

**PATIENT ASSISTANCE FOUNDATION**

FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2013

TOGETHER WITH  
INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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## **INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

To the Board of Directors of  
Patient Assistance Foundation:

We have reviewed the accompanying statement of financial position of Patient Assistance Foundation (the Organization), a California not-for-profit organization, as of December 31, 2013, and the related statements 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 the Organization's 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 taken 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 that the results of our procedures provide a reasonable basis for our report.

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

*Louie + Wong LLP*

San Francisco, California  
June 30, 2014

**PATIENT ASSISTANCE FOUNDATION**

**STATEMENT OF FINANCIAL POSITION -- DECEMBER 31, 2013**

	<b><u>ASSETS</u></b>				
	Unrestricted	Board-	Temporarily	Permanently	Totals
	Undesignated	Designated	Restricted	Restricted	2013
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	\$ 264,264	\$ -	\$ 138,750	\$ -	\$ 403,014
Receivables -					
Contributions	-	-	375,000	-	375,000
Other	780	-	-	-	780
Prepaid expenses	12,713	-	-	-	12,713
Total current assets	277,757	-	513,750	-	791,507
<b>PROPERTY AND EQUIPMENT, at cost:</b>					
Office equipment	18,088	-	-	-	18,088
Computer equipment	1,872	-	-	-	1,872
Leasehold improvements	60,016	-	-	-	60,016
	79,976	-	-	-	79,976
Less - accumulated depreciation and amortization	5,229	-	-	-	5,229
	74,747	-	-	-	74,747
<b>OTHER ASSETS:</b>					
Noncurrent receivables -					
Contributions	-	-	2,536,005	-	2,536,005
Charitable gift annuity	-	55,328	-	-	55,328
Deposits	6,214	-	-	-	6,214
Investments	525,956	290,906	-	-	816,862
	532,170	346,234	2,536,005	-	3,414,409
	<u>\$ 884,674</u>	<u>\$ 346,234</u>	<u>\$ 3,049,755</u>	<u>\$ -</u>	<u>\$ 4,280,663</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>					
<b>CURRENT LIABILITIES:</b>					
Accounts payable	\$ 5,303	-	\$ -	\$ -	\$ 5,303
Accrued liabilities	21,773	-	-	-	21,773
Total current liabilities	27,076	-	-	-	27,076
<b>COMMITMENTS AND CONTINGENCIES</b>					
<b>NET ASSETS</b>	857,598	346,234	3,049,755	-	4,253,587
	<u>\$ 884,674</u>	<u>\$ 346,234</u>	<u>\$ 3,049,755</u>	<u>\$ -</u>	<u>\$ 4,280,663</u>

The accompanying independent accountants' review report and notes to financial statements should be read in conjunction with this statement.

**PATIENT ASSISTANCE FOUNDATION**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Unrestricted</u>				<u>Totals</u>
	<u>Undesignated</u>	<u>Board- Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2013</u>
<b>SUPPORT AND REVENUES:</b>					
Support -					
Grants and contributions:					
CPMC contribution	\$ 20,000	\$ -	\$ 338,613	\$ -	\$ 358,613
Foundations, corporations and individuals	54,832	-	25,000	-	79,832
Total support	74,832	-	363,613	-	438,445
Revenues -					
Program	163,982	-	-	-	163,982
Unrealized and realized gain on investments, net	7,114	25,333	-	-	32,447
Interest and dividends	15,261	15,513	-	-	30,774
Other	29,966	-	-	-	29,966
Total revenues	216,323	40,846	-	-	257,169
Net assets released from restrictions- Satisfaction of program restrictions	491,139	65,111	(556,250)	-	-
Total support and revenues	782,294	105,957	(192,637)	-	695,614
<b>EXPENSES:</b>					
Program services	699,271	-	-	-	699,271
Management and general	106,942	-	-	-	106,942
Fundraising	38,873	-	-	-	38,873
Total expenses	845,086	-	-	-	845,086
<b>CHANGE IN NET ASSETS</b>	(62,792)	105,957	(192,637)	-	(149,472)
<b>NET ASSETS - BEGINNING OF YEAR</b>	920,390	240,277	3,242,392	-	4,403,059
<b>NET ASSETS - END OF YEAR</b>	\$ 857,598	\$ 346,234	\$ 3,049,755	\$ -	\$ 4,253,587

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**PATIENT ASSISTANCE FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
Salaries and wages	\$ 344,513	\$ 12,902	\$ 18,811	\$ 376,226
Professional fees	123,809	57,268	77	181,154
Occupancy	110,663	9,332	14,224	134,219
Employee benefits and payroll taxes	98,981	3,706	5,405	108,092
Supplies and office expenses	11,536	18,129	-	29,665
Insurance	7,001	4,273	-	11,274
Depreciation and amortization	2,768	234	356	3,358
Other	-	1,098	-	1,098
	<u>\$ 699,271</u>	<u>\$ 106,942</u>	<u>\$ 38,873</u>	<u>\$ 845,086</u>

