

**PATIENT ASSISTANCE  
FOUNDATION**

*(A California Nonprofit Public Benefit Corporation)*

**FINANCIAL STATEMENTS**

**AND**

**INDEPENDENT ACCOUNTANT'S**

**REVIEW REPORT**

**YEARS ENDED DECEMBER 31, 2010 AND 2009**

PATIENT ASSISTANCE FOUNDATION  
*(A California Nonprofit Public Benefit Corporation)*  
FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2010 AND 2009

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Patient Assistance Foundation  
San Francisco, California

**INDEPENDENT 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, 2010, and the related statement of activities, functional expenses and cash flows for the year then ended. A review includes primarily applying analytical procedures to management’s financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the 2010 financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The 2009 financial statements were audited by us, and we expressed an unqualified opinion on them in our report dated November 29, 2010, but we have not performed any auditing procedures since that date.

*Lindquist, von Husen and Joyce LLP*

September 28, 2011

PATIENT ASSISTANCE FOUNDATION  
*(A California Nonprofit Public Benefit Corporation)*  
 STATEMENTS OF FINANCIAL POSITION  
 DECEMBER 31, 2010 AND 2009

	<i>2010</i>	<i>2009</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 268,083	\$ 354,528
Accounts receivable	8,383	996
Contributions receivable – current portion	500,000	500,000
Prepaid expenses	9,231	8,463
Total current assets	785,697	863,987
Contributions receivable – net of current portion (Note 3)	2,972,912	3,090,172
Charitable gift annuity receivable (Note 8)	57,645	57,570
Deposits	6,214	6,214
Investments held by CPMC Foundation – board-designated endowment (Note 8)	113,839	-
Other investments (Note 4)	408,692	356,879
Total assets	\$ 4,344,999	\$ 4,374,822
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 37,608	\$ 29,013
Total liabilities	37,608	29,013
Net assets:		
Unrestricted net assets		
Designated by the Board for endowment purposes ( Note 8)	171,484	57,570
Undesignated	660,730	698,067
Unrestricted net assets	832,214	755,637
Temporarily restricted net assets (Note 5)	3,475,177	3,590,172
Total net assets	4,307,391	4,345,809
Total liabilities and net assets	\$ 4,344,999	\$ 4,374,822

*See accompanying notes and independent accountant's review report.*

PATIENT ASSISTANCE FOUNDATION  
(A California Nonprofit Public Benefit Corporation)  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2010 AND 2009

	<i>2010 (Unaudited)</i>			<i>2009 (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)	\$ 382,740	\$ -	\$ 382,740	\$ 394,583	\$ -	\$ 394,583
Program revenue	141,062	-	141,062	85,836	-	85,836
Grants and contributions	-	28,765	28,765	18,150	29,430	47,580
Charitable gift annuity, including investment earnings of \$2,489 and \$10,283, respectively (Note 8)	2,489	-	2,489	57,570	-	57,570
Donations – individuals	73,398	-	73,398	67,807	-	67,807
Rental, interest and other revenue	50,855	-	50,855	40,006	-	40,006
Realized and unrealized investment gain (loss) – net	46,622	-	46,622	75,512	-	75,512
Net assets released from restrictions	143,760	(143,760)	-	255,927	(255,927)	-
Total support and revenue	840,926	(114,995)	725,931	995,391	(226,497)	768,894
Expenses:						
Program services	570,193	-	570,193	577,596	-	577,596
Management and general	117,360	-	117,360	94,369	-	94,369
Fundraising	76,796	-	76,796	73,286	-	73,286
Total expenses	764,349	-	764,349	745,251	-	745,251
Change in net assets	76,577	(114,995)	(38,418)	250,140	(226,497)	23,643
Net assets, beginning of year	755,637	3,590,172	4,345,809	505,497	3,816,669	4,322,166
Net assets, end of year	\$ 832,214	\$ 3,475,177	\$ 4,307,391	\$ 755,637	\$ 3,590,172	\$ 4,345,809

*See accompanying notes and independent accountant's review report.*

PATIENT ASSISTANCE FOUNDATION  
 (A California Nonprofit Public Benefit Corporation)  
 STATEMENTS OF FUNCTIONAL EXPENSES  
 YEARS ENDED DECEMBER 31, 2010 AND 2009

