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## Financial Statements and Supplementary Information

Years Ended June 30, 2018 and 2017

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## **Independent Auditors' Report**

Board of Directors  
Patient Advocate Foundation  
Hampton, Virginia

### ***Report on the Financial Statements***

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, 2018 and 2017, and the related statements of activities 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, 2018 and 2017, 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.

***Change in Accounting Principle***

As described in Note 16 to the financial statements, Patient Advocate Foundation adopted new accounting guidance for revenue recognition in 2018. Our opinion is not modified with respect to that matter.

***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 23 and 24 are presented for purposes of additional analysis and are 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*

**Norfolk, Virginia  
October 24, 2018**

**Patient Advocate Foundation**  
**Statements of Financial Position**  
**June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Current assets:		
General operating cash and cash equivalents	\$ 24,050,994	\$ 18,676,495
Restricted cash and cash equivalents	261,254,275	202,912,026
Unconditional promises to give	30,424,481	450,813
Service contract receivable	514,231	656,282
Due from National Patient Advocate	7,373	7,599
Investments and cash equivalents	1,999,015	1,996,636
Inventories	58,570	27,249
Prepaid expenses	405,146	591,597
	<u>318,714,085</u>	<u>225,318,697</u>
Total current assets		
Property and equipment, net	4,218,172	5,042,401
Other assets:		
Refundable deposits	50,331	50,331
	<u>\$ 322,982,588</u>	<u>\$ 230,411,429</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 8,650,706	\$ 4,220,674
Deferred revenue	18,203,925	16,448,938
Accrued vacation leave	318,690	150,269
	<u>27,173,321</u>	<u>20,819,881</u>
Total current liabilities		
Long-term liabilities:		
Postretirement benefits liability	2,451,399	2,184,558
Other liabilities	92,974	75,111
	<u>2,544,373</u>	<u>2,259,669</u>
Total liabilities	<u>29,717,694</u>	<u>23,079,550</u>
Unrestricted		
Unrestricted, board designated	9,557,450	5,422,899
	<u>1,999,015</u>	<u>1,996,636</u>
Total unrestricted net assets	<u>11,556,465</u>	<u>7,419,535</u>
Temporarily restricted	<u>281,708,429</u>	<u>199,912,344</u>
Total net assets	<u>293,264,894</u>	<u>207,331,879</u>
	<u>\$ 322,982,588</u>	<u>\$ 230,411,429</u>

See accompanying notes.



**Patient Advocate Foundation**  
**Statements of Cash Flows**  
**Years Ended June 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
Cash flows from operating activities:		
Change in net assets	\$ 85,933,015	\$ 39,109,562
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,564,158	1,490,330
Net realized and unrealized loss on investments	27,621	21,334
(Gain) loss on disposal of fixed assets	(109,490)	16,075
Change in assets and liabilities:		
Unconditional promises to give	(29,973,668)	917,541
Service contract receivable	142,051	(338,768)
Due to/from Patient Advocate	226	2,459
Inventories	(31,321)	2,041
Prepaid expenses	186,451	(132,504)
Accounts payable and accrued expenses	4,430,032	3,091,182
Deferred revenue	1,754,987	6,987,162
Accrued vacation leave	168,421	(63,848)
Postretirement benefit liability	266,841	50,965
Other liabilities	17,863	(34,939)
Net cash provided by operating activities	<u>64,377,187</u>	<u>51,118,592</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(764,183)	(764,758)
Proceeds from sale of property and equipment	133,744	-
Proceeds from sale of investments	185,000	2,266,560
Purchases of investments	(215,000)	(2,798,288)
Net cash used by investing activities	<u>(660,439)</u>	<u>(1,296,486)</u>
Cash flows from financing activities:		
Payments on long-term debt	-	(1,062,907)
Repayment of obligation under capital lease	-	(136,667)
Net cash used by financing activities	<u>-</u>	<u>(1,199,574)</u>
Net increase in cash and cash equivalents	<b>63,716,748</b>	48,622,532
Cash and cash equivalents, beginning of year	<u>221,588,521</u>	<u>172,965,989</u>
Cash and cash equivalents, end of year	<u>\$ 285,305,269</u>	<u>\$ 221,588,521</u>
Balance sheet presentation of cash and cash equivalents:		
General operating cash and cash equivalents	\$ 24,050,994	\$ 18,676,495
Restricted cash and cash equivalents	<u>261,254,275</u>	<u>202,912,026</u>
	<u>\$ 285,305,269</u>	<u>\$ 221,588,521</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ -</u>	<u>\$ 26,430</u>

See accompanying notes.

## **Notes to Financial Statements**

### **1. Organization and Nature of Business**

Patient Advocate Foundation (Foundation or PAF) 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, cooperative agreements, and service agreements with non-profit organizations.

### **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 statements 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, 2018 and 2017, 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.

#### ***Restricted cash***

Restricted cash consists of funds allocated for patient awards and financial aid.



**Patient Advocate Foundation  
Notes to Financial Statements**

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***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. 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. All promises to give are due within one year.

***Contributed services and property***

Certain contributed services and property are recorded as support and revenues 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 net realizable value.

