



PATIENT ADVOCATE FOUNDATION

FINANCIAL REPORT

June 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Patient Advocate Foundation
Hampton, Virginia

Opinion

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, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, and the changes in its net assets and its functional expenses and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Patient Advocate Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Patient Advocate Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Patient Advocate Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Patient Advocate Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Note 3 to the financial statements includes non-financial program descriptions and has been designated as unaudited. Management is responsible for this information. In connection with our audit, our responsibility is to read this non-financial information and consider whether a material inconsistency exists between the unaudited non-financial information and the financial statements. If a material inconsistency existed, we are required to describe it in our report.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2023, on our consideration of Patient Advocate Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Patient Advocate Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Patient Advocate Foundation's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
November 8, 2023

PATIENT ADVOCATE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
General operating cash and cash equivalents	\$ 39,923,118	\$ 30,689,086
Restricted cash and cash equivalents	232,635,422	285,457,065
Unconditional promises to give	4,402,716	18,218,453
Accounts receivable (Note 6)	3,004,915	1,866,173
Interest receivable	790,213	83,480
Due from National Patient Advocate Foundation (Note 15)	4,717	5,269
Investments (Note 7)	52,224,088	62,234,388
Inventories	81,938	80,194
Prepaid expenses	427,186	460,069
	333,494,313	399,094,177
PROPERTY AND EQUIPMENT, net (Note 8)	5,476,000	4,399,051
RIGHT-OF-USE ASSET - OPERATING LEASE (Note 16)	6,124,040	-
OTHER ASSETS	50,331	50,331
	\$ 345,144,684	\$ 403,543,559
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 4,822,335	\$ 10,198,425
Due to National Patient Advocate Foundation (Note 15)	1,695	10,226
Postretirement benefits liability, current portion (Note 13)	78,204	73,371
Deferred revenue (Note 6)	19,262,923	21,569,093
Accrued vacation leave	614,314	611,412
Operating lease liability - current portion (Note 16)	492,149	-
	25,271,620	32,462,527
LONG-TERM LIABILITIES		
Postretirement benefits liability, less current portion (Note 13)	2,156,686	2,178,187
Incurred but not recorded liabilities (Note 9)	168,495	128,825
Operating lease liability, less current portion (Note 16)	5,754,922	-
	8,080,103	2,307,012
Total liabilities	33,351,723	34,769,539

(Continued)

The Notes to Financial Statements are an integral part of these statements.

PATIENT ADVOCATE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

	2023	2022
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Undesignated	\$ 26,650,151	\$ 22,760,908
Board designated (Notes 10 and 17)	7,224,088	2,167,270
Total net assets without donor restrictions	33,874,239	24,928,178
NET ASSETS WITH DONOR RESTRICTIONS (Note 11)	277,918,722	343,845,842
Total net assets	311,792,961	368,774,020
Total liabilities and net assets	\$ 345,144,684	\$ 403,543,559

The Notes to Financial Statements are an integral part of these statements.

PATIENT ADVOCATE FOUNDATION

STATEMENTS OF ACTIVITIES
Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES						
Contributions:						
Grants	\$ 4,829,926	\$ 239,035,800	\$ 243,865,726	\$ 4,823,132	\$ 262,901,104	\$ 267,724,236
Private and public donations	250,186	-	250,186	208,487	-	208,487
Donated services (Note 14)	16,150	-	16,150	-	9,720	9,720
Donated materials (Note 14)	-	19,152	19,152	-	31,956	31,956
Program administration	23,199,770	-	23,199,770	22,628,541	-	22,628,541
Patient Congress	46,141	-	46,141	30,000	-	30,000
Promise of Hope	138,190	-	138,190	185,649	-	185,649
Patient Action Council	75,000	-	75,000	100,000	-	100,000
Investment return, net	8,796,626	-	8,796,626	524,892	-	524,892
Net assets released from restrictions:						
Satisfaction of program restrictions (Note 11)	304,982,072	(304,982,072)	-	265,742,296	(265,742,296)	-
Total revenues, gains and other support	<u>342,334,061</u>	<u>(65,927,120)</u>	<u>276,406,941</u>	<u>294,242,997</u>	<u>(2,799,516)</u>	<u>291,443,481</u>
OPERATING EXPENSES						
Program services:						
Patient/educational services	7,441,926	-	7,441,926	6,338,536	-	6,338,536
Financial aid programs	312,844,794	-	312,844,794	272,403,240	-	272,403,240
Service contracts	8,396,814	-	8,396,814	7,457,053	-	7,457,053
Supporting services:						
Management and general	3,214,013	-	3,214,013	2,739,722	-	2,739,722
Fundraising	1,444,464	-	1,444,464	1,303,792	-	1,303,792
Total expenses	<u>333,342,011</u>	<u>-</u>	<u>333,342,011</u>	<u>290,242,343</u>	<u>-</u>	<u>290,242,343</u>
Change in net assets from operations	8,992,050	(65,927,120)	(56,935,070)	4,000,654	(2,799,516)	1,201,138
OTHER NONOPERATING CHANGES						
Postretirement benefit changes other than periodic cost (Note 13)	(45,989)	-	(45,989)	(120,500)	-	(120,500)
Change in net assets	8,946,061	(65,927,120)	(56,981,059)	3,880,154	(2,799,516)	1,080,638
Net assets, beginning of year	<u>24,928,178</u>	<u>343,845,842</u>	<u>368,774,020</u>	<u>21,048,024</u>	<u>346,645,358</u>	<u>367,693,382</u>
Net assets, end of year	<u>\$ 33,874,239</u>	<u>\$ 277,918,722</u>	<u>\$ 311,792,961</u>	<u>\$ 24,928,178</u>	<u>\$ 343,845,842</u>	<u>\$ 368,774,020</u>

The Notes to Financial Statements are an integral part of these statements.

