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FINANCIAL REPORT

June 30, 2022 and 2021

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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, 2022 and 2021, 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, 2022 and 2021, and the changes in its net assets and its 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. 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 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, 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 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.


CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
September 16, 2022

PATIENT ADVOCATE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
General operating cash and cash equivalents	\$ 30,689,086	\$ 28,356,319
Restricted cash and cash equivalents	285,457,065	287,485,725
Unconditional promises to give	18,218,453	17,613,158
Accounts receivable (Note 6)	1,866,173	1,745,868
Interest receivable	83,480	116,954
Due from National Patient Advocate Foundation (Note 15)	5,269	37,462
Investments (Note 7)	62,234,388	62,194,524
Inventories	80,194	72,356
Prepaid expenses	460,069	390,886
	399,094,177	398,013,252
 PROPERTY AND EQUIPMENT, net (Note 8)	 4,399,051	 3,861,164
 OTHER ASSETS	 50,331	 50,331
	\$ 403,543,559	\$ 401,924,747
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 10,198,425	\$ 8,777,237
Due to National Patient Advocate Foundation (Note 15)	10,226	35,162
Postretirement benefits liability, current portion (Note 13)	73,371	63,621
Deferred revenue (Note 6)	21,569,093	21,918,604
Accrued vacation leave	611,412	574,462
	32,462,527	31,369,086
 LONG-TERM LIABILITIES		
Postretirement benefits liability, less current portion (Note 13)	2,178,187	2,709,676
Incurred but not recorded liabilities (Note 9)	128,825	152,603
	2,307,012	2,862,279
 Total long-term liabilities	 2,307,012	 2,862,279
 Total liabilities	 34,769,539	 34,231,365

(Continued)

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

PATIENT ADVOCATE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	2022	2021
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Undesignated	\$ 22,760,908	\$ 18,853,500
Board designated (Notes 10 and 17)	2,167,270	2,194,524
Total net assets without donor restrictions	24,928,178	21,048,024
NET ASSETS WITH DONOR RESTRICTIONS		
Restricted by purpose (Note 10)	343,845,842	346,645,358
Total net assets	368,774,020	367,693,382
Total liabilities and net assets	\$ 403,543,559	\$ 401,924,747

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

PATIENT ADVOCATE FOUNDATION

STATEMENTS OF ACTIVITIES
Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES						
Contributions:						
Grants	\$ 4,823,132	\$ 262,901,104	\$ 267,724,236	\$ 2,759,204	\$ 294,452,083	\$ 297,211,287
Private and public donations	208,487	-	208,487	208,539	-	208,539
Donated services (Note 14)	-	9,720	9,720	-	-	-
Donated materials (Note 14)	31,956	-	31,956	9,511	-	9,511
Program administration	22,628,541	-	22,628,541	20,252,430	-	20,252,430
Patient Congress	30,000	-	30,000	65,000	-	65,000
Promise of Hope	185,649	-	185,649	-	-	-
Patient Action Council	100,000	-	100,000	75,000	-	75,000
Investment return, net	524,892	-	524,892	691,840	-	691,840
Net assets released from restrictions:						
Satisfaction of program restrictions (Note 11)	265,710,340	(265,710,340)	-	247,409,152	(247,409,152)	-
Total revenues, gains and other support	<u>294,242,997</u>	<u>(2,799,516)</u>	<u>291,443,481</u>	<u>271,470,676</u>	<u>47,042,931</u>	<u>318,513,607</u>
OPERATING EXPENSES						
Program services:						
Patient/educational services	6,338,536	-	6,338,536	5,615,958	-	5,615,958
Financial aid programs	272,403,240	-	272,403,240	254,199,499	-	254,199,499
Service contracts	7,457,053	-	7,457,053	6,289,317	-	6,289,317
Supporting services:						
Management and general	2,739,722	-	2,739,722	2,820,387	-	2,820,387
Fundraising	1,303,792	-	1,303,792	1,036,566	-	1,036,566
Total expenses	<u>290,242,343</u>	<u>-</u>	<u>290,242,343</u>	<u>269,961,727</u>	<u>-</u>	<u>269,961,727</u>
Change in net assets from operations	4,000,654	(2,799,516)	1,201,138	1,508,949	47,042,931	48,551,880
OTHER NONOPERATING CHANGES						
Postretirement benefit changes other than periodic cost (Note 13)	(120,500)	-	(120,500)	1,090,679	-	1,090,679
Change in net assets	3,880,154	(2,799,516)	1,080,638	2,599,628	47,042,931	49,642,559
Net assets, beginning of year	<u>21,048,024</u>	<u>346,645,358</u>	<u>367,693,382</u>	<u>18,448,396</u>	<u>299,602,427</u>	<u>318,050,823</u>
Net assets, end 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>