***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 estimated useful lives:

Furniture and fixtures	7 years
Office equipment	5 years
Computers, software and other assets	3 - 5 years
Leasehold improvements	39 years

***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 and program administration revenue***

Included in the Foundation's deferred revenue is a portion of the program administration funding for the Financial Aid Programs. Revenue is recognized for program administration funding over time using the straight line method and based upon the contract term. If the term is not stated in the contract, the funding is recognized based upon anticipated term for allocating awards to qualified patients.

### ***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 multiple program services areas.

#### **Case Management Services**

For over 20 years, the Foundation has provided case management intervention on behalf of critically or chronically ill patients nationally. Enabling them to connect with, and maintain access to, prescribed healthcare services and medications, overcome insurance barriers, locate resources to support cost-of-living expenses while in treatment, evaluate and maintain health insurance coverage and better manage, or reduce, the out-of-pocket medical and cost of living debt they face. The Foundation provides one-on-one professional case management services, working alongside patients, their loved ones, or medical professionals and often taking the lead to resolve complex healthcare access and affordability challenges encountered in the healthcare system. Case Management services are provided at no cost to patients and their families. The Foundation's case management staff directly intervened on behalf of 24,103 individuals and celebrated the privilege of delivering direct assistance to our one millionth patient in FY2017/2018. These patients represent 490 unique diseases and requested assistance with an average of two issues that were creating obstacles to care. On average, case managers made 20 contacts on behalf of each case to relevant stakeholders to bring resolution to the patient's access issues. This translates to nearly 500,000 unique contacts on behalf of patients and families receiving case management intervention services. PAF provides these services through a compliment of 20 unique programs.

#### **Patient Education & Empowerment**

The Foundation extends the impact of its one-to-one case management services through the development and delivery of patient education and empowerment tools focused on providing actionable advice and guidance to healthcare consumers to improve their everyday experience with insurance and to encourage patient's engagement in the healthcare system. The Foundation's educational portfolio covers a broad range of topics, available in a variety of formats, to meet the needs and preferences of multiple audiences, including patients, caregivers and professionals. During FY2017/2018, the Foundation's Patient Education and Empowerment team launched a Patient Insight and Reviewer Panel creating a mechanism through which feedback and support on educational projects of all kinds can be obtained in a systematic and reliable manner, developed 15 new or revised educational publications, launched 3 online educational tools and created 10 Patient Empowerment series webinars. The infrastructure and content of the *National Financial Resource Directories*, the *My Resource Search* app, *Words that Matter* vocabulary and glossary materials and *Chatter that Matters* videos were also enhanced and the content expanded.

#### **Health Equity Initiative, Community Outreach & Patient Engagement**

The Foundation's Health Equity Initiative continues to focus on communities across the country experiencing high disease mortality and/or disparities from breast cancer and lung cancer. Specifically, efforts center on linking local stakeholder organizations to the platform of services and support available through the Foundation to compliment local education, early detection, treatment and survivorship activities. The Foundation has taken an approach that includes engagement with a myriad of community and national partners to enhance their capacity to further support individuals within their communities experiencing barriers to accessing and sustaining the healthcare they need. This approach has resulted in local and national opportunities to further enhance the Foundation's interface with local communities and connect with national organizational with local chapters. Through various outreach activities, the Foundation has reached more than 2,000 limited resourced individuals or healthcare providers who provide care to limited resourced populations were introduced to the Foundation and the services/resources we provide through three (3) national and ten (10) local outreach events.

For the first time, the Foundation conducted an educational session at the 2017 National Black Nurses Association Annual conference, educating nurses from around the country on the various resources, services, and support available through the Foundation and how to connect their communities and the patients they serve to these resources. From this presentation, a new partnership was formed with the NBNA St. Louis Chapter, one of 10 cities where the breast cancer mortality disparity for African-American and Caucasian women was 50% or greater. Through this partnership, the Foundation and NBNA St. Louis will launch “*Nursing Buddy*”, a pilot initiative to link volunteer nurses to newly diagnosed breast cancer patients to educate them about local and national resources, as well as, support newly diagnosed women with breast cancer along their cancer journey.

In October 2017, through the Foundation’s engagement with the Memphis Breast Cancer Consortium, the Foundation participated in hosting Memphis’s Inaugural Policy Series on Breast Cancer Disparities entitled “*Leveling the Playing Field: How MBCC Can Set the Bar for Health Equity in Breast Care*”. This event was designed to bring awareness to the breast cancer disparity issue in Memphis and to engage new stakeholders in identifying their role in finding solutions. The panel included representation from the Tennessee Breast and Cervical Cancer Screening Program, Blue Cross/Blue Shield of Tennessee and the Transportation Security Administration. The diversity of the panel was intentional to highlight the intersectionality of these three distinct functions and the role that each of them plays in impacting and ultimately reducing breast cancer disparities.

