,799
Payroll taxes	245,379	123,988	121,663	491,030	62,102	42,636	104,738	595,768
Employee insurance	302,519	152,860	149,993	605,372	76,563	52,565	129,128	734,500
Employee retirement	72,222	36,493	35,809	144,524	18,278	12,549	30,827	175,351
Total salaries and related expenses	3,932,849	2,085,038	1,964,063	7,981,950	1,006,428	676,040	1,682,468	9,664,418
Accounting fees	-	7,192	-	7,192	103,154	-	103,154	110,346
Bank fees and interest	11,797	61,528	5,221	78,546	3,962	1,689	5,651	84,197
Conferences, conventions and meetings	84,143	-	-	84,143	50,932	104,470	155,402	239,545
Consultants	31,856	661	-	32,517	68,993	4,952	73,945	106,462
CPAF Financial Aid Awards	-	9,696	-	9,696	-	-	-	9,696
CPR Financial Aid Awards	-	29,386,965	-	29,386,965	-	-	-	29,386,965
Depreciation	135,883	68,661	67,373	271,917	34,390	23,611	58,001	329,918
Equipment rental and maintenance	150,953	118,171	119,430	388,554	15,146	11,846	26,992	415,546
Insurance	7,104	3,589	3,522	14,215	56,291	1,234	57,525	71,740
Legal fees	-	4,065	-	4,065	102,834	-	102,834	106,899
Marketing	9,541	4,821	4,731	19,093	2,415	1,658	4,073	23,166
Occupancy	327,695	228,515	207,441	763,651	40,715	24,303	65,018	828,669
Postage and shipping	42,868	78,188	45,987	167,043	4,130	1,584	5,714	172,757
Printing and publications	61,598	17,367	7,134	86,099	34,201	16,810	51,011	137,110
Professional fees - NPAF	282,590	165,450	-	448,040	27,460	9,500	36,960	485,000
Property taxes	-	-	-	-	20,234	-	20,234	20,234
Recruiting	2,529	1,515	1,322	5,366	45,217	124	45,341	50,707
Scholarships	28,500	-	-	28,500	-	-	-	28,500
Staff meeting and incentives	14,644	7,399	7,261	29,304	4,743	2,558	7,301	36,605
Supplies	55,166	35,511	25,965	116,642	9,093	3,267	12,360	129,002
Telephone	298,151	321,484	170,081	789,716	26,227	12,677	38,904	828,620
Travel	193,698	9,072	913	203,683	5,657	67,862	73,519	277,202
Total functional expenses	$ 5,671,565	$ 32,614,888	$ 2,630,444	$ 40,916,897	$ 1,662,222	$ 964,185	$ 2,626,407	$ 43,543,304

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

Patient Advocate Foundation

Statement of Functional Expenses

Year Ended June 30, 2012	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	$ 3,857,957	$ 2,603,853	$ 1,952,868	$ 8,414,678	$ 1,120,081	$ 634,486	$ 1,754,567	$ 10,169,245
Payroll taxes	280,852	148,804	117,971	547,627	76,413	46,250	122,663	670,290
Employee insurance	347,989	184,376	146,171	678,536	94,682	57,305	151,987	830,523
Employee retirement	74,250	39,340	31,189	144,779	20,201	12,227	32,428	177,207
Total salaries and related expenses	4,561,048	2,976,373	2,248,199	9,785,620	1,311,377	750,268	2,061,645	11,847,265
Accounting fees	-	-	-	-	68,477	-	68,477	68,477
Bank fees and interest	17,696	52,260	10,412	80,368	4,123	1,056	5,179	85,547
CCL Financial Aid Awards	69,550	-	-	69,550	-	-	-	69,550
Conferences, conventions and meetings	62,828	-	-	62,828	55,934	120,669	176,603	239,431
Consultants	64,581	23,845	-	88,426	24,997	41,766	66,763	155,189
CPR Financial Aid Awards	-	39,493,628	-	39,493,628	-	-	-	39,493,628
Depreciation	147,093	77,935	61,786	286,814	40,020	24,223	64,243	351,057
Donations	-		-	-	300	-	300	300
Equipment rental and maintenance	121,842	124,299	67,675	313,816	10,836	5,592	16,428	330,244
Insurance	6,695	5,275	4,167	16,137	57,047	392	57,439	73,576
Legal fees	3,943	1,612	-	5,555	80,204	4,250	84,454	90,009
Marketing	63,633	33,715	26,729	124,077	17,312	10,479	27,791	151,868
Occupancy	321,917	203,875	168,427	694,219	43,175	16,172	59,347	753,566
Postage and shipping	58,123	111,893	81,877	251,893	6,721	4,473	11,194	263,087
Printing and publications	95,544	52,631	23,364	171,539	51,652	25,925	77,577	249,116
Professional fees - NPAF	398,985	220,775	-	619,760	27,780	14,960	42,740	662,500
Property taxes	-	-	-	-	306	-	306	306
Recruiting	12,377	6,558	5,199	24,134	3,368	2,038	5,406	29,540
Scholarships	24,000	-	-	24,000	-	-	-	24,000
Staff meeting and incentives	21,037	11,281	8,686	41,004	10,077	3,472	13,549	54,553
Supplies	44,834	41,181	39,126	125,141	12,721	8,770	21,491	146,632
Telephone	392,827	350,793	151,380	895,000	54,316	21,163	75,479	970,479
Travel	230,674	12,479	3,012	246,165	3,499	90,797	94,296	340,461
Total functional expenses	$ 6,719,227	$ 43,800,408	$ 2,900,039	$ 53,419,674	$ 1,884,242	$ 1,146,465	$ 3,030,707	$ 56,450,381

