

**PATIENT ASSISTANCE
FOUNDATION**

(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

AND

ACCOUNTANT'S REVIEW REPORT

YEARS ENDED DECEMBER 31, 2008 AND 2007

PATIENT ASSISTANCE FOUNDATION
(A California Nonprofit Public Benefit Corporation)
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

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ACCOUNTANT'S REVIEW REPORT

We have reviewed the accompanying statement of financial position of Patient Assistance Foundation, a California nonprofit public benefit corporation, as of December 31, 2008, and the related statement of activities, functional expenses and cash flows for the year then ended, in accordance with Statements on *Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Patient Assistance Foundation.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion

Based on our review, we are not aware of any material modifications that should be made to the accompanying 2008 financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The financial statements for the year ended 2007, were audited by us, and we expressed an unqualified opinion on them in our report dated September 8, 2008, but we have not performed any auditing procedures since that date.

July 17, 2009

PATIENT ASSISTANCE FOUNDATION
 (A California Nonprofit Public Benefit Corporation)
 STATEMENTS OF FINANCIAL POSITION
 YEARS ENDED DECEMBER 31, 2008 AND 2007
 (See Accountant's Review Report)

	2008 <i>(Unaudited)</i>	2007 <i>(Audited)</i>
ASSETS		
Current assets:		
Cash	\$ 285,052	\$ 203,999
Accounts receivable	46,680	54,600
Contributions receivable – current portion	515,000	523,730
Prepaid expenses	14,877	11,734
Total current assets	861,609	794,063
Contributions receivable – net of current portion (Note 3)	3,195,589	3,290,359
Equipment – net	156	780
Deposits	6,214	6,214
Investments (Note 4)	277,029	277,098
Total assets	\$ 4,340,597	\$ 4,368,514
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 18,431	\$ 17,482
Total liabilities	18,431	17,482
Net assets		
Temporarily restricted net assets (Note 5)	3,816,669	3,800,359
Unrestricted net assets	505,497	550,673
Total net assets	4,322,166	4,351,032
Total liabilities and net assets	\$ 4,340,597	\$ 4,368,514

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

PATIENT ASSISTANCE FOUNDATION
 (A California Nonprofit Public Benefit Corporation)
 STATEMENTS OF ACTIVITIES
 YEARS ENDED DECEMBER 31, 2008 AND 2007
 (See Accountant's Review Report)

	<i>2008 (Unaudited)</i>			<i>2007 (Audited)</i>		
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>
Support and Revenue:						
CPMC contribution – discount amortization (Note 3)	\$ 405,230	\$ -	\$ 405,230	\$ 414,802	\$ -	\$ 414,802
Program revenue	180,884	-	180,884	187,205	-	187,205
Grants and contributions	5,000	171,644	176,644	124,831	10,000	134,831
Donations – individuals	55,435	-	55,435	54,936	-	54,936
Rental, interest and other revenue	44,138	-	44,138	26,968	-	26,968
Realized and unrealized investment gain (loss), net	(115,666)	-	(115,666)	(2,944)	-	(2,944)
Net assets released from restrictions	155,334	(155,334)	-	85,198	(85,198)	-
Total support and revenue	730,355	16,310	746,665	890,996	(75,198)	815,798
Expenses:						
Program services	607,058	-	607,058	591,374	-	591,374
Management and general	96,207	-	96,207	53,982	-	53,982
Fundraising	72,266	-	72,266	61,042	-	61,042
Total expenses	775,531	-	775,531	706,398	-	706,398
Change in net assets	(45,176)	16,310	(28,866)	184,598	(75,198)	109,400
Net assets, beginning of year	550,673	3,800,359	4,351,032	366,075	3,875,557	4,241,632
Net assets, end of year	\$ 505,497	\$ 3,816,669	\$ 4,322,166	\$ 550,673	\$ 3,800,359	\$ 4,351,032

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

PATIENT ASSISTANCE FOUNDATION
 (A California Nonprofit Public Benefit Corporation)
 STATEMENTS OF FUNCTIONAL EXPENSES
 YEARS ENDED DECEMBER 31, 2008 AND 2007
 (See Accountant's Review Report)

