

**PATIENT SERVICES, INC.
AND SUBSIDIARY**

Consolidated Financial Statements

December 31, 2014 and 2013



> Certified Public
Accountants & Consultants
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**PATIENT SERVICES, INC.
AND SUBSIDIARY**

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of
Patient Services, Inc.
Midlothian, Virginia

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Patient Services, Inc. and its subsidiary (collectively, the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Patient Services, Inc. and its subsidiary as of December 31, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information described in the Table of Contents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in black ink, appearing to read "Keita", with a stylized flourish at the end.

April 12, 2015
Glen Allen, Virginia

**PATIENT SERVICES, INC.
AND SUBSIDIARY**

Consolidated Statements of Financial Position
December 31, 2014 and 2013

ASSETS	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 35,436,272	\$ 20,697,641
Investments	5,183,003	5,227,561
Contract fees receivable, net	53,753,868	58,023,545
Other prepaid expenses	<u>58,989</u>	<u>91,067</u>
Total current assets	<u>94,432,132</u>	<u>84,039,814</u>
PROPERTY AND EQUIPMENT		
Land	291,100	291,100
Buildings	2,485,867	2,485,867
Vehicle	27,799	27,799
Furniture and equipment	<u>1,684,113</u>	<u>1,606,155</u>
	4,488,879	4,410,921
Less accumulated depreciation	<u>1,904,298</u>	<u>1,659,071</u>
Total property and equipment	<u>2,584,581</u>	<u>2,751,850</u>
OTHER ASSETS		
Intellectual property	-	476,000
Life insurance annuity	1,113,500	1,139,101
Deferred financing costs, net	-	56,003
Deposits	<u>43,524</u>	<u>43,524</u>
Total other assets	<u>1,157,024</u>	<u>1,714,628</u>
Total assets	<u><u>\$ 98,173,737</u></u>	<u><u>\$ 88,506,292</u></u>

See accompanying notes to consolidated financial statements.

**PATIENT SERVICES, INC.
AND SUBSIDIARY**

Consolidated Statements of Financial Position, Continued
December 31, 2014 and 2013

LIABILITIES AND NET ASSETS	<u>2014</u>	<u>2013</u>
CURRENT LIABILITIES		
Current portion of long-term debt	\$ -	\$ 154,235
Accounts payable	216,736	175,018
Accrued expenses	<u>889,084</u>	<u>719,695</u>
Total current liabilities	1,105,820	1,048,948
OTHER LIABILITIES		
Long-term debt, net of current portion	<u>-</u>	<u>704,124</u>
Total liabilities	<u>1,105,820</u>	<u>1,753,072</u>
NET ASSETS		
Unrestricted net assets	12,632,665	12,253,018
Temporarily restricted net assets	<u>84,435,252</u>	<u>74,500,202</u>
Total net assets	<u>97,067,917</u>	<u>86,753,220</u>
Total liabilities and net assets	<u>\$ 98,173,737</u>	<u>\$ 88,506,292</u>

See accompanying notes to consolidated financial statements.