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**PATIENT ASSISTANCE FOUNDATION**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Change in net assets	\$ (149,472)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	3,358
Unrealized and realized gain on investments, net	(32,447)
Changes in assets and liabilities:	
Receivables	327,303
Prepaid expenses	(12,713)
Accounts payable and accrued liabilities	16,789
	<u>302,290</u>
Total adjustments	<u>302,290</u>
Net cash provided by operating activities	<u>152,818</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchase of property and equipment	(78,105)
Purchase of investments	(168,187)
	<u>(246,292)</u>
Net cash used in investing activities	<u>(246,292)</u>
 <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(93,474)</u>
 <b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>496,488</u>
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 403,014</u></u>

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**PATIENT ASSISTANCE FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2013**

**1. Summary of Significant Accounting Policies**

**General** -- Patient Assistance Foundation (the Organization) is a California not-for-profit organization, incorporated in August 1984, whose mission 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). As a not-for-profit organization, the Organization must rely on grants and donations in order to support existing programs and to continue to provide new programs and services for CHRC's clients.

**Basis of Presentation** -- The Organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America for Not-for-Profit organizations. The significant accounting and reporting policies used by the Organization are described subsequently to enhance the usefulness and understandability of the financial statements.

**Basis of Accounting** -- The accompanying financial statements are prepared on the accrual basis of accounting.

**Cash and Cash Equivalents** -- Cash and cash equivalents consist of cash on hand, funds in checking and money market placements with original maturities of three months or less from dates of acquisition.

**Contributions Receivable** -- Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. The fair value is computed using a present value technique applied to anticipated cash flows. The amortization of the resulting discount is recognized as additional contribution. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises. Promises that remain uncollected more than one year after their due dates are written off.

**Property and Equipment** -- Property and equipment are carried at cost and depreciated or amortized on a straight-line basis over the following estimated useful lives:

Type of Property	Estimated Useful Life (in Years)
Computer equipment	3
Office equipment	5
Leasehold improvements	27.50 or life of the lease, whichever is shorter

The depreciation and amortization expense was \$3,358 during the year ended December 31, 2013. Property and equipment are capitalized if these have a cost of \$1,500 or more and a useful life when acquired of more than one year.

**Investments** -- Investments, which consist primarily of mutual funds, exchange traded funds and common stocks, are stated at fair market value, determined based on quoted market prices. Unrealized gains and losses resulting from market fluctuations are recognized in the period such fluctuations occur. For purposes of determining realized gain or losses, the cost of securities sold is computed based on the weighted average method.

**Support** -- Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in either temporarily restricted or permanently restricted net assets, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as temporarily restricted until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. Conditional promises, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

**Revenues** -- Revenue from program services, interest, dividends and other are recognized when earned.

**Income Tax Status** -- The Organization has been granted tax-exempt status by the Internal Revenue Code under Section 501(c)(3) and the California Franchise Tax Board under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income tax has been made in the accompanying financial statements.

Generally accepted accounting principles provide disclosure guidance about positions taken on a tax return that may be uncertain. The Organization believes

that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that require disclosure in or adjustment to the financial statements. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

**Concentration of Credit Risk** -- Financial instruments that potentially subject the Organization to credit risk consist principally of cash and cash equivalents greater than \$250,000 with each financial institution, contributions receivable and investments. The Organization periodically reviews its cash and investment policies which are based on management's expectations, estimates and historical experience.

**Expense Recognition and Allocation** -- The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited.

**Estimates Included in the Financial Statements** -- 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 revenues and expenses during the reporting period. On an ongoing basis, the management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

**Fair Value of Financial Instruments** -- Financial instruments include cash and cash equivalents, receivables, investments, accounts payable and accrued

liabilities. The carrying value of cash and cash equivalents, receivables, investments, accounts payable and accrued liabilities approximates fair value.

**Subsequent Events** -- The Organization has evaluated subsequent events through June 30, 2014, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

**New Accounting Pronouncement** -- In October 2012, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2012-05, Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows. The amendments in the ASU require a Not-for-Profit (NFP) to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any NFP-imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities by the NFP. The amendments are effective prospectively for fiscal years, and interim periods within those years, beginning after June 15, 2013. The Organization will adopt the provisions of ASU No. 2012-05 effective January 1, 2014. The adoption is not expected to have a material effect on the financial statements of the Organization.

## **2. Description of Net Assets**

**Unrestricted (Undesignated)** -- This is used to account for resources that are available to support the Organization's operations.

**Unrestricted (Board-Designated)** -- This is used to account for unrestricted resources that are designated by the Board of Directors to be invested or to be set aside for the operating cash reserve.

**Temporarily Restricted** -- This is used to account for resources that are restricted by the donor for use for a particular purpose or in a particular future period. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "Net assets released from restrictions."