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

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	<u>\$ 6,338,536</u>	<u>\$ 272,403,240</u>	<u>\$ 7,457,053</u>	<u>\$ 286,198,829</u>	<u>\$ 2,739,722</u>	<u>\$ 1,303,792</u>	<u>\$ 4,043,514</u>	<u>\$ 290,242,343</u>

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

PATIENT ADVOCATE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2021

	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	\$ 261,701	\$ 316,084	\$ 341,822	\$ 919,607	\$ 67,866	\$ 25,941	\$ 93,807	\$ 1,013,414
Employee retirement (Note 12)	87,510	57,682	50,866	196,058	146,382	40,034	186,416	382,474
Payroll taxes	260,928	267,167	281,214	809,309	57,806	44,751	102,557	911,866
Salaries	3,493,302	3,658,291	3,860,583	11,012,176	1,040,032	791,745	1,831,777	12,843,953
Total salaries and related expenses	4,103,441	4,299,224	4,534,485	12,937,150	1,312,086	902,471	2,214,557	15,151,707
Accounting fees	-	24,000	-	24,000	136,980	-	136,980	160,980
Bank fees and interest	-	111,665	-	111,665	32,787	8,971	41,758	153,423
Conferences, conventions and meetings	-	46,474	-	46,474	1,443	1,028	2,471	48,945
Consultants	43,909	250,987	193,713	488,609	-	-	-	488,609
Depreciation	280,721	477,739	450,079	1,208,539	53,116	30,901	84,017	1,292,556
Donations	-	-	-	-	7,500	-	7,500	7,500
Equipment rental and maintenance	306,189	265,111	241,820	813,120	94,597	15,298	109,895	923,015
Financial aid programs	-	247,409,152	-	247,409,152	-	-	-	247,409,152
Grant expenses	264,040	-	-	264,040	-	-	-	264,040
Insurance	3,116	4,197	3,924	11,237	87,671	368	88,039	99,276
Legal fees	-	-	-	-	200,003	-	200,003	200,003
Loss on fixed assets disposal	540	728	680	1,948	209	64	273	2,221
Marketing	10,536	-	-	10,536	2,545	6,114	8,659	19,195
Occupancy	193,967	261,261	244,305	699,533	31,122	22,909	54,031	753,564
Postage and shipping	15,124	154,304	88,701	258,129	382	327	709	258,838
Printing and publications	48,753	22,143	19,769	90,665	2,214	2,697	4,911	95,576
Processing services	18,737	550,154	215,941	784,832	-	-	-	784,832
Professional fees, NPAF (Note 15)	-	-	-	-	780,000	-	780,000	780,000
Property taxes	-	-	-	-	23,500	-	23,500	23,500
Recruiting	-	-	-	-	3,231	-	3,231	3,231
Scholarships	58,042	-	-	58,042	-	-	-	58,042
Staff meeting and incentives	4,191	4,435	4,507	13,133	2,461	586	3,047	16,180
Supplies	42,935	26,684	18,767	88,386	13,129	17,124	30,253	118,639
Telephone	217,296	290,544	271,974	779,814	34,817	26,512	61,329	841,143
Travel	4,421	697	652	5,770	594	1,196	1,790	7,560
Total functional expenses	<u>\$ 5,615,958</u>	<u>\$ 254,199,499</u>	<u>\$ 6,289,317</u>	<u>\$ 266,104,774</u>	<u>\$ 2,820,387</u>	<u>\$ 1,036,566</u>	<u>\$ 3,856,953</u>	<u>\$ 269,961,727</u>