PATIENT ADVOCATE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2023

	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:								
Employee insurance	\$ 400,970	\$ 644,057	\$ 761,650	\$ 1,806,677	\$ 100,877	\$ 54,884	\$ 155,761	\$ 1,962,438
Employee retirement (Note 12)	126,095	67,651	74,463	268,209	200,498	45,083	245,581	513,790
Payroll taxes	283,544	273,565	337,097	894,206	109,799	133,915	243,714	1,137,920
Salaries	4,472,389	4,633,795	5,305,900	14,412,084	1,032,131	914,930	1,947,061	16,359,145
Total salaries and related expenses	5,282,998	5,619,068	6,479,110	17,381,176	1,443,305	1,148,812	2,592,117	19,973,293
Accounting fees	-	8,575	-	8,575	231,926	-	231,926	240,501
Bank fees and interest	-	105,371	-	105,371	6,944	5,737	12,681	118,052
Conferences, conventions and meetings	326,972	-	-	326,972	767	98,243	99,010	425,982
Consultants	94,654	112,101	67,705	274,460	-	-	-	274,460
Depreciation	192,178	401,940	380,870	974,988	6,580	4,876	11,456	986,444
Donations	-	-	-	-	6,824	-	6,824	6,824
Equipment rental and maintenance	263,663	317,856	380,300	961,819	69,255	27,421	96,676	1,058,495
Financial aid programs	-	304,953,200	-	304,953,200	-	-	-	304,953,200
Grant expenses	636,768	-	-	636,768	-	-	-	636,768
Insurance	2,037	2,963	3,612	8,612	145,661	278	145,939	154,551
Legal fees	-	-	-	-	187,574	-	187,574	187,574
Loss on fixed assets disposal	2,411	3,507	4,274	10,192	438	328	766	10,958
Marketing	16,107	9,383	-	25,490	21,028	6,297	27,325	52,815
Occupancy	160,236	233,072	284,056	677,364	29,257	21,850	51,107	728,471
Postage and shipping	9,640	155,802	96,994	262,436	374	3,721	4,095	266,531
Printing and publications	25,103	50,755	26,832	102,690	4,051	2,169	6,220	108,910
Processing services	16,321	599,928	350,677	966,926	-	-	-	966,926
Professional fees, NPAF (Note 15)	-	-	-	-	980,000	-	980,000	980,000
Property taxes	-	-	-	-	22,831	-	22,831	22,831
Recruiting	-	-	-	-	10,523	-	10,523	10,523
Scholarships	105,000	-	-	105,000	-	-	-	105,000
Staff meeting and incentives	30,306	26,246	32,337	88,889	13,645	5,022	18,667	107,556
Supplies	16,602	25,946	22,770	65,318	22,041	14,555	36,596	101,914
Telephone	211,963	218,542	266,652	697,157	8,899	10,148	19,047	716,204
Travel	48,967	539	625	50,131	2,090	95,007	97,097	147,228
Total functional expenses	<u>\$ 7,441,926</u>	<u>\$ 312,844,794</u>	<u>\$ 8,396,814</u>	<u>\$ 328,683,534</u>	<u>\$ 3,214,013</u>	<u>\$ 1,444,464</u>	<u>\$ 4,658,477</u>	<u>\$ 333,342,011</u>

The Notes to Financial Statements are an integral part of this statement.

PATIENT ADVOCATE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2022

	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:								
Employee insurance	\$ 353,381	\$ 304,307	\$ 369,262	\$ 1,026,950	\$ 136,394	\$ 105,127	\$ 241,521	\$ 1,268,471
Employee retirement (Note 12)	93,208	61,534	59,408	214,150	156,566	38,300	194,866	409,016
Payroll taxes	286,917	278,256	343,154	908,327	45,710	41,786	87,496	995,823
Salaries	3,869,450	3,898,419	4,775,520	12,543,389	928,220	852,615	1,780,835	14,324,224
Total salaries and related expenses	4,602,956	4,542,516	5,547,344	14,692,816	1,266,890	1,037,828	2,304,718	16,997,534
Accounting fees	-	12,100	-	12,100	150,031	-	150,031	162,131
Bank fees and interest	-	77,934	-	77,934	2,349	8,546	10,895	88,829
Conferences, conventions and meetings	43,284	-	-	43,284	962	86,823	87,785	131,069
Consultants	143,600	154,648	117,906	416,154	-	-	-	416,154
Depreciation	225,208	324,263	406,418	955,889	40,437	29,440	69,877	1,025,766
Equipment rental and maintenance	251,689	273,783	332,505	857,977	53,555	16,091	69,646	927,623
Financial aid programs	-	265,710,340	-	265,710,340	-	-	-	265,710,340
Grant expenses	460,095	-	-	460,095	-	34	34	460,129
Insurance	2,875	4,088	5,129	12,092	99,600	378	99,978	112,070
Legal fees	-	-	-	-	170,380	-	170,380	170,380
Loss on fixed assets disposal	2,032	2,889	3,625	8,546	267	268	535	9,081
Marketing	11,597	500	-	12,097	21,778	6,200	27,978	40,075
Occupancy	176,683	251,275	315,237	743,195	31,179	23,291	54,470	797,665
Postage and shipping	7,178	156,059	121,451	284,688	439	1,213	1,652	286,340
Printing and publications	13,767	33,120	8,347	55,234	31,731	2,198	33,929	89,163
Processing services	13,090	530,733	329,641	873,464	-	-	-	873,464
Professional fees, NPAF (Note 15)	-	-	-	-	780,000	-	780,000	780,000
Property taxes	-	-	-	-	23,324	-	23,324	23,324
Recruiting	-	-	-	-	8,641	-	8,641	8,641
Scholarships	90,000	-	-	90,000	-	-	-	90,000
Staff meeting and incentives	7,674	3,279	4,428	15,381	1,916	2,156	4,072	19,453
Supplies	32,052	27,025	22,933	82,010	15,616	12,533	28,149	110,159
Telephone	247,875	298,036	241,284	787,195	39,702	37,048	76,750	863,945
Travel	6,881	652	805	8,338	925	39,745	40,670	49,008
Total functional expenses	\$ 6,338,536	\$ 272,403,240	\$ 7,457,053	\$ 286,198,829	\$ 2,739,722	\$ 1,303,792	\$ 4,043,514	\$ 290,242,343

The Notes to Financial Statements are an integral part of this statement.

PATIENT ADVOCATE FOUNDATION

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (56,981,059)	\$ 1,080,638
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	986,444	1,025,766
Amortization of right-of-use asset - operating lease	507,161	-
Net realized and unrealized loss on investments	7,960	55,818
Loss on disposal of fixed assets	10,958	9,081
Net (increase) decrease in:		
Unconditional promises to give	13,815,737	(605,295)
Accounts receivable	(1,138,742)	(120,305)
Interest receivable	(706,733)	33,474
Due to/from National Patient Advocate Foundation	(7,979)	7,257
Inventories	(1,744)	(7,838)
Prepaid expenses	(38,559)	(69,183)
Net (increase) decrease in:		
Accounts payable and accrued expenses	(5,376,090)	1,421,188
Deferred revenue	(2,135,678)	(349,511)
Accrued vacation leave	2,902	36,950
Postretirement benefit liability	(16,668)	(521,739)
Incurred but not recorded liabilities	39,670	(23,778)
Operating lease liability	(483,180)	-
	(51,515,600)	1,972,523
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(2,082,610)	(1,572,734)
Proceeds from property and equipment	8,259	-
Proceeds from sale of investments	10,387,118	-
Purchases of investments	(384,778)	(95,682)
	7,927,989	(1,668,416)
Net cash provided (used) by investing activities		
	(43,587,611)	304,107
CASH AND CASH EQUIVALENTS		
Beginning of year	316,146,151	315,842,044
End of year	\$ 272,558,540	\$ 316,146,151

(Continued)

The Notes to Financial Statements are an integral part of these statements.

PATIENT ADVOCATE FOUNDATION

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
BALANCE SHEET PRESENTATION OF		
CASH AND CASH EQUIVALENTS		
General operating cash and cash equivalents	\$ 39,923,118	\$ 30,689,086
Restricted cash and cash equivalents	<u>232,635,422</u>	<u>285,457,065</u>
	<u><u>\$ 272,558,540</u></u>	<u><u>\$ 316,146,151</u></u>
NONCASH SUPPLEMENTAL DISCLOSURES		
Adoption of FASB ASC 842:		
Right-of-use asset - operating lease	\$ 6,631,201	\$ -
Prepaid rent applied	(71,442)	-
Deferred rent liability applied	170,492	-
Lease liability incurred	<u>(6,730,251)</u>	<u>-</u>
Cash paid to acquire right-of-use asset	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The Notes to Financial Statements are an integral part of these statements.