The Foundation continues to expand its reach beyond direct patient services, making an impressive footprint in population health through the SelfMade Health Network (SMHN). The SMHN is one member of the CDC’s Consortium of National Networks to Impact Populations Experiencing Tobacco-Related and Cancer Health Disparities and is supported by the Centers for Disease Control and Prevention Office of Smoking on Health and the Division of Cancer Control and Prevention. The SMHN focuses on implementing best and promising practices to reduce tobacco and cancer related disparities among populations with low socioeconomic status (SES) characteristics including vulnerable, underserved and low-resourced populations) residing in rural, urban and frontier regions. SMHN and its partner, University of Kentucky School of Public Health, were selected for oral presentation at the 2017 CDC National Cancer Conference. The presentation highlighted initial findings from the Kentucky Tobacco Cessation Worksite Pilot designed to work with blue collar worksites to both promote and adopt tobacco-free policies and provide lung cancer education and cessation support. The project has engaged with local worksites across Kentucky benefiting over 1,000 blue collar employees. In addition to the noted CDC conference, SMHN had two posters selected for the Tenth AACR Conference on the Science of Cancer Health Disparities. One poster highlighted the African-American Breast Cancer work led by SMHN Regional Resource Lead Organization, Meharry Medical College and the other featured the Kentucky Tobacco Cessation Worksite Project, led by SMHN Regional Resource Lead Organization, University of Kentucky-School of Public Health. The AACR conference is “designed to advance the understanding and, ultimately, help to eliminate the disparities in cancer that represent a major public health problem in our country”. The AACR presentation afforded SMHN the opportunity to be at the interface of academia, industry, community and research to maximize opportunities to specifically address cancer disparities among low SES populations. In partnership with Geographic Health Equity Alliance, SMHN developed its first fact series for blue collar worksite entitled “*Healthier Nation*”. The series was featured in the Trust for America’s Health Newsletter and disseminated to more than 9,000 subscribers. Two key functions of the SMHN are the provision of technical assistance (TA) to state cancer and tobacco prevention and control program, and recommendations to CDC. Over the last year, SMHN has provided TA to state cancer control plans for VA, WV and TX, and state tobacco control plans for NE, IL, and MA. Specifically, SMHN co-developed the disparities section of the Virginia Department of Health’s 2018-2022 state cancer plan. Additionally, SMHN provided guidance to the CDC Division of Cancer Prevention and Control in the development of what will be the first National Networks Snapshot document.

## **Patient Advocate Foundation Notes to Financial Statements**

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West Virginia has the highest lung cancer mortality rate in the country, surpassing Kentucky to take the number one spot in 2017. One primary factor contributing to this high mortality rate is late state diagnosis. Routinely, West Virginians diagnosed with lung cancer are diagnosed at stage three and four. To address this disparity, PAF joined forces with local West Virginia stakeholders to launch the West Virginia Lung Cancer Project. The West Virginia (WV) Lung Cancer Project is designed to link individuals at risk for or diagnosed with lung cancer to the Foundation's case management support to assist them in mitigating financial and logistical barriers to care, including access to lung cancer screening, with specific focus on Medicaid beneficiaries and other low-income populations across West Virginia. This project is conducted in partnership with the American Cancer Society, WV University Cancer Institute, WV Mountains of Hope Cancer Coalition, WV Cancer and Tobacco Programs, Aetna Better Health (WV CMO) and the WV Hospital Association. Critical to this project are the Medicaid and Medicaid Managed Care Organizations (MMCO) and the providers within these networks providing services across West Virginia.

The Foundation continues to work with Aetna Better Health our initial Medicaid Managed Care partner. As a result of this partnership the following has been achieved during FY2017/2018:

- 1,333 Aetna members were proactively contacted and educated about screening guidelines,
- 111 scheduled an appointment to talk to their provider about lung cancer screening,
- 43 kept their appointment with their provider,
- 14 completed a LDCT screening,
- 9 were negative for lung cancer,
- 4 need additional testing, and
- 1 was positive for cancer and has started treatment.

Collectively, the five MMCO operating in West Virginia provide health care benefits to West Virginia Medicaid Expansion population, creating an opportunity to link those who may be financial vulnerable to PAF at a time when they could benefit from our support the most.

In addition to our Medicaid Managed Care partner, one local health care system launched its lung cancer screening program in October 2017 and as of January 2018, had conducted 103 LDCT scans.

In FY2017/2018 the Foundation was the recipient of two grants from the Robert Wood Johnson Foundation (RWJF), including "Roadmap to Consumer Clarity Dissemination project" and "Raising Awareness of the Importance of and Facilitating Cost-of-Care Discussions in Health Care". These are the second and third grants PAF has been awarded by RWJF.

The "Roadmap to Consumer Clarity Dissemination project" is a compliment to and extension of the work that was done under the Foundation's first RWJF grant in 2016, "Creating a Roadmap to Consumer Clarity in Health Care Decision Making. This initial grant developed a comprehensive model for implementing personalized care across a wide-range of clinical settings. The dissemination grant provided a means to take a key component of that model, skilled communications, and apply it to community settings. The Foundation, in collaboration with National Patient Advocate Foundation (NPAF), worked with three community partners to achieve the grant's objectives, the Mountain Area Health Education Center (MAHEC) in Asheville, North Carolina, the University of Illinois Chicago (UIC) and the National Medical Association (NMA) in Philadelphia. The primary community being engaged for the MAHEC workshop was the Appalachian population, for UIC it was African American and Latino cancer patients, and for the NMA, African American physicians.

Each program was developed in close coordination with the community partner and addressed the specific needs of the region and its population. The programs were designed to be highly interactive, include significant participation from a wide range of stakeholders, including patients and advocates, and stress skills that can be used in actual health care decision making at key points during the illness experiences. The intention is to use these workshops as models for continuing to develop collaborative efforts with other community partners to advance the personalized care for both patients and their health care teams.