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

PATIENT ADVOCATE FOUNDATION

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,080,638	\$ 49,642,559
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,025,766	1,292,556
Net realized and unrealized (gain) loss on investments	55,818	26,688
Loss on disposal of fixed assets	9,081	2,221
Net (increase) decrease in:		
Unconditional promises to give	(605,295)	(3,526,666)
Accounts receivable	(120,305)	(134,241)
Interest receivable	33,474	149,142
Due to/from National Patient Advocate Foundation	7,257	(13,228)
Inventories	(7,838)	(17,354)
Prepaid expenses	(69,183)	80,571
Net (increase) decrease in:		
Accounts payable and accrued expenses	1,421,188	(4,327,882)
Deferred revenue	(349,511)	2,767,213
Accrued vacation leave	36,950	4,764
Postretirement benefit liability	(521,739)	(1,424,214)
Incurred but not recorded liabilities	(23,778)	16,916
	<u>1,972,523</u>	<u>44,539,045</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(1,572,734)	(1,236,017)
Proceeds from sale of investments	-	124,964,951
Purchases of investments	(95,682)	(60,000,000)
	<u>(1,668,416)</u>	<u>63,728,934</u>
Net cash provided (used) by investing activities		
	<u>304,107</u>	<u>108,267,979</u>
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>315,842,044</u>	<u>207,574,065</u>
End of year	<u>\$ 316,146,151</u>	<u>\$ 315,842,044</u>
BALANCE SHEET PRESENTATION OF CASH AND CASH EQUIVALENTS		
General operating cash and cash equivalents	\$ 30,689,086	\$ 28,356,319
Restricted cash and cash equivalents	285,457,065	287,485,725
	<u>\$ 316,146,151</u>	<u>\$ 315,842,044</u>

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

PATIENT ADVOCATE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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, 2022 and 2021

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 consists 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.

(Continued)

PATIENT ADVOCATE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (Continued)

Contributions and grants (Continued)

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.

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, 2022 and 2021, 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 consists 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.

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, 2022 and 2021

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

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.

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 \$40,075 and \$19,195 for 2022 and 2021, respectively.

(Continued)

PATIENT ADVOCATE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (Continued)

Accounting Pronouncements Issued and Adopted

The Financial Accounting Standards Board issued Accounting Standards Update (ASU) ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to improve transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The ASU was implemented by PAF during fiscal year 2022 and fiscal year 2021's related presentation and disclosure was revised to conform with this implementation. The new standard requires that contributed nonfinancial assets are presented separately in the statements of activities. New disclosures are also required to disaggregate contributed nonfinancial assets by category type and other qualitative information about utilization, policies, and valuation techniques. See note 14 for more information.

Subsequent events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through September 16, 2022, 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 26 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 FY2021/2022, the Foundation's case management staff directly worked with or on behalf of 18,923 individuals. These patients represented 1,004 unique diseases and requested assistance with 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 issues. This work translates to approximately 374,555 unique contacts and an average debt relief/patient savings of \$1,035 per case on behalf of patients and families receiving case management services. PAF also provided 6,532 education publications to the patients served by case management and those who requested educational information. PAF provides these services through a compliment of 34 unique programs.

During 2021, the Foundation's case management staff directly intervened on behalf of 21,336 individuals. These patients are collectively living with 630 unique diseases and requested assistance with an average of two issues that were creating obstacles to care. On average, case managers made 13.8 contacts on behalf of each case to relevant stakeholders to bring resolution to the patient's access issues. This translates to over 294,386 unique contacts on behalf of patients and families receiving case management intervention services. PAF provided these services through a compliment of 31 unique programs.