PATIENT ADVOCATE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

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 nonprofit 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:

Net assets without donor restrictions are currently available at the discretion of the Board of Directors for use in the Foundation's operations. Included in the amounts without donor restrictions are board-designated net assets. Board designated net assets consist of a portion of investment funds. The Board will determine how these investment funds will be utilized.

Net assets with donor restrictions are those that are stipulated by donors for specific purposes. When a donor restriction is satisfied by utilizing the funding for its intended purpose, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction.

All contributions are considered without donor restriction 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.

Program service revenue

The Foundation has identified two categories of program service revenue subject to the principles of Accounting Standards Codification (ASC) Topic 606: service agreements and administrative fees.

(Continued)

PATIENT ADVOCATE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (Continued)

Program service revenue (Continued)

Service agreements

The Foundation has entered into various contracts with strategic non-profit partners to serve as third-party administrators. The majority of the service agreement revenue is related to the execution of the responsibilities associated with the administration of the non-profit partner's patient assistance programs. The Foundation recognizes revenue over time and is based upon a percentage rate applied to the total dollar amount of claims processed each month. Payment is due upon receipt of the monthly invoices. Accounts receivable consist of amounts expected to be collected from balances outstanding at year-end.

Administrative fees

The Foundation earns administrative fees based on funds provided to qualified patients for Co-Pay Relief Funds and Financial Aid Programs contributed for specific diseases. The services the Foundation provides to the donors for these disease-specific programs are considered to be reciprocal in nature. The performance obligation is satisfied when patient reimbursement claims are processed which releases donor restricted net assets for the individual programs. The rate is based on management's estimate of the future direct, indirect, and capital expenditure costs of administering the programs. The Foundation reassesses the rate at year-end to ensure no adjustments are needed to the rate used throughout the year to recognize revenue based on total financial assistance provided and total direct, indirect, and capital expenditure costs incurred.

Contract liabilities

Contract liabilities are included in deferred revenue on the accompanying statements of financial position and consist primarily of upfront payments received from partners for program revenue for which performance obligations are not yet satisfied. Deferred revenue is recognized as revenue when the associated performance obligation has been satisfied.

Contributions and grants

In accordance with ASC Topic 958-605, the Foundation evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the Foundation applies guidance under ASC Topic 606. If the transfer of assets is determined to be a contribution, the Foundation determines if the contribution is conditional based upon whether the agreement includes both of the following: (1) one or more barriers that must be overcome before the Foundation is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

Contributions and grants, including donations of cash, in-kind contributions, and unconditional promises to give (pledges), are recognized as revenue when an unconditional promise to give has been made and are recorded as with donor restrictions or without donor restrictions, depending on the donor intent. Contributions that are restricted by the donor are reported as an increase in net assets with donor restrictions and released as the restriction is met. Conditional contributions are recognized when the conditions on which they depend are substantially met. Contributions are recorded at fair value, and in the case of pledges, are recorded at the present value of their estimated future cash flows.

(Continued)

PATIENT ADVOCATE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (Continued)

Contributions and grants (Continued)

All pledges are due within one year. Allowances are recorded for their estimated uncollectible contributions based on management's judgement, past collection experience and other relevant factors. At June 30, 2023 and 2022, management considered all contribution receivable (unconditional promises to give) balances to be fully collectible.

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 and cash equivalents

Restricted cash and cash equivalents consist of funds earmarked for patient awards and financial aid by donors.

Contributed services and materials

Certain contributed services and materials 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.

Investments

Investments include certificate of deposits, money market funds, and marketable debt securities with readily determinable fair values, and are reported at their fair values in the statements of financial position. Changes in fair value of investments are determined based on cost and are recorded in the statements of activities in the period in which they occur. Investment returns, net of fees, restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (either by passage of time or by use) in the reporting period in which the returns, net of fees, are recognized. Dividends and interest are recognized as earned.

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.

(Continued)

PATIENT ADVOCATE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (Continued)

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 contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. 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 net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment is depreciated on the straight-line method over the following estimated useful lives:

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

Functional expenses

The Foundation's expenses are related to the performance of three functions: program services, management and general, and fundraising. The Foundation allocates its expenses on a functional basis among its various programs and supporting services in the statements of activities. Therefore, certain expenses have been allocated to programs and supporting services benefited based on full time employee equivalents. Salaries are allocated based on resources spent. Depending upon the staff member job description and duties, their time is allocated over programs, administrative and/or fundraising.

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 were \$52,815 and \$40,075 for 2023 and 2022, respectively.

Reclassification

Certain prior year amounts have been reclassified for consistency with the current year presentation. This reclassification had no effect on the reported results of activities. An adjustment has been made to the statements of activities for the year ended June 30, 2022, to reclassify donated services to with donor restrictions.

(Continued)

PATIENT ADVOCATE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (Continued)

Adoption of new accounting standard

Effective July 1, 2022, the Foundation adopted Financial Accounting Standards Board (FASB) ASC 842, *Leases*. The Foundation determines if an arrangement contains a lease at inception based on whether the Foundation has the right to control the asset during the contract period and other facts and circumstances. The Foundation elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification.

The adoption of FASB ASC 842 resulted in the recognition of a right-of-use asset, net of prepaid lease payments, of \$6,631,201 and lease liability of \$6,730,251 for office space at July 1, 2022. For the lease, the Foundation has elected the practical expedient to use a risk-free rate in lieu of determining an incremental borrowing rate, as the discount rate implicit in the lease cannot be readily determined. As such, the Foundation determined its risk-free rate by using the ten-year U.S. Treasury securities yield as of July 1, 2022. Results for periods beginning prior to July 1, 2022, continue to be reported in accordance with our historical accounting treatment. The adoption of FASB ASC 842 did not have a material impact on the Foundation's results of activities or cash flows. See Note 16.

Subsequent events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through November 8, 2023, the date the financial statements were available to be issued.

3. Programs (Unaudited)

The Foundation has multiple programs that provide direct and indirect support to patients and caregivers including.

Case management services

For 27 years, the Foundation has provided case management interventions 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. PAF provides one-on-one professional case management services, working alongside patients, their loved ones, and their care teams, 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. During FY2022/2023, the Foundation's case management staff directly worked with or on behalf of 18,394 individuals. These patients represented 1,064 unique diseases and requested assistance with issues that were creating obstacles to care. On average, case managers made 25 contacts on behalf of each case to relevant stakeholders to bring resolution to the patient's issues. This work translates to approximately 458,929 unique contacts and an average debt relief/patient savings of \$1,239 per case on behalf of patients and families receiving case management services. PAF also provided 3,551 education publications to the patients served by case management and those who requested educational information. PAF provides these services through a complement of 35 unique programs.