The temporarily restricted net assets consist of contributions for the following:

<u>Purpose</u>	<u>Balance</u>
General support	\$ 3,036,005
Operating programs	13,750
	<u>\$ 3,049,755</u>

**Permanently Restricted** -- This is used to account for grants and contributions that are permanently restricted as specified by the donors. The Organization had no permanently restricted net assets as of December 31, 2013.

### **3. Contributions Receivable**

On September 6, 1985, the Organization entered into a grant agreement with Pacific Presbyterian Medical Center, Inc. (PPMC). Under the agreement, the Organization will receive \$500,000 annually from PPMC through February 13, 2023. The total amount of the grant was \$19,125,000. This contribution generally represents over one-half of the Organization's annual total support and revenue.

Contributions receivable as of December 31, 2013, were as follows:

	<u>Amount</u>
Less than one year	\$ 375,000
More than one year but less than five years	<u>4,500,000</u>
	4,875,000
Less – discount	<u>(1,963,995)</u>
	<u>\$ 2,911,005</u>

Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise by discounting to reflect its net present value using the 1985 US Treasury bond rate, which was 10.79%, at the time of the donation in 1985.

The amortization of the discount for the year ended December 31, 2013 was \$338,613.

#### 4. **Fair Value Measurement**

FASB Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the 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 FASB ASC 820 are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and 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, and 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 level 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.

The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy. There has been no change in the methodology used as of December 31, 2013.

The following tables set forth by level, within the fair value hierarchy, the investments held at fair value at December 31, 2013:

**Investments** -- These consist of mutual funds, exchange traded funds and common stocks stated at fair values, determined based on quoted market prices. This is classified under Level 1 of the valuation hierarchy.

Assets measured at fair value are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds -				
Equities	\$ 425,118	\$ -	\$ -	\$ 425,118
Bonds	<u>274,316</u>	<u>-</u>	<u>-</u>	<u>274,316</u>
	699,434	-	-	699,434
Exchange traded funds	64,680	-	-	64,680
Common stocks	<u>52,748</u>	<u>-</u>	<u>-</u>	<u>52,748</u>
	<u>\$ 816,862</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 816,862</u>

##### **5. Board-Designated Funds**

The Organization maintains various board-designated funds whose purpose is to provide long-term support for its programs.

In January 2009, the CPMC Foundation (the 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 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.

The net receivable for the charitable gift annuity held by the CPMC Foundation amounted to \$55,328 as of December 31, 2013. The net receivable is inclusive of reported investment earnings amounting to \$3,440 for the year ended December 31, 2013.

In July 2010, the Organization established a board-designated fund in the amount of \$100,000. A transfer of funds was made from the Organization's investment

account to the Foundation for investment management purposes. The fund was established to provide an enduring, reliable source of funding to CHRC in support of their programs and service objectives. In consultation with the 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. However, complete access to the funds when, or if, necessary is permitted. In establishing this policy, the Organization has directed the Foundation to enter these monies into their investment portfolio, to be invested as seen fit by investment managers of the Foundation. The amount held by the Foundation is \$290,906 as of December 31, 2013, inclusive of reported investment earnings of \$25,333 for the year ended December 31, 2013.

Board-designated funds are summarized below:

	<u>2013</u>
Investments held by CPMC Foundation	\$ 290,906
Charitable gift annuity receivable	<u>55,328</u>
	<u>\$ 346,234</u>

#### **6. Commitments and Contingencies**

The Organization operates and leases its premises in a medical office building owned by CPMC. The original lease, including a three-year extension, expired on December 31, 2011. The Organization entered into an additional three-year extension, effective January 1, 2012 through January 1, 2015. The monthly base rent may be increased upon occurrence of a Financing or Rental Stream Decision by the landlord, as those terms are defined. The allocable operating costs will be reviewed and adjusted annually, if required, in accordance with the lease terms.

The amount of future minimum lease payment under the above lease is as follows:

<u>Year Ending</u>	<u>Amount</u>
December 31, 2014	\$ 125,751

The total rent expense under this operating lease was \$125,751 during the year ended December 31, 2013.

The Organization entered into a sublease of its premises for a program operated by CPMC in accordance with rental terms that initially expired in January 2009. The sublease was renewed on a month-to-month basis at an aggregate monthly rental of approximately \$968. The total rent income recognized from the sublease amounted to \$10,750 during the year ended December 31, 2013.

The Organization has a revolving line of credit with a bank amounting to \$50,000. There were no borrowings on the line of credit during the year ended December 31, 2013.

**7. Retirement Plan**

The Organization has a 403(b) tax deferred annuity plan available to eligible employees who have completed one year of service. The Organization contributes \$1.00 for every \$3.00 contributed by each participant. The Organization's contribution was \$10,590 during the year ended December 31, 2013, which was classified as salaries and wages in the statement of functional expenses.