(Continued)

PATIENT ADVOCATE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

3. Programs (Unaudited) (Continued)

Patient education and empowerment

PAF extends its patient services through the development and delivery of patient education and empowerment tools focused on providing actionable advice and guidance to healthcare consumers to improve their everyday experience with insurance and to encourage patient's engagement in the healthcare system. We model our educational activities on the conversations which take place between case managers, patients, and their caregivers, focusing on those topics for which patients most frequently seek our help. Each year, PAF creates, maintains, and distributes a wide array of patient education materials and online tools, in printed and electronic form. PAF's educational portfolio covers a broad range of topics, available in a variety of formats, to meet the needs and preferences of multiple audiences, including patients, caregivers and professionals including those who interact directly with the foundation requesting assistance as well as the public visiting our website and connecting with PAF. PAF's patient education materials are routinely utilized by other organizations and facilities who share them with their patients. The Foundation maintains an extensive library of PAF authored patient educational publications, on-demand webinars, interactive training series, and interactive resource tools all of which are available free of charge to patients.

During FY2021/2022, the Foundation's Patient Education and Empowerment team published 45 new, translated, or revised publications and 10 educational webinars. PAF also supported 4 multi-year educational projects (Patient Action Council project, Health Insurance Literacy, Migraine Matters and Matters of the Heart), and started a new interactive training series project entitled "The Lighthouse Training Series: Helping you prepare for and respond to the financial impact of critical illnesses". PAF's Patient Education and Empowerment Department received 2 awards this past year including the Bronze Medal for Health Insurance Denials and Appeals: Don't Take No for an Answer - a PAF Training Series in the Digital Health Media/Publications Video Series and a Merit winner for Engaging with Insurers: Appealing a Denial in the Digital Health Media/Publications Booklet/Brochure Category.

PAF's most utilized patient resource is the National Financial Resource Directory. In FY2021/2022, PAF added 38 new resources and updated 548 resources. Users of the directory completed 33,340 electronic searches for resources that resulted in 811,395 matching resources being provided to users, an average of 24 customized resources provided per user search. Users searched for financial assistance categories most frequently. The top 8 categories (in order of highest searches) include: Medical Bills & General Financial Help, Housing & Lodging, Charitable Copayment Assistance, Transportation, Utilities, Dental Care, Affordable Options for Care, Food & Nutrition.

During FY2021/2022, 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 virtual events were still highly effective and well attended, in-person events began returning mid-year with growing attendance rates. This provided PAF the opportunity to continue reaching a broader audience through various sources and continue to increase public awareness of PAF resources to homebound individuals, as well as event attendees. In FY2021/2022, the Foundation increased its attended outreach events to 122 and distributed 2200 educational publications through these events.

(Continued)

PATIENT ADVOCATE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

3. Programs (Unaudited) (Continued)

Health Equity Initiative

Patient Advocate Foundation continues promotes health equity by addressing social needs gaps and social determinants of health at the individual, community, and national level. Broad local and national outreach events address populations with low socio-economic characteristics and focus on communities with high disease morbidity and premature mortality from the leading causes of death. Specific activities focus on tackling social/financial support needs and mitigating barriers that impact access to health services.

- SelfMade Health Network (SMHN)
 - Tri-Networks HPV Learning Collaborative
 - SMHN in collaboration with Geographic Health Equity Alliance and Nuestras Voces (part of a consortium supported by CDC's Networking2Save program) completed cohort one of the Tri-Networks HPV Vaccination Learning Collaborative. 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 seven states (Florida, New Jersey, Michigan, Ohio, Georgia Indiana, and Tennessee) participated in three virtual learning sessions, one-on-one technical assistance sessions and an interactive policy session. This project was selected and published as a success story, National Networks Come Together to Help Prevent HPV-Related Cancers, by CDC Division of Cancer Prevention and Control-National Comprehensive Cancer Control Program.
- Health Equity Affinity Group
 - PAF's commitment to addressing health equity remains strong. The PAF's Health Equity Affinity Group (HEAG) participated in three planning sessions to develop the strategic framework that will guide internal organizational change strategies to advance equity. The framework was designed around the three strategic focused areas identified by the HEAG: 1). Education and Learning; 2). Culture and Value; and 3). Communications and Messaging. The next phrase in the process is the establish work streams, to finalize the development of key activities and progress benchmarks to be implemented over the next three years. The content developed will comprise PAF's Blueprint for Achieving Health Equity.
- Community Outreach and Engagement
 - Community Engagement, even in a continued virtual environment, continues to allow PAF to remain connected with stakeholders supporting limited resources individuals in communities across the country. Through virtual and recent in-person activities, PAF has been able to reach 1430 individuals with information about resources and services to support persons living with chronic and complex health conditions through six outreach events. Outreach events included 2021 Global Genes Patient Advocacy Summit; the inaugural 2021 Rare Disease Equity Summit; the 2022 Memphis LIVE! African American Breast Cancer Summit; 2022 Getting Our Fair SHARE Conference to End Disparities; and the National Comprehensive Cancer Network (NCCN) Annual Meeting.