(Continued)

PATIENT ADVOCATE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

3. Programs (Unaudited) (Continued)

Case management services (Continued)

During fiscal year 2022 and 2023, the Foundation's case management staff directly intervened on behalf of 18,923 individuals. These patients are collectively living with 1,004 unique diseases and requested assistance with an average of two issues that were creating obstacles to care. On average, case managers made 19.8 contacts on behalf of each case to relevant stakeholders to bring resolution to the patient's access issues. This translates to over 374,555 unique contacts on behalf of patients and families receiving case management intervention services. PAF provided these services through a complement of 34 unique programs.

Patient education and empowerment

PAF extends its patient services by developing and delivering patient education and empowerment tools with a focus on providing practical advice and guidance to healthcare consumers. These tools aim to enhance individuals' day-to-day experiences with insurance and encourage active engagement within the healthcare system. PAF's educational activities are designed based on the conversations that occur among case managers, patients, and caregivers, focusing on those topics for which patients most frequently seek help. Annually, PAF creates, maintains, and disseminates a diverse range of patient education materials and online resources, available in both printed and electronic formats. PAF's educational portfolio encompasses a wide array of subjects, presented in various formats to cater to the preferences and needs of multiple audiences. This includes patients, caregivers, professionals, as well as those directly interacting with the Foundation for assistance and the general public accessing the website and engaging with PAF.

PAF's patient education resources are frequently utilized by other organizations and institutions, who share these materials with their own patients. The Foundation curates an extensive library of PAF-authored patient educational publications, on-demand webinars, interactive training series, and resourceful tools. All resources are accessible at no cost to patients.

In FY2022/2023, the Foundation's Patient Education and Empowerment team successfully published 114 new, translated, or revised publications, along with audio recordings and educational webinars. Additionally, PAF provided support for four multi-year educational projects: the Patient Action Council project, Health Insurance Literacy project, Migraine Matters, and Matters of the Heart. Furthermore, the team undertook three standalone projects: The Lighthouse Training Series, the creation of Biomarker Tip Sheets and Audio recordings, and the creation of a new "Getting the Most From Your Medicare Benefits" publication. The department rebuilt and redesigned PAF's Education Resource Library and National Financial Resource Directory, PAF's most utilized patient resource, unveiled a new website called The Medicare Resource Center and was honored with the Bronze Medal Award for The Education Resource Library in the web-based resources category in the Spring 2023 Digital Health Awards program.

In FY2022/2023, more than 2,000 resources were reviewed while creating the new directory. The process involved transitioning to a new platform, reorganizing search options and categories, and adding filters to the user results page. Users of the directory conducted a total of 59,072 searches, with 22,970 occurring post-launch (May-June 2023). These searches yielded 946,588 matching resources, averaging 16 customized resources per search. The most frequently sought after financial assistance categories were for cost of living and medical expenses. The top 8 categories, ranked by search frequency, are: Medical Bills & General Financial Help, Financial Assistance Support, Housing & Lodging, Charitable Copayment Assistance, Transportation, Utilities, Food & Nutrition, and Other Medication Assistance.

(Continued)

PATIENT ADVOCATE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

3. Programs (Unaudited) (Continued)

Patient education and empowerment (Continued)

During FY2022/2023, members of the Foundation's staff also conducted, participated in, and hosted educational outreach at the local, regional, and national levels with the goal of educating the public, nonprofit organizations, and members of the healthcare community (who support patients) about the services and educational materials offered by the Foundation and the challenges facing patients as they navigate their treatment journey. This outreach was, in cases, targeted to a population outlined in healthcare access and disease outcomes data as affected by social determinants of health and underserved communities. While PAF is still participating in virtual events, attendance at in-person events has increased significantly. PAF continues to support virtual engagements to reach a broader audience through various sources and increase public awareness of PAF resources to patients and families. In FY2022/2023, attended 135 outreach events and distributed 3972, an increase of 80%, educational publications through these events.

Health Equity Initiative

Addressing health equity is a strategic imperative for Patient Advocate Foundation, the evolution of this commitment peaked in 2022 with the launch of strategic initiatives including the PAF Health Equity Case Management Program and the Health Equity Co-Pay Relief funds. PAF's commitment is shaped by the stories of the patients served by the Foundation and informed by the employees that enrich PAF operations and deliver exceptional customer service. Specific activities focus on tackling social/financial support needs and mitigating barriers that impact access to health services.

- SelfMade Health Network (SMHN)
 - SMHN continues to expand its efforts to provide hands-on technical assistance and training opportunities to enhance the knowledge and skill capacity of CDC supported National Comprehensive Cancer Control Programs and National Tobacco Prevention and Control Programs staff through three distinct offering: 1) the SMHN Training and Technical Assistance Hub to Address Tobacco Disparities (the Hub); 2) SMHN webinar series; and 3) the Quad-Networks HPV Vaccination Learning Collaborative (the Collaborative). Training and technical assistance activities are designed to provide hands-on support to facilitate implementation of evidence-informed strategies to decrease tobacco and cancer related disparities by applying equity centered strategies and increase Human Papillomavirus (HPV) vaccination to prevent HPV related cancers. Hub participating states include North Dakota, New York, Maine, Connecticut, Ohio, Oklahoma, Utah, Nebraska, and New Mexico. The Collaborative participating states include Florida, Rhode Island, Kansas, West Virginia, Oklahoma (Cherokee Nation).

(Continued)

PATIENT ADVOCATE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

3. Programs (Unaudited) (Continued)

- SelfMade Health Network (SMHN) (Continued)

SMHN development and implemented a three-part lung cancer disparities webinar series featuring the following topics: Lung Cancer Disparities: Addressing Gaps and Opportunities to Improve Health Outcomes and Health Equity Among Low-Income Populations and Other Populations with Low Socioeconomic Status (SES) Characteristics (Part 1); Lung Cancer Disparities: Addressing Gaps and Opportunities to Improve Health Outcomes and Health Equity Among Low-Income Populations and Other Populations with Low Socioeconomic Status (SES) Characteristics (Part 2); and Lung Cancer Disparities: Addressing Gaps and Opportunities to Improve Health Outcomes and Health Equity Among Low-Income Populations and Other Populations with Low Socioeconomic Status (SES) Characteristics (Part 3) reaching over 300 National Comprehensive Cancer Control Program (NCCP) and National State Tobacco Control Program staff across 30 states.

In 2023, not only did SMHN expand its webinar offerings, but also expanded collaboration with other partner organization on the development of webinar content. In February 2023, SMHN and the American Heart Association (a CDC National Partner), developed the 2-part webinar series: From Prevention to Screening and Survivorship: A Roadmap for Reducing Shared Risks Associated with Cancers and Cardiovascular Disease Among Low-Income Populations and Patients reaching over 250 attendees.