**PATIENT SERVICES, INC.
AND SUBSIDIARY**

Consolidated Statements of Activities
Years Ended December 31, 2014 and 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT						
Contributions	\$ 9,612,181	\$83,215,866	\$92,828,047	\$ 8,311,855	\$73,795,489	\$82,107,344
Fees for contracted services	73,347	454,264	527,611	328,655	1,098,169	1,426,824
Interest income	113,839	-	113,839	30,929	-	30,929
Miscellaneous income	259,893	-	259,893	50,515	-	50,515
(Loss) gain on investments	(158,113)	-	(158,113)	128,736	-	128,736
	<u>9,901,147</u>	<u>83,670,130</u>	<u>93,571,277</u>	<u>8,850,690</u>	<u>74,893,658</u>	<u>83,744,348</u>
Net assets released from restrictions	<u>73,735,080</u>	<u>(73,735,080)</u>	<u>-</u>	<u>60,897,475</u>	<u>(60,897,475)</u>	<u>-</u>
Total revenues and other support	<u>83,636,227</u>	<u>9,935,050</u>	<u>93,571,277</u>	<u>69,748,165</u>	<u>13,996,183</u>	<u>83,744,348</u>
EXPENSES AND LOSSES						
Program services	76,692,994	-	76,692,994	63,341,649	-	63,341,649
Fund-raising	1,271,685	-	1,271,685	1,093,041	-	1,093,041
Management and general	<u>4,815,901</u>	<u>-</u>	<u>4,815,901</u>	<u>4,909,530</u>	<u>-</u>	<u>4,909,530</u>
Total expenses and losses	<u>82,780,580</u>	<u>-</u>	<u>82,780,580</u>	<u>69,344,220</u>	<u>-</u>	<u>69,344,220</u>
Impairment loss	<u>476,000</u>	<u>-</u>	<u>476,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	379,647	9,935,050	10,314,697	403,945	13,996,183	14,400,128
NET ASSETS						
Beginning	<u>12,253,018</u>	<u>74,500,202</u>	<u>86,753,220</u>	<u>11,849,073</u>	<u>60,504,019</u>	<u>72,353,092</u>
Ending	<u>\$12,632,665</u>	<u>\$84,435,252</u>	<u>\$97,067,917</u>	<u>\$12,253,018</u>	<u>\$74,500,202</u>	<u>\$86,753,220</u>

See accompanying notes to consolidated financial statements.

**PATIENT SERVICES, INC.
AND SUBSIDIARY**

Consolidated Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 10,314,697	\$ 14,400,128
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	301,229	259,789
Loss on disposal of property and equipment	-	1,286
Loss (gain) on life insurance annuity	25,601	(128,736)
Loss on investments	132,512	-
Impairment loss	476,000	-
Changes in assets and liabilities:		
Contract fees receivable	4,269,677	(19,526,408)
Other prepaid expenses	32,078	(42,766)
Accounts payable	41,718	(147,248)
Accrued expenses	169,389	(213,567)
Net cash provided by (used in) operations	15,762,901	(5,397,522)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(77,958)	(326,644)
Purchase of investments, net	(87,953)	(410,760)
Proceeds from sale of investments	-	610,614
Net cash used in investing activities	(165,911)	(126,790)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal repayment of long-term debt	(858,359)	(148,342)
Net cash used in financing activities	(858,359)	(148,342)
Net increase (decrease) in cash and cash equivalents	14,738,631	(5,672,654)
CASH AND CASH EQUIVALENTS		
Beginning	20,697,641	26,370,295
Ending	\$ 35,436,272	\$ 20,697,641
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Cash paid for interest	\$ 4,059	\$ 18,246

See accompanying notes to consolidated financial statements.

**PATIENT SERVICES, INC.
AND SUBSIDIARY**

Consolidated Statements of Functional Expenses
Years Ended December 31, 2014 and 2013