(Continued)

PATIENT ADVOCATE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

3. Programs (Unaudited) (Continued)

Health Equity Initiative (Continued)

- Health Equity Thought Leadership

- PAF, Health Equity (HE) staff continues to provide guidance on national agendas to stimulate and guides conversations to advance health equity. Specifically, staff have contributed to the development of two manuscripts, one focused on elevating issues around food insecurity and the other on women and lung cancer. HE staff served as reviewers for the Cures Within Reach-Diversity, Equity and Inclusion Proposals and Bristol Myers Squibb Foundation-Diversity in Clinical Trials Career Development Program. Additionally, HE staff were engaged in curriculum development for the Bristol Myers Squibb Foundation's-Diversity in Clinical Trials Community Oriented Clinical Trialist Curriculum Committee. Lastly, staff is actively engaged in building curriculum for healthcare systems focused on trust and trustworthiness. In May 2022, Executive Vice President (EVP) of Health Equity, Shonta Chambers was awarded the Partners in Cancer Care Award along with her co-chair Dr. Robert Winn for their work with the Elevating Cancer Equity Workgroup (an initiative of the National Comprehensive Cancer Network, National Minority Quality Forum and American Cancer Society Cancer Action Network).

HE staff have expanded engagement with the rare disease community. The EVP of Health Equity and Community Engagement co-chairs the (RDCC) Rare Disease Diversity Coalition-Patient and Caregiver Workgroup. Through this workgroup, she will lead the RDCC 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 RDCC 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.

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 2021-2022 included partnerships on four research intervention projects with academic and partners including: the University of North Carolina at Chapel Hill, Emory University, and Fred Hutchinson Cancer Research Center. These projects utilized Case Management as an intervention to address financial and social need. In addition to our intervention work, we partnered with four scientific and/or academic institutions to develop and analyze survey data about the patient experience during the early-mid stages of the COVID-19 pandemic including: the University of North Carolina at Chapel Hill, University of Alabama Birmingham, MD Anderson, and ECOG-ACRIN Cancer Research Group. Five articles were published in peer reviewed journals and nine abstracts presented at national meetings.

(Continued)

PATIENT ADVOCATE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

3. Programs (Unaudited) (Continued)

Health services research (Continued)

PAF's Research Evaluation and Patient Experience team was also involved in a patient-centered project to support the field in designing more patient-centered decision support tools and three patient engagement projects where PAF serves/d as thought leaders and content experts, as well as facilitation of outreach and collection of the patient experience on a number of topics including two Patient Centered Outcomes Research Institute (PCORI) funded projects: "Paving a Pathway to Engage Underserved Populations in Research" and through our "COVID-19 Learning Community". Through the Patient Insight Institute, we continue to build partnerships and these relationships were reflected through partnered projects with NORC at the University of Chicago (Patient-Driven Research Communities (PDRC) Learning Network) and the University of California at San Francisco (SIREN: Social Interventions Research and Evaluation Network to provide infrastructure and support for patient engagement).

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 our scholarship program, A Promise of Hope Affair, was held as a hybrid event on September 18, 2021. Through this event, generous donors to PAF helped maintain the existing scholarships and expand the number of students supported through the Scholarship for Survivors program from thirty-one in the 2021-2022 academic year to forty for the 2022-2023 academic year. To date, the Foundation has awarded 155 scholarships totaling over \$943,000.