- Tri-Networks HPV Learning Collaborative Expansion: Building on lessons learned and established infrastructure in implementing the Tri-Networks HPV Vaccination Learning Collaborative (Geographic health Equity Alliance, Nuestras Voces, and SelfMade Health Network), with the launch of Cohort 2 the Tri-Network was expanded to become the Quad Network with the addition of the Asian Pacific Partners for Empowerment, Advocacy, and Leadership (APPEAL) Network. The 15-month collaborative was designed to provide technical assistance to National Comprehensive Cancer Control Program (NCCCP) to enhance their capacity to implement evidence-based strategies to increase Human Papillomavirus (HPV) vaccination to prevent cervical cancer and increase HPV vaccination rates among persons with low socio-economic characteristics, geographically disparate and/or Hispanic populations. State NCCCP teams from five states (Florida, Kansas, Rhode Island, West Virginia, and Oklahoma (Cherokee Nation) participated in a series of virtual learning session and one-on-one technical assistance sessions to enhance their capacity to implement HPV related policy, system, and environmental changes.

- Health Equity Affinity Group

- As PAF continues to focus on opportunities to expand its commitment to health equity, bold internal changes were made, including continuing an external review of PAF Policies and Procedures Manual resulting in a refined, equity focused Employee Handbook; the development and release of PAF's first equity focused value statement and integrated equity into its organizational core values full cementing its commitment to integrating principles that drive equity across every sphere of the organization.

(Continued)

PATIENT ADVOCATE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

3. Programs (Unaudited) (Continued)

- Community Outreach and Engagement

- PAF is committed to reaching racial, ethnic, minority and other marginalized populations through its community outreach and engagement activities. During this reporting period, PAF's HEI formed new partnerships to support these efforts at the community and national level.

PAF formed a partnership with Colors of Crohn's and Chronic Illness (COCCI) to reach racial, ethnic minority populations, and young adults living with Crohn's, irritable bowel disease and other digestive conditions. This new partnership builds upon an expansion of PAF's case management service offering, addressing social and financial need challenges for persons living with Crohn's Disease. Through this partnership PAF and COCCI have worked collaboratively to introduce COCCI ambassadors to the case management services available to PAF to assist individuals living with Crohn's and other inflammatory bowel conditions. COCCI and PAF shared the stage at the inaugural Health Equity in Inflammatory Bowel Disease Patient Symposium held in Atlanta, Georgia in July 2022.

PAF continues its efforts to improve healthcare access for Black women who are at risk for breast cancer, with a specific focus in FY2022/2023 on Triple Negative Breast Cancer, the most aggressive type of breast cancer impacting Black women. PAF is working to recreate the "path to partnership" in Hampton Roads which PAF has successfully implemented in other locations to build and sustain productive relationships with organizational partners who share PAF's commitment to achieving health equity. This commitment and PAF's success in reaching Black women to increase their knowledge of breast cancer and supportive resources was recently demonstrated in Ignite: A Movement to Raise Awareness about Triple Negative Breast Cancer and the Impact on Black Women, a series of activities including an inaugural education event designed to increase knowledge among BW of their risk for TNBC, the importance of early detection, explain clinical trials participation and share available resources to support women along their cancer journey. The event, which engaged 17 community based organizations and 175 attendees, included panel discussions (featuring triple negative breast cancer survivors), plenary session featuring, renowned oncologist, Dr. Olapade, breakout sessions, vendor resources, door prizes, and a tailored social media toolkit with enduring, downloadable, shareable, and customizable materials to raise awareness about triple negative breast cancer.

Through twelve, direct and/or partner facilitated virtual and in-person outreach events PAF HEI reached more than 2300 individuals with information about PAF's services and resources.

- Health Equity Thought Leadership

- PAF Health Equity leadership continues to provide guidance on national agendas to inform conversations and initiatives to advance health equity. PAF's engagement includes:

Member of the National Commission of Quality Assurance-Providing Evidence for Health System Equity Efforts Steering Committee-designed to address the role of community health workers' integration within health systems, a project supported by Patient Centered Outcomes Research Institute (PCORI).

(Continued)

PATIENT ADVOCATE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

3. Programs (Unaudited) (Continued)

- Health Equity Thought Leadership (Continued)

Member of the Digital Healthcare Equity Framework Technical Expert Panel, convened by Drs. Elham Hatef and Matt Austin of Johns Hopkins University School of Medicine with support from the Agency for Healthcare Research and Quality (AHRQ) to develop a digital healthcare equity framework to be used by health systems.

A PAF Health Equity staff was a contributing author for the manuscript, Food Insecurity among People with Cancer: Meeting Nutritional Needs as an Essential Component of Care published September 2022 in the Journal of the National Cancer Institute (September 2022). The manuscript is one of three papers outlining a call to action to address and improve health disparities from a series of webinars sponsored by the National Cancer Policy Forum of the National Academies of Sciences, Engineering, and Medicine.

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The EVP of Health Equity and Community Engagement co-chairs the Rare Disease Diversity Coalition (RDDC)-Patient and Caregiver Workgroup. Through this workgroup, the EVP led the RDDC through the development and execution of the coalition's inaugural Patient and Caregiver Needs Survey. The findings from the survey will be used to guide the RDDC in the development of tools and resources to respond to gaps identified by patients living with rare diseases and their caregivers, with an intentional focus on patients representing racial, ethnic minority populations, persons in rural communities and persons with other limited abilities. The survey was completed by over 2,900 respondents.

Health services research

The aim of the Health Services Research portfolio is to improve the patient experience by studying the patient journey, unmet needs, and the impact that systems and social support interventions have on overall patient health and wellbeing. Major research, evaluation, and patient experience/engagement initiatives in FY2022-2023 included four existing partnerships on research intervention projects with academic and partners including: the University of North Carolina at Chapel Hill, Emory University, Fred Hutchinson Cancer Research Center as well as a new project with University of California Irvine that launched in August 2023. These projects utilize Case Management as an intervention to address financial and social need. In addition to PAF's intervention work, PAF partnered with four scientific and/or academic institutions to develop and analyze survey data: the University of North Carolina at Chapel Hill, University of Alabama Birmingham, MD Anderson, and ECOG-ACRIN Cancer Research Group. Through PAF's Patient Insight Institute, PAF has expanded its patient engagement portfolio to include collaborations with NORC at the University of Chicago, Academy Health, SIREN (University of California San Francisco), University of Illinois, Pharmacy Quality Alliance, America's Health Insurance Plans, and Ariadne Labs (Harvard University). Nine articles were published in peer reviewed journals and ten abstracts presented at national meetings.

(Continued)

PATIENT ADVOCATE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

3. Programs (Unaudited) (Continued)

Health services research (Continued)

PAF's Research Evaluation and Patient Experience team was also involved in patient-centered projects to support the field in integrating patient voices into health policy, care, and research initiatives. A key interventional project piloted embedding SDOH screening and PAF as intervention into clinical workflow. This project's key partners were UIC and Miles Square. PAF also serves/d as thought leaders and content experts, as well as key partners in facilitation of outreach and collection of the patient experience on a number of topics including a PCORI funded project "COVID-19 Learning Community," and an AHIP funded project "Factors Impacting Equitable Care." Through the Patient Insight Institute, PAF continues to build partnerships and these relationships were reflected through partnered projects with NORC at the University of Chicago and the University of California at San Francisco (SIREN: Social Interventions Research and Evaluation Network).

Collectively, this body of work serves to further PAF's mission by advancing the field's knowledge of the patient experience around access and affordability, thus providing insight into how to best meet patients' financial and social needs in a way that is patient-centered and advances the tenants of health equity.