The financial burden of facing a serious illness or disability can have a significant, often devastating impact on patients and caregivers. This impact can be measured both in terms of direct costs for treatment and care and decisions that people make about their lives when they incur medical debt. It is increasingly important that patients discuss the costs of their care with their health care providers and incorporate considerations of financial burden in the decision-making process. Open, honest conversations are more important and relevant to assessing treatment options and helping patients choose and remain on their treatment plans.

In 2017, the Robert Wood Johnson Foundation funded eight diverse investigators to do exploratory research on barriers and opportunities that exist for facilitating cost of care discussions and integrating them into the clinical work flow. This funding supported the Foundation's project, "Raising Awareness of the Importance of and Facilitating Cost-of-Care Discussions in Health Care". The activities under this grant have been completed and RWJF has funded several organizations, including the Foundation to develop innovative means of disseminating these findings and raising awareness of the importance of cost of care discussions in health care. The Foundation, in collaboration with NPAF, is currently developing a website for this purpose, will sponsor a series of webinars on cost of care related topics and dedicate its Policy Consortium to cost of care related issues.

#### **Scholarship for Survivors Program**

During the Foundation's daily interactions with patients, the Foundation staff often interface with patients who either themselves or a loved one has experienced the impact of a chronic illness or life-threatening disease on one's post- secondary education. In 2000, the Scholarship for Survivors program was established to honor these individuals by offering educational scholarships to individuals who have suffered (or are suffering) a life-threatening disease or chronic condition. These students have, despite their disease/condition, excelled academically, served the community, and desire to pursue a secondary education.

Donors giving during silent and live auctions at the Foundation's 17th Annual A Promise of Hope Affair, as well as a Foundation Staff guided community fundraising initiative, helped make it possible to dramatically expand the Scholarship for Survivors program from twelve to twenty students for the upcoming academic year. To date, the Foundation has awarded 95 scholarships totaling over \$542,000.

#### **Financial Support Programs**

Launched in 2004, the Foundation's Co-Pay Relief Program (CPR) provides financial assistance with co-payments, co-insurance and deductibles required by a patient's insurer for pharmaceutical treatments and/or prescription medications prescribed, to treat and/or manage the patient's disease. The program offers personal service to all patients using call counselors, personally guiding patients through the enrollment and benefit process.

## **Patient Advocate Foundation Notes to Financial Statements**

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In FY2017/2018, the Foundation's Co-Pay Relief Program assisted patients through twenty five (25) disease specific funds including Bladder Cancer, Breast Cancer, Cervical Cancer, Chronic Pain, Electrolyte Imbalance, Hepatitis B, Hepatitis C, HIV, AIDS and Prevention, Homozygous Familial Hypercholesterolemia, Inherited or Acquired Lipodystrophy, Metastatic Breast Cancer, Metastatic Colorectal Cancer, Metastatic Gastric Cancer, Metastatic Prostate Cancer, Multiple Myeloma, Multiple Sclerosis, Myelodysplastic Syndrome, Non-small Cell Lung Cancers (NSCLC), Osteoporosis, Ovarian Cancer, and Periodic Paralysis, Peripheral Vascular Disease, Prostate Cancer, Pulmonary Hypertension & Renal Cell Carcinoma.

Currently, the Foundation's Co-Pay Relief Program 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. As well, CPR 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.

In FY2017/2018, the Foundation administered co-payment assistance to 89,963 qualified patients through the 25 assistance funds available through the Co-Pay Relief Program. The program staff fielded 255,389 telephone calls and processed claims, totaling \$269,799,000, in support of qualified patients' out of pocket expenses for required co-payments, co-insurance and deductibles. Since its inception in 2004, the Foundation has provided co-payment assistance to over 325,000 individuals allocating more than \$750 million dollars in co-payment awards.

During FY2017/2018, the Foundation also administered seven (7) financial aid funds, providing financial assistance to qualified patients for out of pocket and cost of living expenses faced by patients as a result of their diagnosis and treatment. In FY2017/2018, the Foundation successfully provided one-time small grants to 2,128 patients, totaling over \$1,250,250 in financial relief to qualified patients. The small grants range from \$300 - \$1,000 per patient and are designed to defray the costs of transportation and cost of living expenses the patients face. The financial aid fund programs include:

- LEISHLine Financial Aid Fund: Serving patients diagnosed with ARDS, TSS and/or Sepsis
- Metastatic Breast Cancer Financial Aid Fund: Serving patients diagnosed with Stage III or Stage IV Breast Cancer
- Merkel Cell Carcinoma Financial Aid Fund: Serving patients diagnosed with a rare form of skin cancer known as Merkel Cell Carcinoma
- Multiple Myeloma Transportation Financial Aid Fund: Serving patients diagnosed with Multiple Myeloma
- Transportation Financial Aid Fund: Serving patients diagnosed with Metastatic Melanoma or Metastatic Lung Cancer
- Heart Valve Financial Aid Fund: Serving patients diagnosed with a valvular condition
- DONNA Financial Aid Fund: Serving patients diagnosed with Breast Cancer that have received case management services through the DONNA CareLine
- Mahan Financial Aid Fund: Serving patients diagnosed with Acute Myeloid Leukemia

**Patient Advocate Foundation  
Notes to Financial Statements**

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**Non-Profit Service Agreements**

In FY2008/2009, the Foundation entered into a transparent service administration agreement with a national nonprofit organization. The Foundation has been engaged 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 FY2017/2018 and was paid administration fees monthly through this service agreement. The Foundation administered services to 27,610 patients in FY2017/2018 through this service agreement.