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

Patient Advocate Foundation

Statements of Cash Flows

Years Ended June 30,	2013	2012
Cash flows from operating activities		
Change in net assets	$ 4,533,134	$ (12,975,310)
Adjustments to reconcile to net cash from operating activities:		
Depreciation	329,918	351,057
Loss on abandonment of property and equipment	342,000	37,989
Unrealized loss on investments	74,425	23,033
Change in:		
Unconditional promises to give	(303,474)	(47,018)
Interest receivable	48,790	7,711
Related party receivable	3,687	(1,947)
Service contract receivable	43,352	55,225
Employee travel advances	248	20,808
Inventories	(9,961)	(7,543)
Prepaid expenses	(55,340)	64,669
Refundable deposits	-	4,909
Accounts payable and accrued expenses	227,918	(178,522)
Deferred revenue	1,620,644	(1,061,602)
Accrued vacation leave	23,043	(49,437)
Net cash from operating activities	6,878,384	(13,755,978)
Cash flows from investing activities		
Acquisition of property and equipment	(314,525)	(247,218)
Cash flows from financing activities		
Repayment of obligation under captial lease	(54,951)	(68,477)
Net change in cash and cash equivalents	6,508,908	(14,071,673)
Cash and cash equivalents - beginning of year	27,446,909	41,518,582
Cash and cash equivalents - end of year	$ 33,955,817	$ 27,446,909
Balance sheet presentation of cash and cash equivalents		
General operating cash and cash equivalents	$ 3,143,521	$ 1,415,140
Restricted CPR cash and cash equivalents	30,812,296	26,031,769
	$ 33,955,817	$ 27,446,909
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 1,752	$ 7,178
Supplemental disclosure of non cash investing and financing activities		
Property and equipment acquired through capital lease	$ 182,445	$ -

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. Included in the unrestricted amounts are board designated net assets. Board designated net assets consist of the total investment funds. The board will determine how the investment funds will be utilized.

- ***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. At June 30, 2013 and 2012, the Foundation had no permanently restricted net assets.

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 the 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 Financial Aid Award Programs 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 26,285 individuals in FY2012/2013. On average, case managers made 18.84 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 provided to other organization and facilities for use with patients. The Foundation has authored a total of 30 patient educational publications. In FY2012/2013, the Foundation completed and published two full length publications: 2013 Health Care Reform and You: A User’s Guide to Health Insurance Marketplaces and updates to A Clear View to Medicare…Making the Most of Your Benefits. As well, a comprehensive overview of the appeal process was updated with reforms implemented by Health Care Reform by the PAF Training Coordinator to be used with training internal PAF staff members. In the fall of 2012, PAF simplified and updated the user interface for the online search tools, National Uninsured and Underinsured Resource Directory and National Financial Resource Directory on our corporate website to enhance the user’s experience. A complete accuracy review of the resource database was also completed to ensure information displayed to the viewer was correct. Allowing the user to access the resources housed in both of these directories when on-the-go, a free mobile app, *My Resource Search,* was developed and launched within both the Apple and Android smartphone marketplaces in February 2013.

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 400 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 74,425 pieces of educational material in customized patient education packets to those patients served in FY2012/2013.

During FY2012/2013, 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 FY2012/2013, the Foundation distributed over 46,794 educational publications through 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 cancer, chemotherapy induced neutropenia, castrate resistant prostate cancer, colon cancer, cutaneous T-Cell Lymphoma, electrolyte imbalance, hepatitis C, hormone suppression therapy, multiple myeloma, myelodysplastic syndrome, non-muscle invasive bladder cancer, non-small cell lung cancer (NSCLC), osteoporosis, pain, prostate cancer, renal cell carcinoma, rheumatoid arthritis and Sarcoma.