Scholarship for Survivors program

It is not uncommon for Foundation staff to interact with patients and families who are struggling to afford post-secondary education due to the financial burden associated with a chronic illness or life-threatening disease. In 2000, PAF established the Scholarship for Survivors program to honor these individuals by offering educational scholarships to students who have suffered (or are suffering) from cancer or a chronic illness. These students have, despite their diagnosis, excelled academically, served the community, and desire to pursue a secondary education.

PAF's signature fundraising event for the scholarship program, A Promise of Hope Affair, was held on September 10, 2022. Through this event, generous donors to PAF helped support 40 scholarships through the Scholarship for Survivors program for the 2023-2024 academic year. To date, the Foundation has awarded 195 scholarships totaling over one million dollars.

Financial support programs

For 19 years, PAF's Co-Pay Relief Program (CPR) has provided financial assistance for co-payments, co-insurance and deductibles required by a patient's insurer for medications prescribed to treat and/or manage the patient's disease.

(Continued)

PATIENT ADVOCATE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

3. Programs (Unaudited) (Continued)

Financial support programs (Continued)

In FY2022/2023, PAF's Co-Pay Relief Program expanded its impact through the addition of seven (7) new funds, assisting patients sixteen (16) Health Equity (HE) funds and thirty-six (36) including: Acromegaly, Alzheimer's Disease HE, Asthma, Bladder Cancer, Breast Cancer, Breast Cancer HE, Cancer Genetic & Genomic Testing, Cervical Cancer, Chronic Obstructive Pulmonary Disease HE, Coronary Artery Disease HE, Covid-19, Cystic Fibrosis, Diabetes, Diabetes HE, Gaucher Disease, Heart Failure HE, Hemophilia, Hepatitis B, Hepatitis C, Hepatitis C HE, Hepatocellular Carcinoma, HIV, AIDS & Prevention, HIV, AIDS & Prevention HE, Homozygous Familial Hypercholesterolemia, Lupus, Melanoma, Metastatic Breast Cancer, Metastatic Colorectal Cancer, Metastatic Colorectal Cancer HE, Metastatic Prostate Cancer, Multiple Myeloma, Multiple Myeloma HE, Multiple Sclerosis, Myelodysplastic Syndromes, Non-Small Cell Lung Cancers, Non-Small Cell Lung Cancers HE, Ovarian Cancer, Ovarian Cancer HE, Pancreatic Cancer, Parkinson's Disease HE, Periodic Paralysis, Prostate Cancer, Prostate Cancer HE, Pulmonary Fibrosis, Pulmonary Hypertension, Rheumatoid Arthritis, Small Cell Lung Cancer, Spinal Muscular Atrophy, Thyroid Eye Disease, Ulcerative Colitis, Uterine Cancers HE, and Virology Testing HE.

Also, in FY2022/2023 PAF's Co-Pay Relief Program established six (6) new Health Equity funds, Health Equity Funds serve people living in 220 counties across the United States that have been identified by the CDC as having the highest social vulnerability scores and are burdened with high rates of chronic diseases. The Health Equity Funds are designed to specifically provide support to eligible patients living in one of the 220 counties covered by the funds, which is verified using the zip code of the patient's home address. All other eligibility requirements, and fund operation, are the same as PAF's general funds. The following six (6) new Equity funds helped patients in these 220 counties: Alzheimer's Disease HE, Parkinson's Disease HE, Chronic Obstructive Pulmonary Disease HE, Heart Failure HE HIV, AIDS & Prevention HE, Uterine Cancer HE.

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. The Foundation also offers telephonic support services to patients who prefer to receive personal assistance from a program specialist.

In FY2022/2023, the Foundation administered co-payment assistance to 78,584 qualified patients through 52 assistance funds available through the Co-Pay Relief Program. The program staff fielded 185,747 telephone calls and processed claims totaling over \$306,808,905 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 678,000 individuals allocating nearly \$2.2 billion dollars in co-payment awards.

The Foundation also administered a suite of sixteen (16) small grant programs in FY2022/2023, referred to as Financial Aid Funds, each providing financial assistance to qualified patients for out of pocket and cost of living expenses patients struggle to manage when dealing with a chronic or critical disease. In FY2022/2023, program staff fielded 16,097 telephone calls and successfully provided one-time small grants to 1,641 patients, totaling \$2,267,500 in financial relief. In FY2021/2022, 1,509 patients received financial relief from seventeen (17) financial funds, totaling \$963,300.

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PATIENT ADVOCATE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

3. Programs (Unaudited) (Continued)

Financial support programs (Continued)

These grants ranged from \$300 - \$2,500 per patient and are designed for non-medical expenses, including transportation, lodging, nutritional needs, childcare, and burial expenses, faced by patients because of their diagnosis and treatment. In 2022 and 2023, the Financial Aid Fund programs include:

- DONNA Financial Aid Fund: Serving patients diagnosed with Breast Cancer that have received case management services through the DONNA Careline.
- Heart Valve Financial Aid Fund: Serving patients diagnosed with a valvular condition.
- LEISHLine Financial Aid Fund: Serving patients diagnosed with ARDS, TSS and/or Sepsis.
- Angel Fund: supports funeral expenses associated with patients who have passed and died from ARDS, TSS and/or Sepsis.
- Merkel Cell Carcinoma Financial Aid Fund: Serving patients diagnosed with a rare form of skin cancer.
- National Ovarian Cancer Coalition Clinical Trail Fund: supports patients that have been diagnosed with ovarian cancer, fallopian tube cancer or peritoneal cancer and are participating in a clinical trial, by providing financial assistance for cost-of-living expenses.
- National Ovarian Cancer Coalition Treatment Fund: supports patients that have been diagnosed with ovarian cancer, fallopian tube cancer or peritoneal cancer, by providing financial assistance for cost-of-living expenses.
- ZERO Drive Program: Provides financial assistance for travel costs to patients living in Florida, Georgia, Iowa, New York, North Carolina, Pennsylvania, South Carolina, and Texas, who are being evaluated, undergoing treatment, or receiving follow up care for prostate cancer.
- Pediatric Amino Acid and Metabolic Formulas Emergency Assistance Fund: Provides direct financial assistance to families who have experienced unexpected costs related to an in-patient hospitalization or emergency room visit of a child who is reliant on amino acid-based formulas for nutrition but could not consistently access them due to the shortage and experienced a medical crisis as a result.

Non-profit service agreements

In 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 and patient financial aid programs. The Foundation continued to provide this contractual service during 2023 and 2022. The Foundation administered services to 69,619 and 74,774 patients in 2023 and 2022, respectively, through this service agreement.

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PATIENT ADVOCATE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

4. 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. The Foundation normally has deposits in financial institutions in excess of insured amounts. Deposits of approximately \$172,000,000 and \$218,000,000 at June 30, 2023 and 2022, respectively, were in excess of insured amounts. The Foundation has not experienced any financial loss as a result of such deposits.

During the years ended June 30, 2023 and 2022, three donors accounted for approximately 84% and 81%, respectively, of restricted grant donations received.