**Income taxes**

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and the Commonwealth of Virginia Statutes; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes.

**Advertising**

Advertising costs are charged to operations when incurred. Advertising costs for 2018 and 2017 were \$7,328 and \$9,221, respectively.

**Subsequent events**

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through October 24, 2018, the date the financial statements were available to be issued.

**3. Concentration of Credit Risk**

Financial instruments which potentially subject the Foundation to concentration 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 or the Securities Investor Protection Corporation (SIPC) up to \$500,000. At times, The Foundation places deposits in financial institutions that may be in excess of insured amounts. At June 30, 2018 and 2017, approximately \$280,000,000, and \$214,000,000, respectively, was in excess of insured amount. The Foundation has not experienced any financial loss as a result of such deposit

During the years ended June 30, 2018 and 2017, four donors accounted for approximately 82% and 80%, of donations, respectively.

**4. Investments**

Investments are stated at fair value and consist of the following:

<u>2018</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>
Treasury securities	\$ 668,359	\$ 653,065	\$ (15,294)
Federal agency bonds	260,559	253,368	(7,191)
Certificates of deposit	739,000	726,613	(12,387)
Money market funds	<u>365,969</u>	<u>365,969</u>	<u>-</u>
	<u>\$ 2,033,887</u>	<u>\$ 1,999,015</u>	<u>\$ (34,872)</u>

**Patient Advocate Foundation**  
**Notes to Financial Statements**

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**2017**

Treasury securities	\$ 854,237	\$ 848,752	\$ (5,485)
Federal agency bonds	166,992	165,447	(1,545)
Certificates of deposit	649,000	648,822	(178)
Money market funds	<u>333,615</u>	<u>333,615</u>	<u>-</u>
	<u>\$ 2,003,844</u>	<u>\$ 1,996,636</u>	<u>\$ (7,208)</u>

The following schedule summarizes the investment value in the statements of activities for the years ending June 30:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 2,947,388	\$ 1,145,492
Net unrealized/realized losses	<u>(27,621)</u>	<u>(21,334)</u>
	<u>\$ 2,919,767</u>	<u>\$ 1,124,158</u>

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

***Fair value measurements***

Financial Accounting Standards Board (FASB), Accounting Standard Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. The 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, 2018 and 2017.



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*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 prices 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:

<b>Assets at Fair Value as of June 30, 2018</b>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Treasury securities	\$ -	\$ 653,065	\$ -	\$ 653,065
Federal agency bonds	-	253,368	-	253,368
Certificates of deposit	-	726,613	-	726,613
Money market funds	<u>365,969</u>	<u>-</u>	<u>-</u>	<u>365,969</u>
	<u>\$ 365,969</u>	<u>\$ 1,633,046</u>	<u>\$ -</u>	<u>\$ 1,999,015</u>

<b>Assets at Fair Value as of June 30, 2017</b>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Treasury securities	\$ -	\$ 848,752	\$ -	\$ 848,752
Federal agency bonds	-	165,447	-	165,447
Certificates of deposit	-	648,822	-	648,822
Money market funds	<u>333,615</u>	<u>-</u>	<u>-</u>	<u>333,615</u>
	<u>\$ 333,615</u>	<u>\$ 1,663,021</u>	<u>\$ -</u>	<u>\$ 1,996,636</u>

**5. Property and Equipment**

Property and equipment consist of the following:

	<u>2018</u>	<u>2017</u>
Furniture and fixtures	\$ 369,711	\$ 369,711
Office equipment	665,159	581,408
Computers, software and other assets	8,049,749	7,754,016
Leasehold improvements	84,697	84,697
Projects in progress	<u>344,670</u>	<u>256,214</u>
	<u>9,513,986</u>	<u>9,046,046</u>
Accumulated depreciation	<u>(5,295,814)</u>	<u>(4,003,645)</u>
	<u>\$ 4,218,172</u>	<u>\$ 5,042,401</u>



**Patient Advocate Foundation**  
**Notes to Financial Statements**

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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, 2018 and 2017, unrestricted - board designated net assets were \$1,999,015 and \$1,996,636, respectively.

**10. Pension Plan**

Effective November 1, 2008, the Foundation established a 401(k) plan and terminated the 403(b) plan. Employee retirement plan expense was \$285,953 and \$253,236 for 2018 and 2017, respectively.

**11. Post-Retirement Benefits Obligation**

Beginning on January 1, 2016, PAF began offering a Health Reimbursement account (HRA) for eligible, non-active retirees in order to fulfill the organizational imperative of encouraging access to affordable healthcare for PAF retirees. Upon retirement, eligible employees will receive reimbursements of 100% of the first \$9,900 annually that can be utilized to pay for eligible healthcare premium expenses, including Medicare parts B and D, Medicare supplemental plans and long-term care insurance premiums for the eligible retiree. To be eligible for participation in the retiree HRA benefit, PAF employees must have worked actively and continuously as a full time employee for PAF for a minimum of 15 years or greater at time of retirement, be Medicare eligible at retirement either through meeting age requirements or disability requirements and have retired from PAF on or after January 1, 2014.