Financial support programs

For 18 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, 2022 and 2021

3. Programs (Unaudited) (Continued)

Financial support programs (Continued)

In FY2021/2022, PAF's Co-Pay Relief Program expanded its impact through the addition of twelve (12) new funds, including ten (10) Health Equity funds, bringing the total funds supporting patients to forty-three (43) including Acromegaly, Asthma, Bladder Cancer, Breast Cancer, Cancer Genetic and Genomic Testing, Cervical Cancer, COVID-19, Cystic Fibrosis, Diabetes, Electrolyte Imbalance, Gaucher Disease, Hemophilia, Hepatitis B, Hepatitis C, Hepatocellular Carcinoma, HIV, AIDS and Prevention, Homozygous Familial Hypercholesterolemia, Inherited or Acquired Lipodystrophy, Lupus, Melanoma, Metastatic Breast Cancer, Metastatic Colorectal Cancer, Metastatic Gastric Cancer, Metastatic Melanoma, Metastatic Prostate Cancer, Multiple Myeloma, Multiple Sclerosis, Myelodysplastic Syndromes, Non-Small Cell Lung Cancers, Osteoporosis, Ovarian Cancer, Pancreatic Cancer, Periodic Paralysis, Peripheral Vascular Disease, Prostate Cancer, Pulmonary Fibrosis, Pulmonary Hypertension, Renal Cell Carcinoma, Rheumatoid Arthritis, Skin Cancer, Spinal Muscular Atrophy, Ulcerative Colitis, and Uterine Cancers.

Also, in FY2021/2022 PAF's Co-Pay Relief Program established Health Equity funds, a new type of fund that makes CPR more accessible and beneficial for patients who needed the most help and are not being served adequately by the existing medical and copay infrastructure. Developed using the CDC's Social Vulnerability Index (SVI) and CDC Disease Incidence data, our 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 our general funds. The following ten (10) Health Equity funds helped patients in these 220 counties: Breast Cancer Health Equity Fund, Coronary Artery Disease Health Equity Fund, Diabetes Health Equity Fund, Hepatitis C Health Equity Fund, Metastatic Colorectal Cancer Health Equity Fund, Multiple Myeloma Health Equity Fund, Non-Small Cell Lung Cancers Health Equity Fund, Ovarian Cancer Health Equity Fund, Prostate Cancer Health Equity Fund, and the Virology Testing Health Equity Fund.

The PAF'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 FY2021/2022, the Foundation administered copayment assistance to 68,399 qualified patients through 47 assistance funds available through the Co-Pay Relief Program. The program staff fielded 170,107 telephone calls and processed claims totaling over \$267,447,528 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 600,000 individuals allocating nearly \$1.9 billion dollars in co-payment awards.

The Foundation also administered a suite of seventeen (17) small grant programs in 2022, 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 2022, program staff fielded 13,288 telephone calls and successfully provided one-time small grants to 1,509 patients, totaling \$963,300 in financial relief. In 2021, 11,422 patients received financial relief from sixteen (16) financial funds, totaling more than \$5,624,600.

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PATIENT ADVOCATE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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, 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 Financial Aid Fund: supports funeral expenses associated with patients who have passed and died from ARDS, TSS and/or Sepsis
- Mahan Financial Aid Fund: Serving patients diagnosed with Acute Myeloid Leukemia
- Merkel Cell Carcinoma Financial Aid Fund: Serving patients diagnosed with a rare form of skin cancer
- Metastatic Breast Cancer Financial Aid Fund: Serving patients diagnosed with Stage III or Stage IV Breast 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.

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 2022 and 2021. The Foundation administered services to 74,774 and 42,133 patients in 2022 and 2021, respectively, through this service agreement.

(Continued)

PATIENT ADVOCATE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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 \$218,000,000 and \$216,000,000 at June 30, 2022 and 2021, 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, 2022 and 2021, three donors accounted for approximately 81% and 90%, 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>2022</u>	<u>2021</u>
General operating cash and cash equivalents	\$ 30,689,086	\$ 28,356,319
Unconditional promises to give excluding promises restricted for the Co-Pay Relief Program	1,417,589	880,608
Accounts receivable	1,866,173	1,745,868
Investments - unrestricted	<u>10,067,118</u>	<u>10,000,000</u>
	<u>\$ 44,039,966</u>	<u>\$ 40,982,795</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 designated investments was \$2,167,270 and \$2,194,524 at June 30, 2022 and 2021, respectively.