	<i>2010 (Unaudited)</i>				<i>2009 (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	\$ 288,860	\$ 32,151	\$ 43,352	\$ 364,363	\$ 279,188	\$ 24,140	\$ 39,946	\$ 343,274
Occupancy	126,701	8,230	10,790	145,721	127,831	7,032	11,649	146,512
Program costs	31,658	3,069	346	35,073	71,691	1,539	438	73,668
Employee benefits	43,192	4,858	6,477	54,527	45,909	4,062	6,448	56,419
Payroll taxes	31,365	3,384	4,709	39,458	27,038	2,313	3,741	33,092
Administrative expense	11,775	3,037	1,140	15,952	13,859	1,006	2,651	17,516
Insurance expense	6,235	2,661	539	9,435	8,999	2,716	712	12,427
Professional & consulting fees	29,135	57,547	9,416	96,098	2,143	50,898	7,547	60,588
Depreciation	-	-	-	-	-	156	-	156
Other expense	1,272	2,423	27	3,722	938	507	154	1,599
<b>Total expenses</b>	<b>\$ 570,193</b>	<b>\$ 117,360</b>	<b>\$ 76,796</b>	<b>\$ 764,349</b>	<b>\$ 577,596</b>	<b>\$ 94,369</b>	<b>\$ 73,286</b>	<b>\$ 745,251</b>

*See accompanying notes and independent accountant's review report.*

PATIENT ASSISTANCE FOUNDATION  
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 STATEMENTS OF CASH FLOWS  
 YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u> <i>(Unaudited)</i>	<u>2009</u> <i>(Audited)</i>
Cash flows from operating activities:		
Change in net assets	\$ (38,418)	\$ 23,643
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	-	156
Charitable gift annuity – net present value adjustment	(75)	-
Unrealized gain on investments, net	(46,622)	(75,512)
(Increase) decrease in assets:		
Accounts receivable	(7,387)	45,684
Contributions receivable	117,260	120,417
Charitable gift annuity receivable	-	(57,570)
Due from CPMC Foundation – board-designated endowment investment earnings	(13,839)	-
Prepaid expenses	(768)	6,414
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	8,595	10,582
Net cash provided by operating activities	<u>18,746</u>	<u>73,814</u>
Cash flows from investing activities:		
Advance to CPMC Foundation – board-designated endowment	(100,000)	-
Net increase in investments	<u>(5,191)</u>	<u>(4,338)</u>
Net cash used in investing activities	<u>(105,191)</u>	<u>(4,338)</u>
Net increase (decrease) in cash	(86,445)	69,476
Cash, beginning of year	<u>354,528</u>	<u>285,052</u>
Cash, end of year	<u>\$ 268,083</u>	<u>\$ 354,528</u>

*See accompanying notes and independent accountant's review report.*

PATIENT ASSISTANCE FOUNDATION  
(A California Nonprofit Public Benefit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2010 AND 2009

**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 (CHRC).

**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. Actual results could differ from those estimates.

Basis of Presentation

The Organization reports information regarding its financial position and activities according 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 and Cash Equivalents

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 Organization has not experienced any losses in such accounts and believes that it is not exposed to any significant cash credit risk.

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. The equipment cost of \$1,872 is fully depreciated.

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents approximates fair value due to the short-term maturity of these instruments. Unconditional promises to give cash in the future generally are recorded at the net present value of the future cash flows at the time the promise was made.

Fair Value Measurements

Under generally accepted accounting principles, 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.

Generally accepted accounting principles establish 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 Patient Assistance Foundation. Unobservable inputs, if any, reflects Patient Assistance Foundation’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 Patient Assistance Foundation 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.

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The organization's federal and state income tax returns for the years 2006 through 2009 are subject to examination by regulatory agencies, generally for three years and four years after they were filed for federal and state, respectively.

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.

Subsequent Events

Management has evaluated subsequent events through September 28, 2011, the date on which the financial statements were available to be issued.

**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 contribution generally represents over one-half of the Organization's annual total support and revenue.

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The CPMC contribution receivable at December 31, 2010 and 2009 is summarized as follows:

	<i>2010</i>	<i>2009</i>
Contribution receivable for future years	\$ 6,500,000	\$ 7,000,000
Discount to reflect contribution receivable at present value	(3,027,088)	(3,409,828)
Net present value of CPMC contribution receivable	\$ 3,472,912	\$ 3,590,172

Amortization of the net present value discount for 2010 and 2009 was \$382,740 and \$394,583, respectively.