Expected Net Benefit Payments for Fiscal Years Ending June 30:

<u>Years Ending June 30</u>	
2019	\$ 29,385
2020	33,947
2021	47,634
2022	61,164
2023	73,902
2024 to 2028	<u>618,805</u>
	<u>\$ 864,837</u>

Weighted Average Assumptions for Determining Benefit Obligations for fiscal year ending June 30:

	<u>2018</u>	<u>2017</u>
Discount rate	4.17%	3.95%
Healthcare trend rate		
Current rate	N/A	N/A
Ultimate rate	N/A	N/A
Year ultimate rate reached	N/A	N/A

**Patient Advocate Foundation**  
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Weighted Average Assumptions for Determining Net Periodic Benefit Cost for fiscal year ending June 30:

	<u>2018</u>	<u>2017</u>
Discount rate	3.95%	3.63%
Healthcare trend rate		
Current rate	N/A	N/A
Ultimate rate	N/A	N/A
Year ultimate rate reached	N/A	N/A

**Components of Net Periodic Benefit Cost**

	<u>2018</u>	<u>2017</u>
Service cost	\$ 234,015	\$ 229,706
Interest cost	88,730	75,071
Amortization of:		
Prior service cost/(credit)	86,094	86,094
Actuarial (gain)/loss	<u>-</u>	<u>6,632</u>
Net Periodic Benefit Cost	<u>\$ 408,839</u>	<u>\$ 397,503</u>

**Accumulated Postretirement Benefit Obligations**

Change in Accumulated Postretirement Benefit Obligations (APBO) for fiscal year ending June 30:

	<u>2018</u>	<u>2017</u>
Accumulated Postretirement Benefit Obligation, beginning of year	\$ 2,184,558	\$ 2,133,593
Service cost	234,015	229,706
Interest cost	88,730	75,071
Estimated benefits paid	(29,546)	(19,697)
Actuarial (gain)/loss	<u>(26,358)</u>	<u>(234,115)</u>
Accumulated Postretirement Benefit Obligation, end of year	<u>\$ 2,451,399</u>	<u>\$ 2,184,558</u>

Change in Plan Assets for fiscal year ending June 30:

	<u>2018</u>	<u>2017</u>
Fair Value of Plan Assets, beginning of year	\$ -	\$ -
Employer contributions	29,546	19,697
Estimated benefits paid	<u>(29,546)</u>	<u>(19,697)</u>
Fair Value of Plan Assets, end of year	<u>\$ -</u>	<u>\$ -</u>

Funded status for fiscal year ending June 30:

	<u>2018</u>	<u>2017</u>
Accumulated Postretirement Benefit Obligation, end of year	\$ (2,451,399)	\$ (2,184,558)
Fair Value of Plan Assets, end of year	<u>-</u>	<u>-</u>
Net amount recognized in statements of financial position	<u>\$ (2,451,399)</u>	<u>\$ (2,184,558)</u>

## **12. Donated Services and Property**

During 2018 and 2017, donated materials were valued at \$38,374 and \$19,774, respectively, primarily in support of the Foundation's annual Promise of Hope Affair.

In 2018, the Foundation received pro bono legal services on behalf of patients being serviced by the Foundation through the National Legal Resources Network valued at \$2,000. During 2018 and 2017, \$0 and \$4,653, respectively, in other professional services were donated and recognized as related income and expense for donated services.

## **13. Related Party Transactions**

During 2018 and 2017, the Foundation paid consulting fees of approximately \$780,000 and \$720,000, respectively, to National Patient Advocate Foundation (NPAF). NPAF and the Foundation have the same individual as their Chief Executive Officer. 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, 2018 and 2017, there was \$7,373 and \$7,599, respectively, due from NPAF to the Foundation which is included on the statements of financial position.

## **14. Operating Leases**

The Foundation leases a 36,500 square feet office space, under a ten-year lease agreement for \$52,970 per month, which expires in December 2023.

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

Total lease payments for 2018 and 2017 were \$811,512 and \$746,753, respectively.

Minimum future lease payments under the non-cancelable operating leases are as follows:

<u>Years Ending</u> <u>June 30,</u>	
2019	\$ 758,836
2020	689,236
2021	701,484
2022	700,871
2023	712,168
Thereafter	<u>179,137</u>
	<u>\$ 3,741,732</u>

**15. Board Designated Endowments**

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 Commonwealth of Virginia adopted the Uniform Prudent Management of Institutional Funds Act (UPMSFA) in 2008. The Board of Directors of the Foundation has interpreted state law 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 board designated endowment fund is classified as unrestricted net assets. 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 2018 is as follows:

	<u>Unrestricted</u>	<u>Unrestricted - Board Designated</u>	<u>Temporarily Restricted</u>	<u>Total Net Endowment Fund Assets</u>
Board designated endowment funds	\$ -	\$ 1,999,015	\$ -	\$ 1,999,015

**Patient Advocate Foundation  
Notes to Financial Statements**

Endowment fund net asset composition and type of fund for 2017 is as follows:

	<u>Unrestricted</u>	<u>Unrestricted - Board Designated</u>	<u>Temporarily Restricted</u>	<u>Total Net Endowment Fund Assets</u>
Board designated endowment funds	\$ _____ -	\$ 1,996,636	\$ _____ -	\$ 1,996,636

Changes in endowment fund net assets in 2018 were as follows:

	<u>Unrestricted</u>	<u>Unrestricted - Board Designated</u>	<u>Temporarily Restricted</u>	<u>Total Net Endowment Fund Assets</u>
Endowment fund net assets - beginning of year	\$ -	\$ 1,996,636	\$ -	\$ 1,996,636
Investment gain	_____ -	2,379	_____ -	2,379
Endowment fund net assets - end of year	<u>\$ _____ -</u>	<u>\$ 1,999,015</u>	<u>\$ _____ -</u>	<u>\$ 1,999,015</u>

Changes in endowment fund net assets in 2017 were as follows:

	<u>Unrestricted</u>	<u>Unrestricted Board Designated</u>	<u>Temporarily Restricted</u>	<u>Total Net Endowment Fund Assets</u>
Endowment fund net assets - beginning of year	\$ -	\$ 1,486,242	\$ -	\$ 1,486,242
Transfers	-	512,115	-	512,115
Investment loss	_____ -	(1,721)	_____ -	(1,721)
Endowment fund net assets - end of year	<u>\$ _____ -</u>	<u>\$ 1,996,636</u>	<u>\$ _____ -</u>	<u>\$ 1,996,636</u>

During FY16, funds totaling \$512,115 were transferred from the investment account to operating cash to partially fund progress payments on the new database replacement project. These amounts were transferred back to the endowment during FY17.

**16. Adoption of New Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, “Revenue from Contracts with Customers (Topic 606)”. The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. Generally Accepted Accounting Principles (GAAP). The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Foundation adopted the new standard effective July 1, 2017, the first day of the Foundation’s fiscal year using the modified retrospective approach.

**Patient Advocate Foundation**  
**Notes to Financial Statements**

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As part of the adoption of the ASU, the Foundation elected the following transition practical expedients: (i) to reflect the aggregate of all contract modifications that occurred prior to the date of initial application when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price; and (ii) to apply the standard only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

The adoption did not result in a change in beginning net assets, and there was no material impact on the Foundation's financial position and results of operations for the year ended June 30, 2018. Deferred revenue recognition is described in Note 2 and has not changed with the implementation of this standard.

The Foundation also adopted ASU No. 2018-08 – *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU requires that an entity determine whether a revenue source is an exchange transaction covered under ASU 2014-09 or a contribution covered under ASU 2018-08. If it is determined to be a contribution, the next step is to determine if it is a conditional or unconditional contribution which affects the timing of the revenue recognized. Unconditional contributions are recognized immediately and classified as either net assets with donor restrictions or net assets without donor restrictions. Conditional contributions received are accounted for as a liability or are unrecognized initially, until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional and classified as either net assets with restrictions or net assets without restrictions. This guidance was implemented on a modified prospective basis, whereas no prior-period results were restated and there is no cumulative-effect adjustment to the opening balance of net assets at the beginning of the year of adoption. Contribution and grant revenue was increased by approximately \$146,000 with the adoption of this ASU related to revenue recorded as deferred revenue as of June 30, 2017 reclassified to net assets with restrictions as of July 1, 2017. Several sources of recurring funding were determined to be unconditional contributions upon receiving notification by the grantor during 2018 that had historically been considered conditional contributions until funds were received.