(Continued)

PATIENT ADVOCATE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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:

	2022	2021	2020
Accounts receivable:			
Program service revenue	\$ 1,012,282	\$ 1,029,911	\$ 738,889
Contributions and grants	853,891	715,957	872,738
	\$ 1,866,173	\$ 1,745,868	\$ 1,611,627
Deferred revenue:			
Program service revenue	\$ 20,972,914	\$ 20,555,740	\$ 17,485,701
Contributions and grants	596,179	1,362,864	1,665,690
	\$ 21,569,093	\$ 21,918,604	\$ 19,151,391

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, 2022 and 2021

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, 2022 and 2021.

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.

Money Market funds: deposits that are cash equivalents.

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, 2022			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Federal agency bonds	\$ -	\$ 567,721	\$ -	\$ 567,721
Certificates of deposit	-	60,426,534	-	60,426,534
Money market funds	<u>1,240,133</u>	<u>-</u>	<u>-</u>	<u>1,240,133</u>
	<u>\$ 1,240,133</u>	<u>\$ 60,994,255</u>	<u>\$ -</u>	<u>\$ 62,234,388</u>

	Assets at Fair Value as of June 30, 2021			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Treasury securities	\$ -	\$ 156,490	\$ -	\$ 156,490
Federal agency bonds	-	683,301	-	683,301
Certificates of deposit	-	60,511,517	-	60,511,517
Money market funds	<u>843,216</u>	<u>-</u>	<u>-</u>	<u>843,216</u>
	<u>\$ 843,216</u>	<u>\$ 61,351,308</u>	<u>\$ -</u>	<u>\$ 62,194,524</u>

(Continued)

PATIENT ADVOCATE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

8. Property and Equipment

Property and equipment consist of the following:

	<u>2022</u>	<u>2021</u>
Computers, software and other assets	\$ 11,039,637	\$ 11,178,519
Projects in progress	1,893,107	618,891
Furniture and fixtures	461,088	403,988
Office equipment	207,015	202,262
Leasehold improvements	<u>93,478</u>	<u>90,993</u>
	13,694,325	12,494,653
Accumulated depreciation	<u>(9,295,274)</u>	<u>(8,633,489)</u>
	<u>\$ 4,399,051</u>	<u>\$ 3,861,164</u>

Depreciation expense was \$1,025,766 and \$1,292,556 for 2022 and 2021, respectively.

9. Self-Insurance

The Foundation participates in a partially self-funded health insurance program offered to their employees. During 2022 and 2021, the plan provided claims coverage up to a maximum of \$120,000 per contract and \$1,111,411 and \$1,425,203, respectively, for an aggregate of 153 and 151 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 \$128,825 and \$152,603 at June 30, 2022 and 2021, respectively, and is reported on the statements of financial position in long-term liabilities.

(Continued)

PATIENT ADVOCATE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

10. Restrictions and Designations on Net Assets

For 2022 and 2021, the Foundation had both net assets with donor restrictions and board designated net assets.

Net assets with donor restrictions are restricted by specific purpose as presented below:

	<u>2022</u>	<u>2021</u>
Co-Pay Relief Program funding	\$ 338,255,648	\$ 345,969,065
Financial Aid Programs	<u>5,590,194</u>	<u>676,293</u>
Total net assets with donor restrictions	<u>\$ 343,845,842</u>	<u>\$ 346,645,358</u>

Board designated net assets without donor restrictions consist of endowment fund investments to be used to promote and further support charitable purposes, the income from which is expendable to support the general operations of the Foundation. Board designated net assets were \$2,167,270 and \$2,194,524 at June 30, 2022 and 2021, respectively.

11. Net Assets Released from Donor Restrictions

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:

	<u>2022</u>	<u>2021</u>
Purpose restrictions accomplished:		
Co-Pay Relief Program funding	\$ 265,261,130	\$ 242,235,252
Financial Aid Programs	<u>449,210</u>	<u>5,173,900</u>
Total restrictions released	<u>\$ 265,710,340</u>	<u>\$ 247,409,152</u>

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 \$409,016 and \$382,474 for 2022 and 2021, respectively, which is shown as employee retirement on the statements of functional expenses.