	<i>2008 (Unaudited)</i>				<i>2007 (Audited)</i>			
	<i>Program Services</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total</i>	<i>Program Services</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total</i>
Salaries	\$ 285,380	\$ 18,412	\$ 37,163	\$ 340,955	\$ 255,719	\$ 21,987	\$ 26,396	\$ 304,102
Occupancy	127,163	5,681	11,552	144,396	114,203	9,819	11,788	135,810
Program costs	38,982	558	286	39,826	72,079	6,197	7,440	85,716
Employee benefits	50,600	3,411	6,868	60,879	28,586	2,458	2,951	33,995
Payroll taxes	27,382	1,757	3,706	32,845	28,834	2,479	2,976	34,289
Administrative expense	10,790	92	1,243	12,125	21,870	1,880	2,258	26,008
Insurance expense	8,287	2,175	768	11,230	10,937	940	1,129	13,006
Professional & consulting fees	55,441	63,038	9,719	128,198	59,146	5,085	6,104	70,335
Depreciation	-	624	-	624	-	624	-	624
Other expense	3,033	459	961	4,453	-	2,513	-	2,513
Total expenses	\$ 607,058	\$ 96,207	\$ 72,266	\$ 775,531	\$ 591,374	\$ 53,982	\$ 61,042	\$ 706,398

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

PATIENT ASSISTANCE FOUNDATION
 (A California Nonprofit Public Benefit Corporation)
 STATEMENTS OF CASH FLOWS
 YEARS ENDED DECEMBER 31, 2008 AND 2007
 (See Accountant's Review Report)

	2008 (Unaudited)	2007 (Audited)
Cash flows from operating activities:		
Change in net assets	\$ (28,866)	\$ 109,400
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	624	624
Realized and unrealized loss on investments, net	115,666	2,944
(Increase) decrease in assets:		
Accounts receivable	7,920	(45,923)
Contributions receivable	103,500	61,468
Deposit	-	500
Contributions receivable – net of current portion (Note 3)	(3,143)	(11,734)
Increase (decrease) in liabilities:		
Accounts payable	949	(4,184)
Net cash provided by operating activities	196,650	113,095
Cash flows from investing activities:		
Net increase in investments	(115,597)	(11,979)
Net cash used in investing activities	(115,597)	(11,979)
Net increase in cash	81,053	101,116
Cash, beginning of year	203,999	102,883
Cash, end of year	\$ 285,052	\$ 203,999

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

PATIENT ASSISTANCE FOUNDATION
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(See Accountant's Review Report)

NOTE 1 – ORGANIZATION

Patient Assistance Foundation (the Organization) is a nonprofit corporation incorporated in August 1984 and is supported by contributions. The purpose of the Organization is to provide health education, nutrition consultation and other supportive counseling services to individuals and families within the community and/or patients who receive care at the California Pacific Medical Center (CPMC).

The Organization operates the Community Health Resource Center.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Accounting Method

The financial statements are prepared on the accrual basis of accounting, which recognizes income in the period earned and expenses when incurred.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to up to three classes of net assets, as applicable: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Revenue Recognition

Contributions are recognized as revenue when they are unconditionally communicated. Grants represent contributions if resource providers receive no value in exchange for the assets transferred. Contributions are recorded at their fair value as unrestricted support, temporarily restricted support, or permanently restricted support, depending on the absence or existence of donor-imposed restrictions as applicable. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If a donor's restrictions are satisfied in the same period that the contribution is received, the contribution is reported as unrestricted support.

Contributed services are stated at their estimated fair value, if they are ordinarily purchased and are of a specialized nature.

Contributions receivable

Unconditional promises to give that are expected to be collected in future years are recorded at the discounted net present value. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promise is received. Amortization of the discounts is included in contribution revenue.

PATIENT ASSISTANCE FOUNDATION
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Cash

Cash is defined as cash in demand deposit accounts as well as cash on hand. Patient Assistance Foundation occasionally maintains cash on deposit at a bank in excess of the Federal Deposit Insurance Corporation limit. The uninsured cash balance, was approximately \$42,000 as of December 31, 2008. Patient Assistance Foundation has not experienced any losses in such accounts.

Accounts Receivable

Management elects to record bad debts using the direct write off method. Accounting principles generally accepted in the United States of America require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write off method is not materially different from the result that would have been obtained had the allowance method been followed.

Equipment

Equipment is stated at cost less depreciation. Depreciation is computed using the straight-line method over an estimated useful life of five years for office equipment.