***Supplementary Information***

**Patient Advocate Foundation  
Schedule of Functional Expenses  
Year Ended June 30, 2018**

	Program Services				Supporting Services			Total Functional Expenses
	Patient/ Educational Services	Financial Aid Programs	Service Contracts	Total Program Expenses	Management and General	Fundraising	Total Supporting Services	
Salaries and related expenses:								
Salaries	\$ 2,639,653	\$ 3,320,675	\$ 3,054,509	\$ 9,014,837	\$ 862,319	\$ 712,301	\$ 1,574,620	\$ 10,589,457
Payroll taxes	183,041	200,406	212,955	596,402	57,254	50,892	108,146	704,548
Employee insurance	239,264	291,233	287,861	818,358	91,385	60,276	151,661	970,019
Employee retirement	77,662	54,549	36,565	168,776	94,936	22,241	117,177	285,953
<b>Total salaries and related expenses</b>	<b>3,139,620</b>	<b>3,866,863</b>	<b>3,591,890</b>	<b>10,598,373</b>	<b>1,105,894</b>	<b>845,710</b>	<b>1,951,604</b>	<b>12,549,977</b>
Accounting fees	-	16,000	-	16,000	128,657	-	128,657	144,657
Bank fees and interest	10,686	93,833	2,517	107,036	297	1,051	1,348	108,384
Conferences, conventions and meetings	511,582	-	670	512,252	33,278	51,798	85,076	597,328
Consultants	50,697	459,030	242,220	751,947	80,947	-	80,947	832,894
Financial Aid Programs	-	271,049,655	-	271,049,655	-	-	-	271,049,655
Depreciation	74,986	1,081,205	376,613	1,532,804	19,998	11,356	31,354	1,564,158
Gain on fixed assets disposal	-	-	-	-	(109,490)	-	(109,490)	(109,490)
Donations	-	-	-	-	10,300	-	10,300	10,300
Equipment rental and maintenance	416,773	202,872	213,204	832,849	119,081	16,422	135,503	968,352
Insurance	2,338	4,230	4,829	11,397	86,468	416	86,884	98,281
Legal fees	2,000	142,332	-	144,332	215,311	-	215,311	359,643
Marketing	52,798	-	-	52,798	4,425	2,905	7,330	60,128
Occupancy	135,779	245,667	280,475	661,921	33,082	24,164	57,246	719,167
Postage and shipping	19,577	179,282	99,727	298,586	5,720	901	6,621	305,207
Printing and publications	12,441	29,752	-	42,193	27,660	1,013	28,673	70,866
Processing Services	125,981	443,985	-	569,966	-	-	-	569,966
Professional fees, NPAF	-	-	-	-	780,000	-	780,000	780,000
Property taxes	-	-	-	-	38,942	-	38,942	38,942
Recruiting	1,535	2,805	3,225	7,565	51,442	273	51,715	59,280
Scholarships	42,000	-	-	42,000	-	-	-	42,000
Staff meeting and incentives	6,118	18,395	21,628	46,141	5,406	3,513	8,919	55,060
Supplies	49,506	54,096	53,938	157,540	25,726	9,905	35,631	193,171
Telephone	217,487	524,751	368,450	1,110,688	19,078	13,935	33,013	1,143,701
Travel	59,901	1,778	9,061	70,740	18,394	96,166	114,560	185,300
<b>Total functional expenses</b>	<b>\$ 4,931,805</b>	<b>\$ 278,416,531</b>	<b>\$ 5,268,447</b>	<b>\$ 288,616,783</b>	<b>\$ 2,700,616</b>	<b>\$ 1,079,528</b>	<b>\$ 3,780,144</b>	<b>\$ 292,396,927</b>

See independent auditors' report.

**Patient Advocate Foundation  
Schedule of Functional Expenses  
Year Ended June 30, 2017**

	Program Services				Supporting Services			Total Functional Expenses
	Patient/ Educational Services	Financial Aid Programs	Service Contracts	Total Program Expenses	Management and General	Fundraising	Total Supporting Services	
Salaries and related expenses:								
Salaries	\$ 3,327,204	\$ 2,966,387	\$ 1,894,040	\$ 8,187,631	\$ 1,260,335	\$ 658,972	\$ 1,919,307	\$ 10,106,938
Payroll taxes	216,876	193,357	123,458	533,691	82,152	42,953	125,105	658,796
Employee insurance	380,972	339,657	216,871	937,500	144,311	75,454	219,765	1,157,265
Employee retirement	83,365	74,325	47,456	205,146	31,579	16,511	48,090	253,236
Total salaries and related expenses	4,008,417	3,573,726	2,281,825	9,863,968	1,518,377	793,890	2,312,267	12,176,235
Accounting fees	-	16,529	-	16,529	108,607	-	108,607	125,136
Bank fees and interest	5,455	126,423	3,106	134,984	2,066	1,080	3,146	138,130
Conferences, conventions and meetings	719,022	-	-	719,022	29,058	-	29,058	748,080
Consultants	81,401	582,612	1,409	665,422	76,657	490	77,147	742,569
Financial Aid Programs	-	165,292,885	-	165,292,885	-	-	-	165,292,885
Depreciation	103,246	1,033,413	294,114	1,430,773	39,109	20,448	59,557	1,490,330
Loss on fixed assets disposal	-	-	-	-	16,075	-	16,075	16,075
Donations	-	-	-	-	10,300	-	10,300	10,300
Equipment rental and maintenance	315,481	224,610	137,063	677,154	69,242	37,181	106,423	783,577
Insurance	4,309	4,733	4,046	13,088	82,396	403	82,799	95,887
Legal fees	137,687	1,152,030	-	1,289,717	-	-	-	1,289,717
Marketing	127,206	161	103	127,470	69	36	105	127,575
Occupancy	232,968	255,913	218,762	707,643	29,772	21,780	51,552	759,195
Postage and shipping	71,184	78,612	67,470	217,266	13,823	286	14,109	231,375
Printing and publications	41,463	19,097	7,238	67,798	5,265	2,515	7,780	75,578
Professional fees, NPAF	342,148	377,852	-	720,000	-	-	-	720,000
Property taxes	-	-	-	-	34,038	-	34,038	34,038
Recruiting	-	9,722	9,531	19,253	-	-	-	19,253
Scholarships	36,000	-	-	36,000	-	-	-	36,000
Staff meeting and incentives	9,956	8,877	5,668	24,501	3,771	1,972	5,743	30,244
Supplies	53,057	47,303	30,203	130,563	20,098	10,508	30,606	161,169
Telephone	268,905	368,191	260,415	897,511	50,370	26,336	76,706	974,217
Travel	112,379	-	1,295	113,674	2,541	58,534	61,075	174,749
Total functional expenses	\$ 6,670,284	\$ 173,172,689	\$ 3,322,248	\$ 183,165,221	\$ 2,111,634	\$ 975,459	\$ 3,087,093	\$ 186,252,314

See independent auditors' report.