(Continued)

PATIENT ADVOCATE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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 \$9,900 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*.

Expected future net benefit payments are as follows:

<u>Year Ending June 30</u>	
2023	\$ 73,371
2024	77,345
2025	76,303
2026	84,923
2027	98,242
2028 - 2032	<u>706,006</u>
	<u>\$ 1,116,190</u>

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

	<u>2022</u>	<u>2021</u>
Discount rate, benefit obligations	4.48%	2.81%
Discount rate, net periodic benefit cost	2.81%	2.78%
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.

(Continued)

PATIENT ADVOCATE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

13. Post-Retirement Benefits Obligation (Continued)

Components of net periodic benefit cost

	<u>2022</u>	<u>2021</u>
Service cost	\$ 116,573	\$ 266,187
Interest cost	77,137	96,616
Amortization of:		
Prior service cost	20,526	53,310
Actuarial loss	-	25,725
Curtailment loss	-	414,637
Net periodic benefit cost	<u>\$ 214,236</u>	<u>\$ 856,475</u>

Accumulated postretirement benefit obligations

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

	<u>2022</u>	<u>2021</u>
APBO, beginning of year	\$ 2,773,296	\$ 4,197,511
Service cost	116,573	266,187
Interest cost	77,138	96,616
Curtailment	-	(1,966,348)
Estimated benefits paid	(68,892)	(59,059)
Actuarial loss	(646,557)	238,390
APBO, end of year	<u>\$ 2,251,558</u>	<u>\$ 2,773,297</u>

Funded status for fiscal years ending June 30:

	<u>2022</u>	<u>2021</u>
APBO, end of year	\$ (2,251,558)	\$ (2,773,297)
Fair value of Plan assets, end of year	-	-
Net amount recognized in statements of financial position	(2,251,558)	(2,773,297)
Current portion	<u>73,371</u>	<u>63,621</u>
Long term portion	<u>\$ (2,178,187)</u>	<u>\$ (2,709,676)</u>

(Continued)

PATIENT ADVOCATE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

14. Gifts In-Kind

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

	<u>Amount</u>	<u>Donation Description</u>	<u>Method of Valuation</u>	<u>Donor Restriction</u>
Donated services:				
2022	\$ 9,720	Printing and website design	Estimated purchase cost for similar services	Promise of Hope fundraising event
2021	-	N/A	N/A	N/A
Donated materials:				
2022	\$ 31,956	Gift basket items	Estimated purchase cost for similar materials	Promise of Hope fundraising event
2021	9,511	Gift basket items	Estimated purchase cost for similar materials	Promise of Hope fundraising event

All gifts in kind received during 2022 and 2021, were used by the Foundation as the donor requested during the year donated.

15. Related Party Transactions

During both 2022 and 2021, 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. At June 30, 2022 and 2021, respectively, due from NPAF was \$5,269 and \$37,462 and due to NPAF was \$10,226 and \$35,162 and are included on the statements of financial position.

16. Operating Leases

The Foundation leases a 36,500 square feet 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.

Total lease payments were \$775,651 and \$730,479 for 2022 and 2021, respectively, and are included in occupancy and equipment rental and maintenance on the statements of functional expenses.

(Continued)

PATIENT ADVOCATE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

16. Operating Leases (Continued)

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

<u>Year Ending</u> <u>June 30,</u>	
2023	\$ 688,930
2024	683,929
2025	688,645
2026	680,609
2027	693,371
Thereafter	<u>4,511,711</u>
	<u>\$ 7,947,195</u>

17. Board Designated Endowments

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

The Foundation established the endowment fund in 2001. The funds were designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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 \$2,167,270 and \$2,194,524 at June 30, 2022 and 2021, respectively.

(Continued)

PATIENT ADVOCATE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

17. Board Designated Endowments (Continued)

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

	<u>2022</u>	<u>2021</u>
Endowment fund net assets - beginning of year	\$ 2,194,524	\$ 2,186,163
Investment return, net	<u>(27,254)</u>	<u>8,361</u>
Endowment fund net assets - end of year	<u>\$ 2,167,270</u>	<u>\$ 2,194,524</u>