Currently the Foundation's Co-Pay Relief Program offers two dedicated, secured websites for medical providers and pharmacy representatives to enroll electronically for the Co-Pay Relief Program on behalf of the patients they are working with. As well, CPR offers a dedicated, secure web based application for patients and/or their family members to enroll electronically for the Co-Pay Relief Program directly from the Co-Pay Relief Program website.

In FY2012/2013, the Foundation provided co-payment assistance to 18,437 qualified patients through the Co-Pay Relief Program. Since its inception in 2004, the Foundation has provided co-payment assistance to over 100,000 individuals allocating more than $195 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 FY2012/2013 and was paid administration fees on a monthly basis through this service contract. The Foundation administered services to 20,508 patients in FY2012/2013 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. Also included in current year's management and general functional expenses are costs related to a software package which was in the development stages. Due to mitigating circumstances with the vendor, management decided to discontinue the project and abandon the asset related to the project.

- ***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 June 30, 2013 and 2012. Fiscal years ending on or after June 30, 2010, remain subject to examination by federal and state tax authorities.

Advertising

Advertising costs are charged to operations when incurred. Advertising costs for 2013 and 2012 were $22,133 and $14,023, respectively**.**

Reclassification

Certain reclassifications have been made to the 2012 financial statement presentation to correspond to the 2013 format. These reclassifications had no effect on previously reported change in net assets.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through September 13, 2013, 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, 2013 and 2012, the Foundation had approximately $32,831,608 and $18,850,411, respectively, of deposits in excess of the FDIC coverage. At June 30, 2013 and 2012, the Foundation had $146,154 and $43,323 respectively, in money market funds and $1,700,136 and $1,875,392, 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:

2013	Cost	Fair Value	Unrealized Gain (Loss)
Treasury securities	$ 702,713	$ 704,954	$ 2,241
Federal agency bonds	329,254	323,844	(5,410)
Certificates of deposit	659,996	671,338	11,342
Money market funds	146,154	146,154	-
	$ 1,838,117	$ 1,846,290	$ 8,173

2012	Cost	Fair Value	Unrealized Gain (Loss)
Treasury securities	$ 793,119	$ 810,166	$ 17,047
Federal agency bonds	329,254	326,998	(2,256)
Certificates of deposit	719,996	738,230	18,234
Money market funds	45,323	45,323	-
	$ 1,887,692	$ 1,920,717	$ 33,025

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: • 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, 2013 and 2012.

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, 2013			
	Level 1	Level 2	Level 3	Total
Treasury securities	$ -	$ 704,954	$ -	$ 704,954
Federal agency bonds	-	323,844	-	323,844
Certificates of deposit	671,338	-	-	671,338
Money market funds	-	146,154	-	146,154
	$ 671,338	$ 1,174,952	$ -	$ 1,846,290

	Assets at Fair Value as of June 30, 2012			
	Level 1	Level 2	Level 3	Total
Treasury securities	$ -	$ 810,166	$ -	$ 810,166
Federal agency bonds	-	326,998	-	326,998
Certificates of deposit	738,230	-	-	738,230
Money market funds	-	45,323	-	45,323
	$ 738,230	$ 1,182,487	$ -	$ 1,920,717

5. Property and Equipment

Property and equipment consist of the following:

	2013	2012
Furniture and fixtures	$ 379,409	$ 379,409
Office equipment	560,638	451,791
Computers, software and other assets	1,239,917	1,084,943
Leasehold improvements	78,896	78,896
Projects in progress	203,368	342,000
	2,462,228	2,337,039
Less - accumulated depreciation	(1,236,990)	(936,855)
	$ 1,225,238	$ 1,400,184

Depreciation expense for 2013 and 2012 was $329,918 and $351,057, 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 2013 and 2012, amortization under the aforementioned lease was $46,903 and $62,537, respectively. The lease fully matured and was paid off in March 2013.

In June 2013, the Foundation entered into a lease classified as a capital lease of $182,445. 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. There has been no amortization for the aforementioned lease as the project is still in process and not been put in service at June 30, 2013.

At June 30, 2013 and 2012, total assets of $495,131 and $312,686, respectively, are capitalized on the statements of financial position related to these capital leases. Accumulated amortization under the leases on these assets at June 30, 2013 and 2012, were $312,686 and $265,283, respectively.