Investments

The Organization adopted the provisions of SFAS No. 157, "Fair Value Measurements" (SFAS No. 157), effective January 1, 2008 in valuing its investments. Under SFAS No. 157, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Organization uses various valuation approaches. SFAS No. 157 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs, if any, reflects the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at measurement date. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 – Valuations based on significant inputs that are observable, either directly or indirectly or quoted prices in markets that are not active, that is, markets in which there are few transactions, the prices are not current or price quotations vary substantially either over time or among market makers.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

PATIENT ASSISTANCE FOUNDATION
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The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors, including the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

All of the Organization's investments were valued using Level 1 criteria.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and the related California code sections. In addition, contributions to the Organization qualify for the charitable contribution deduction and the Organization is classified as an organization other than a private foundation under Section 509(a).

Functional Expenses Allocation

The costs of providing program services and supporting services are summarized on a functional basis in the statements of activities and statements of functional expenses. Accordingly, certain costs are allocated among program services and supporting services based on estimates of employees' time incurred and on usage of resources.

NOTE 3 – CONCENTRATION OF CONTRIBUTIONS AND CONTRIBUTIONS RECEIVABLE

The Organization receives \$500,000 annually under a grant from the CPMC dated September 6, 1985, which provides for funding through February 13, 2023. The risk-free rate of return in 1985 was 10.79% which is the discount rate used to calculate the net present value of this contribution.

This donor generally represents over one-half of the Organization's total support and revenue.

Long-term contributions receivable at December 31, 2008 and 2007 are summarized as follows:

	2008	2007
Contribution receivable for future years	\$ 7,500,000	\$ 8,000,000
Discount to reflect contributions receivable at present value	(3,804,411)	(4,209,641)
Net contribution receivable	\$ 3,695,589	\$ 3,790,359

Amortization of the net present value discount for 2008 and 2007 was \$405,230 and \$414,802, respectively.

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NOTE 4 – INVESTMENTS

Investments at Charles Schwab and Co, Inc. at December 31, 2008 and 2007 are summarized as follows:

	2008		2007	
	<i>Fair Market Value</i>	<i>Cost</i>	<i>Fair Market Value</i>	<i>Cost</i>
Mutual funds and corporate equity securities	\$ 277,029	\$ 346,591	\$ 277,098	\$ 246,764
Total investments	<u>\$ 277,029</u>	<u>\$ 346,591</u>	<u>\$ 277,098</u>	<u>\$ 246,764</u>

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets are for the following purposes:

	2008			
	<i>December 31, 2007</i>	<i>Contributions</i>	<i>Released from Restrictions</i>	<i>December 31, 2008</i>
General support	\$ 3,790,359	\$ -	\$ (94,770)	\$ 3,695,589
Designated program	10,000	171,644	(60,564)	121,080
	<u>\$ 3,800,359</u>	<u>\$ 171,644</u>	<u>\$ (155,334)</u>	<u>\$ 3,816,669</u>

	2007			
	<i>December 31, 2006</i>	<i>Contributions</i>	<i>Released from Restrictions</i>	<i>December 31, 2007</i>
General support	\$ 3,875,557	\$ -	\$ (85,198)	\$ 3,790,359
Designated program	-	10,000	-	10,000
	<u>\$ 3,875,557</u>	<u>\$ 10,000</u>	<u>\$ (85,198)</u>	<u>\$ 3,800,359</u>

NOTE 6 – LEASE AND SUBLEASES

The Organization leased its premises in a medical office building owned by CPMC. The lease expired in December 2008. The lease was renewed and will expire in December 2011. The monthly base rent was \$7,645 plus allocated expenses of approximately \$3,280 during 2008. The estimated future aggregate minimum lease payments required under the lease at December 31, 2008 follow:

2009	\$ 138,984
2010	144,504
2011	150,024

The Organization entered into two subleases of its premises to programs operated by CPMC covering the period from February 1, 2008 through January 31, 2009 at an aggregate monthly rental of approximately \$2,204.

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NOTE 7 – RETIREMENT PLAN

The Organization has a 403(b) tax deferred annuity plan available to eligible employees who have completed one year of service. Employee contributions are subject to IRS limitations. The Organization contributes \$1 for every \$3 contributed by each participant. The Organization's contributions were \$11,548 and \$3,740 in 2008 and 2007, respectively.