**NOTE 4 – INVESTMENTS**

Investments held by Charles Schwab and Co, Inc. at December 31, 2010 and 2009 are summarized as follows:

	<i>2010</i>		<i>2009</i>	
	<i>Fair Market Value</i>	<i>Cost</i>	<i>Fair Market Value</i>	<i>Cost</i>
Mutual funds and corporate equity securities	\$ 408,692	\$ 362,914	\$ 356,879	\$ 342,033
Total investments	\$ 408,692	\$ 362,914	\$ 356,879	\$ 342,033

**NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS**

The temporarily restricted net assets are for the following purposes:

	<i>2010</i>			
	<i>December 31, 2009</i>	<i>Contributions</i>	<i>Released from Restrictions</i>	<i>December 31, 2010</i>
General support of future years – CPMC	\$ 3,590,172	\$ -	\$ (117,260)	\$ 3,472,912
Designated programs	-	28,765	(26,500)	2,265
	\$ 3,590,172	\$ 28,765	\$ (143,760)	\$ 3,475,177

  

	<i>2009</i>			
	<i>December 31, 2008</i>	<i>Contributions</i>	<i>Released from Restrictions</i>	<i>December 31, 2009</i>
General support of future years – CPMC	\$ 3,695,589	\$ -	\$ (105,417)	\$ 3,590,172
Designated programs	121,080	29,430	(150,510)	-
	\$ 3,816,669	\$ 29,430	\$ (255,927)	\$ 3,590,172

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**NOTE 6 – LEASE AND SUBLEASES**

The Organization operates and leases its premises in a medical office building owned by CPMC. The original lease expired in December 2008 and was renewed under terms of a three year agreement expiring in December 2012. The new agreement provides for a monthly base rent of \$7,870, plus allocated operating costs of approximately \$3,098, for the 2010 fiscal year. The monthly base rent may be increased upon occurrence of a Rental Stream Decision by the landlord, as that term is defined. The allocable operating costs will be reviewed and adjusted annually, if required, in accordance with the lease terms. The estimated future aggregate minimum lease payments under the lease at December 31, 2010 are as follows:

2010	\$	131,553
2011		136,553
2012		141,553

The Organization entered into two subleases of its premises for programs operated by CPMC in accordance with rental terms that initially expired in January 2009. Both subleases were renewed on a month-to-month basis at an aggregate monthly rental of approximately \$2,204. One of the subleases was terminated on June 1, 2009 due to downsizing of the tenant's program personnel; the remaining sublease provides for anticipated monthly rental receipts of \$968.

**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 \$1.00 for every \$3.00 contributed by each participant. The Organization's contributions totaled \$15,209 and \$14,132 in 2010 and 2009, respectively.

**NOTE 8 – BOARD-DESIGNATED ENDOWMENT**

Charitable Gift Annuity

In January 2009 the CPMC Foundation received a charitable gift annuity in the amount of \$100,000 with a stipulation that the gift be used to support the CHRC. Under terms of the Gift Annuity Agreement, the Foundation is required to make specified monthly payments to the donor as long as he is living. Accordingly, the Organization recorded a receivable from the CPMC Foundation in 2009 for \$57,570, representing the net present value of the gift less amounts expected to be paid to the donor over his lifetime based upon certain life expectancy and discount rate factors.

As of December 31, 2010, the amounts expected to be paid to the donor over his lifetime were re-valued using current life expectancy and discount rate factors. The net receivable for the charitable gift annuity held by the CPMC Foundation totals \$57,645 and \$57,570 as of December 31, 2010 and 2009, respectively. The net receivable is inclusive of reported investment earnings which totaled \$2,489 and \$10,283 for the years ended December 31, 2010 and 2009, respectively.

The Board of Directors resolved to establish a board-designated endowment with proceeds from the charitable gift annuity. Since the amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

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 NOTES TO FINANCIAL STATEMENTS  
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CHRC Program Funding

In July 2010, the Organization established a board-designated endowment in the amount of \$100,000. A transfer of funds was made from the Organization's investment account to the CPMC Foundation for investment management purposes. The endowment was established to provide an enduring, reliable source of funding to CHRC in support of their programs and service objectives. In consultation with the CPMC Foundation, the Organization has adopted a spending policy of appropriating for distribution each quarter 5% of the fund's three year average rolling market value of principal which may be reinvested with the principal or distributed to CHRC for operational purposes. In establishing this policy, the Organization has directed the CPMC Foundation to enter these monies into their investment portfolio, to be invested as seen fit by investment managers of the CPMC Foundation. The amount held by the CPMC Foundation is \$113,839 as of December 31, 2010, inclusive of reported investment earnings of \$13,389 for the year ended December 31, 2010.

Since the CHRC program funding amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

Board-designated endowments are summarized below:

	<i>2010</i>	<i>2009</i>
Charitable gift annuity receivable from CPMC	\$ 57,645	\$ 57,570
Investments held by CPMC	113,839	-
Total	\$ 171,484	\$ 57,570