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

2014	$	47,117
2015		51,400
2016		51,400
2017		51,400
2018		4,284
		205,601
Less - amount representing interest		(23,156)
Capital lease obligations		182,445
Less - current portion		(37,866)
Present value of minimum lease payments	$	144,579

7. Restrictions on Net Assets

For 2013 and 2012, the Foundation had both temporarily restricted and board designated net assets.

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

		2013		2012
Co-Pay Relief Program funding (CPR)	$	30,300,666	$	26,031,769
Cancer Premium Assistance funding (CPAF)		6,630		-
Radiation Co-Pay Small Grants funding		505,000		-
Co-Pay Relief Program funding (CPR)	$	30,812,296	$	26,031,769

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 available on a first come, first serve basis for patients who have been approved into the program after meeting specific eligibility guidelines including the following: (1) household income of 500% or less of federal poverty guidelines, (2) verified diagnosis that is covered under the program, (3) existence of insurance coverage that has a pharmaceutical benefit. The program funding is only available to eligible individuals who have been approved for support through the program and is never available for general operating purposes.
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 $2,000, 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.

In the fourth quarter of FY2012/2013 Patient Advocate Foundation established the Radiation Co-Payment Small Grant Fund (Fund) in collaboration with the LIVESTRONG Foundation and Movember. The Fund provides a one-time grant in the amount of $1,000 to patients suffering with prostate cancer who meet certain financial criteria. The grant is intended to assist with the patients' required co-payments that are associated with their prescribed radiation therapy. The Fund will operate over a two year period, serving a minimum of 505 and 510 patients for the first year and second year, respectively, beginning in August 2013.

Unrestricted - board designated net assets consist of endowment fund investments to be used to promote and further support its charitable purposes, the income from which is expendable to support the general operations of the Foundation. At June 30, 2013 and 2012, unrestricted - board designated net assets were $1,846,290 and $1,920,715, 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 $175,351 and $177,414 for 2013 and 2012, respectively.

9. Donated Services and Property

During 2013 and 2012, donated materials were valued at $29,689 and $37,345 respectively, primarily in support of the Foundation's annual Promise of Hope Affair.

In 2013 and 2012, the Foundation received pro bono legal services on behalf of patients being serviced by the Foundation through the National Legal Resources Network valued at $12,000 and $13,000, respectively. As well, during 2013 and 2012, $34,143 and $55,598, respectively, in other professional services were donated and recognized as related income and expense for donated services.

10. Related Party Transactions

During 2013 and 2012, the Foundation paid consulting fees of $485,000 and $662,500 respectively, to National Patient Advocate Foundation (NPAF). NPAF and the Foundation have the same individuals as their CEO and President of Operations. 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, 2013, there was $28,717 that was owed by the Foundation to NPAF and included on accounts payable in the statement of financial position.

11. Commitments

The Foundation leases a 36,500 square feet office space, under a new ten-year lease agreement for $51,901 per month, which expires in December 2019.

The Foundation leases additional office space in 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 2013 and 2012 were $823,125 and $743,128 respectively.

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

2014	$	724,785
2015		707,883
2016		728,385
2017		749,241
2018		771,717
Thereafter		591,714
	$	4,273,725

12. Board Designated Endowments (UPMIFA)

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 2013 is as follows:

	Unrestricted	Unrestricted - Board Designated	Temporarily Restricted	Total Net Endowment Fund Assets
Board designated endowment funds	$ -	$ 1,846,290	$ -	$ 1,846,290

Endowment fund net asset composition and type of fund for 2012 is as follows:

	Unrestricted	Unrestricted - Board Designated	Temporarily Restricted	Total Net Endowment Fund Assets
Board designated endowment funds	$ -	$ 1,920,715	$ -	$ 1,920,715

Changes in endowment fund net assets in 2013 were as follows:

	Unrestricted	Unrestricted - Board Designated	Temporarily Restricted	Total Net Endowment Fund Assets
Endowment fund net assets - beginning of year	$ -	$ 1,920,715	$ -	$ 1,920,715
Investment loss	-	(74,425)	-	(74,425)
Endowment fund net assets - end of year	$ -	$ 1,846,290	$ -	$ 1,846,290

Changes in endowment fund net assets in 2012 were as follows:

	Unrestricted	Unrestricted - Board Designated	Temporarily Restricted	Total Net Endowment Fund Assets
Endowment fund net assets - beginning of year	$ -	$ 1,943,750	$ -	$ 1,943,750
Investment loss	-	(23,035)	-	(23,035)
Endowment fund net assets - end of year	$ -	$ 1,920,715	$ -	$ 1,920,715

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