5. Liquidity and Availability of Resources

As part of its liquidity management, the Foundation has a policy to structure its financial assets to be available as its general expenses, liabilities, and other obligations come due. The Foundation considers general expenditures to be all expenditures related to its ongoing activities of providing services to its clients as well as the conduct of services undertaken to support those activities' general expenditures.

The following schedule explains the Foundation's financial ability to meet cash needs for general expenses within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, assets held for others, or because the governing board has set aside funds for a specific purpose. These board designations could be withdrawn if the board approved that action.

	<u>2023</u>	<u>2022</u>
General operating cash and cash equivalents	\$ 39,923,118	\$ 30,689,086
Unconditional promises to give excluding promises restricted for the Co-Pay Relief Program	176,109	1,417,589
Accounts receivable	3,004,915	1,866,173
Investments - unrestricted	<u>-</u>	<u>10,067,118</u>
	<u>\$ 43,104,142</u>	<u>\$ 44,039,966</u>

As part of the Foundation's liquidity management, the Board has invested cash in debt and equity investments, short-term investments, certificates of deposits, and money market funds. The Board has designated these funds as discussed in Note 17. The balance of the board designated endowment investments was \$2,224,088 and \$2,167,270 at June 30, 2023 and 2022, respectively.

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PATIENT ADVOCATE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

6. Comparative Detail

Contract balances related to program service revenue are included in the accompanying statements of financial position as accounts receivable and deferred revenue. Accounts receivable and deferred revenue consists of the following types of revenue at June 30:

	2023	2022	2021
Accounts receivable:			
Program service revenue	\$ 1,635,411	\$ 1,012,282	\$ 1,029,911
Contributions and grants	1,369,504	853,891	715,957
	\$ 3,004,915	\$ 1,866,173	\$ 1,745,868
Deferred revenue:			
Program service revenue	\$ 18,453,933	\$ 20,972,914	\$ 20,555,740
Contributions and grants	808,990	596,179	1,362,864
	\$ 19,262,923	\$ 21,569,093	\$ 21,918,604

7. Investments and Fair Value Measurements

Accounting standards establish a 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 under applicable accounting standards 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 and cash equivalents (money market funds).

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.

(Continued)

PATIENT ADVOCATE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

7. Investments and Fair Value Measurements (Continued)

Following is a description of the valuation techniques used for Level 2 and Level 3 assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023 and 2022.

Treasury securities and federal agency bonds: valued at prices obtained from an independent pricing service when such prices are available. These are included as Level 2 measurements in the table below.

Certificates of deposit: long-term certificates of deposit purchased within five years to maturity are valued at amortized cost, which approximates market value. These are included as Level 2 measurements in the table below.

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, 2023			
	Level 1	Level 2	Level 3	Total
Federal agency bonds	\$ -	\$ 465,863	\$ -	\$ 465,863
Certificates of deposit	-	50,132,259	-	50,132,259
Money market funds	1,625,966	-	-	1,625,966
	\$ 1,625,966	\$ 50,598,122	\$ -	\$ 52,224,088
	Assets at Fair Value as of June 30, 2022			
	Level 1	Level 2	Level 3	Total
Federal agency bonds	\$ -	\$ 567,721	\$ -	\$ 567,721
Certificates of deposit	-	60,426,534	-	60,426,534
Money market funds	1,240,133	-	-	1,240,133
	\$ 1,240,133	\$ 60,994,255	\$ -	\$ 62,234,388

(Continued)

PATIENT ADVOCATE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

8. Property and Equipment

Property and equipment consist of the following:

	2023	2022
Computers, software and other assets	\$ 9,951,977	\$ 11,039,637
Projects in progress	1,830,301	1,893,107
Furniture and fixtures	471,561	461,088
Office equipment	198,706	207,015
Leasehold improvements	107,299	93,478
	12,559,844	13,694,325
Accumulated depreciation	(7,083,844)	(9,295,274)
	\$ 5,476,000	\$ 4,399,051

Depreciation expense was \$986,444 and \$1,025,766 for 2023 and 2022, respectively.

9. Self-Insurance

The Foundation participates in a partially self-funded health insurance program offered to their employees. During 2023 and 2022, the plan provided claims coverage up to a maximum of \$120,000 per contract and \$1,951,126 and \$1,111,411, respectively, for an aggregate of 158 and 153 contracts, respectively. PAF purchases commercial insurance for claims in excess of the self-funded retention on both an individual contract and aggregate basis. Costs of the program are accounted for in employee insurance and are reported on the statements of functional expenses.

PAF has recorded an unpaid claims liability for claims incurred but not recorded (IBNR). The liability is based upon actuarial estimates provided by the third-party administrator. The IBNR liability was \$168,495 and \$128,825 at June 30, 2023 and 2022, respectively, and is reported on the statements of financial position in long-term liabilities.

10. Net Assets without Donor Restrictions - Board Designated

Board designated net assets without donor restrictions consist of the following as of June 30,:

	2023	2022
Endowment (Note 18)	\$ 2,224,088	\$ 2,167,270
Co-Pay Relief Program funding	3,000,000	-
Financial Aid Programs	2,000,000	-
Total net assets without donor restrictions - board designated	\$ 7,224,088	\$ 2,167,270

(Continued)

PATIENT ADVOCATE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

11. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following specific purposes as of June 30,:

	2023	2022
Co-Pay Relief Program funding	\$ 273,279,224	\$ 338,255,648
Financial Aid Programs	4,639,498	5,590,194
Total net assets with donor restrictions	\$ 277,918,722	\$ 343,845,842

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors for the years ended June 30 as follows:

	2023	2022
Purpose restrictions accomplished:		
Co-Pay Relief Program funding	\$ 303,577,315	\$ 265,293,086
Financial Aid Programs	1,404,757	449,210
Total restrictions released	\$ 304,982,072	\$ 265,742,296

12. Pension Plan

The Foundation has a 401(k) plan in which both full and part-time employees are eligible to participate upon their date of hire. The Foundation matches employee contributions for the first 3% of eligible compensation at 100% and an additional 2% of eligible compensation at 50%. The employer match was \$513,790 and \$409,016 for 2023 and 2022, respectively, which is shown as employee retirement on the statements of functional expenses.

13. 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% up to \$10,395 annually that can be utilized to pay for eligible healthcare expenses, healthcare premium expenses, including Medicare parts B, 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 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. Effective January 1, 2021, participants must have been hired on or before January 1, 2009, to be eligible for postretirement benefits. The removal of employees hired after January 1, 2009, triggered curtailment accounting under ASC 715-30, *Compensation - Retirement Benefits*.

(Continued)

PATIENT ADVOCATE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

13. Post-Retirement Benefits Obligation (Continued)

Expected future net benefit payments are as follows:

Year Ending	
<u>June 30</u>	
2024	\$ 78,204
2025	77,148
2026	85,780
2027	99,123
2028	112,207
2029 - 2033	<u>767,057</u>
	<u>\$ 1,219,519</u>

Weighted average assumptions for determining benefit obligations and net periodic benefit cost for fiscal years ending June 30:

	<u>2023</u>	<u>2022</u>
Discount rate, benefit obligations	4.92%	4.48%
Discount rate, net periodic benefit cost	4.48%	2.81%
Healthcare trend rate*		
Current rate	N/A	N/A
Ultimate rate	N/A	N/A
Year ultimate rate reached	N/A	N/A

* Healthcare trend rates are not applicable to the Foundation as the benefit payment is fixed for this plan.

Components of net periodic benefit cost

	<u>2023</u>	<u>2022</u>
Service cost	\$ 82,409	\$ 116,573
Interest cost	100,041	77,137
Amortization of:		
Prior service cost	20,526	20,526
Actuarial gain	<u>(51,397)</u>	<u>-</u>
Net periodic benefit cost	<u>\$ 151,579</u>	<u>\$ 214,236</u>

(Continued)

PATIENT ADVOCATE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

13. Post-Retirement Benefits Obligation (Continued)

Accumulated postretirement benefit obligations

Change in accumulated postretirement benefit obligations (APBO) for fiscal years ending June 30:

	2023	2022
APBO, beginning of year	\$ 2,251,558	\$ 2,773,296
Service cost	82,409	116,573
Interest cost	100,041	77,138
Estimated benefits paid	(78,711)	(68,892)
Actuarial loss	(120,407)	(646,557)
APBO, end of year	\$ 2,234,890	\$ 2,251,558

Funded status for fiscal years ending June 30:

	2023	2022
APBO, end of year	\$ (2,234,890)	\$ (2,251,558)
Fair value of Plan assets, end of year	-	-
Net amount recognized in statements of financial position	(2,234,890)	(2,251,558)
Current portion	78,204	73,371
Long term portion	\$ (2,156,686)	\$ (2,178,187)

14. Gifts In-Kind

Gifts in kind consists of donated services and supplies and are broken down as follows:

	Amount	Donation Description	Method of Valuation	Donor Restriction
Donated services:				
2023	\$ 16,150	Marketing communication services	Estimated purchase cost for similar services	N/A
2022	\$ 9,720	Printing and website design	Estimated purchase cost for similar services	Promise of Hope fundraising event
Donated materials:				
2023	\$ 19,152	Gift basket items	Estimated purchase cost for similar materials	Promise of Hope fundraising event
2022	\$ 31,956	Gift basket items	Estimated purchase cost for similar materials	Promise of Hope fundraising event

(Continued)

PATIENT ADVOCATE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

14. Gifts In-Kind (Continued)

All gifts in kind received during 2023 and 2022, were used by the Foundation as the donor requested during the year donated.

15. Related Party Transactions

During 2023 and 2022, the Foundation paid consulting fees of \$780,000, 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. During 2023, the Foundation contributed \$200,000 to NPAF to support the Needs Navigation Grant. At June 30, 2023 and 2022, respectively, due from NPAF was \$4,717 and \$5,269 and due to NPAF was \$1,695 and \$10,226 and are included on the statements of financial position.

16. Operating Leases

The Foundation leases a 36,500 square feet of office space, under a ten-year lease agreement, which expires in September 2033. The initial rent payment was \$52,970 per month and the agreement includes annual rent increases every other October. The Foundation also leases office equipment for use during operations, which consists of a postage and folding machine. The leases do not include variable payments and there were no material residual value guarantees or restrictive covenants included in the lease agreements.

The lease expense under this agreement was \$692,988 and \$775,651 and is shown as occupancy and equipment rental and maintenance on the statements of functional expenses for 2023 and 2022, respectively.

Weighted average lease term and discount rate as of June 30, 2023, were as follows:

Weighted average remaining lease term	10.25 years
Weighted average discount interest rate	2.88%

Future minimum lease payments are:

<u>Year Ending</u> <u>June 30,</u>	
2024	\$ 664,009
2025	676,459
2026	680,609
2027	693,371
2028	697,624
Thereafter	<u>3,814,086</u>
Total lease payments	7,226,158
Less: Present value discount	<u>(979,087)</u>
Present value of lease liability	<u>\$ 6,247,071</u>

(Continued)

PATIENT ADVOCATE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

17. Board Designated Endowment

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.

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 assets were exclusively board designated endowment funds without donor restrictions and were \$2,224,088 and \$2,167,270 at June 30, 2023 and 2022, respectively.

Changes in board designated endowment fund net assets in were as follows:

	<u>2023</u>	<u>2022</u>
Endowment fund net assets - beginning of year	\$ 2,167,270	\$ 2,194,524
Investment return, net	<u>56,818</u>	<u>(27,254)</u>
Endowment fund net assets - end of year	<u>\$ 2,224,088</u>	<u>\$ 2,167,270</u>

COMPLIANCE SECTION

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees of
Patient Advocate Foundation
Hampton, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Patient Advocate Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 8, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Patient Advocate Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Patient Advocate Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of Patient Advocate Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements, on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Patient Advocate Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown, Edwards & Company, S. L. P.

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
November 8, 2023

PATIENT ADVOCATE FOUNDATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2023

<u>Federal Grantor/Pass - Through Grantor/ Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Centers for Disease Control and Prevention:			
"Networking2Save": CDC's National Network			
Approach to Preventing and Controlling Tobacco related Cancers in Special Populations	93.431	5 NU58DP006468-04-00 5 NU58DP006468-05-00	\$ 936,705
Total Department of Health and Human Services			<u>936,705</u>
Total expenditures of federal awards			<u><u>\$ 936,705</u></u>

See Independent Auditor's Report.

PATIENT ADVOCATE FOUNDATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS June 30, 2023

1. **Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activities of Patient Advocate Foundation under programs of the Federal government for the year ended June 30, 2023, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) *Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of Patient Advocate Foundation it is not intended to and does not present the financial position, changes in net assets, or cash flows of Patient Advocate Foundation.

2. **Expenditure Reporting and De Minimis Indirect Cost Rate**

Expenditures reported on the schedule of expenditures of federal awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Patient Advocate Foundation has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees of
Patient Advocate Foundation
Hampton, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Patient Advocate Foundation's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Patient Advocate Foundation's major federal programs for the year ended June 30, 2023. Patient Advocate Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Patient Advocate Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Patient Advocate Foundation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Patient Advocate Foundation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Patient Advocate Foundation's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Patient Advocate Foundation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Patient Advocate Foundation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Patient Advocate Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Patient Advocate Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Patient Advocate Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
November 8, 2023

PATIENT ADVOCATE FOUNDATION

SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2023

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weaknesses identified? Yes X No

Significant deficiency(s)? Yes X None reported

Noncompliance material to financial statement noted? Yes X No

Federal Awards

Internal control over major federal programs:

Material weaknesses identified? Yes X No

Significant deficiency(s)? Yes X None reported

Noncompliance material to federal awards? Yes X No

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516 (a)? Yes X No

Dollar threshold used to distinguish between

Type A and Type B Programs \$750,000

Auditee qualified as a low risk auditee? Yes X No

Identification of major federal programs:

"Networking2Save": CDC's National Network Approach to Preventing and Controlling Tobacco-related Cancers in Special Populations (Assistance Listing #93.431)

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None noted.

C. FINDINGS - FEDERAL AUDIT

None noted.