	2014				2013			
	Program Services	Fund - Raising	Management and General	Total	Program Services	Fund - Raising	Management and General	Total
DIRECT EXPENSES								
Direct payment assistance	\$ 73,735,080	\$ -	\$ -	\$ 73,735,080	\$ 60,897,475	\$ -	\$ -	\$ 60,897,475
INDIRECT EXPENSES								
Advertising	-	5,600	963	6,563	-	6,972	16,843	23,815
Amortization	45,077	2,438	8,488	56,003	6,270	416	1,314	8,000
Bank fees	4,923	266	1,000	6,189	683	45	228	956
Computer network	96,795	21,065	220,806	338,666	26,463	6,202	177,042	209,707
Conferences and travel	13,858	165,857	174,400	354,115	10,275	160,902	245,210	416,387
Continuing education	4,797	10,189	18,779	33,765	1,806	9,369	18,644	29,819
Depreciation	98,193	5,311	141,722	245,226	113,161	7,516	131,112	251,789
Dues and subscriptions	1,027	4,702	55,042	60,771	992	7,447	38,798	47,237
Gala expenses	-	120,027	-	120,027	-	-	-	-
Gifts and incentives	13,644	1,229	14,215	29,088	13,931	1,243	24,636	39,810
Insurance	28,468	1,540	10,786	40,794	19,498	1,295	10,807	31,600
Interest expense	3,267	177	615	4,059	14,297	950	2,999	18,246
Legal and accounting	50,327	2,722	191,065	244,114	50,830	3,075	311,189	365,094
Meals	1,386	16,240	72,047	89,673	823	25,177	76,562	102,562
Occupancy	61,153	26,698	359,357	447,208	40,352	30,031	278,344	348,727
Office expense	117,183	21,122	45,917	184,222	100,789	23,177	56,030	179,996
Patient representation	41,756	-	-	41,756	38,981	-	-	38,981
Public relations	-	8,089	29,500	37,589	-	6,424	31,100	37,524
Registration fees	5,544	300	1,044	6,888	4,647	309	974	5,930
Salaries and benefits	2,008,880	779,207	2,665,696	5,453,783	1,805,819	757,476	2,965,672	5,528,967
Subcontractors	329,441	64,304	770,475	1,164,220	162,761	31,723	471,334	665,818
Taxes and licenses	11,401	617	2,469	14,487	17,264	1,147	5,314	23,725
Telecommunications	20,794	13,985	31,515	66,294	14,532	12,145	45,378	72,055
Total indirect expenses	2,957,914	1,271,685	4,815,901	9,045,500	2,444,174	1,093,041	4,909,530	8,446,745
	\$ 76,692,994	\$ 1,271,685	\$ 4,815,901	\$ 82,780,580	\$ 63,341,649	\$ 1,093,041	\$ 4,909,530	\$ 69,344,220

See accompanying notes to consolidated financial statements.

PATIENT SERVICES, INC.
Notes to Consolidated Financial Statements
December 31, 2014 and 2013

NOTE 1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Patient Services, Inc. (“the Organization”) is a national non-profit organization based in Midlothian, Virginia. The Organization provides financial support to patients and families affected by Alpha 1 Antitrypsin Deficiency, Breast Cancer Screening, Chronic Myelogenous Leukemia, Chronic Inflammatory Demyelinating Polyneuropathy, Complement Mediated Diseases, Corneal Crystal Accumulation in Cystinosis, Cystic Fibrosis (with Pseudomonas), Fabry Disease, Gastrointestinal Stromal Tumors, Gaucher’s Disease, Hemophilia, Hereditary Angioedema (C1 Inhibitor Deficiencies), Homozygous Familial Hypercholesterolemia, Inhibitors in Hemophilia, MPS 1, Pompe Disease, Primary Immune Deficiency, Pleural Effusions & Malignant Ascites, Metastatic Melanoma, Metastatic Renal Cell Carcinoma, Pseudobulbar Affect (PBA), Cancer Opioid Therapy, Kidney Stones, Adenosine Deaminase Deficiency in Severe Combined Immunodeficiency, Circadian Rhythm Disorders, and von Willebrand Disease.

During 2012, PSI formed Accessia, Inc (“Accessia”), as a wholly-owned taxable subsidiary, with its primary office located in Virginia. Accessia was established as a Virginia stock corporation on April 25, 2012. Its purpose is to provide certain services to third parties in connection with the administration of patient assistant programs. Accessia is structured to comply, and operates in compliance with, relevant provisions of the Social Security Act, including the maintenance of an “ethical wall” between PSI and Accessia designed to ensure PSI’s independence in the operation of its patient assistance programs.

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of PSI and Accessia (collectively, the “Organization”). All significant intercompany accounts and transactions have been eliminated in consolidation.

Financial Statement Presentation: PSI’s consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States (“GAAP”), under the accrual basis of accounting. The accrual basis of accounting records revenue in the period in which earned rather than when received and records expenses in the period in which incurred rather than when paid. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

As of December 31, 2014 and 2013, total temporarily restricted net assets of \$84,435,252 and \$74,500,202, respectively, are restricted by donors for program purposes in the amount of \$79,191,653 and \$69,032,029, respectively, and restricted by time for administrative purposes in the amount of \$5,243,599 and \$5,468,173, respectively. The Organization did not have any permanently restricted net assets as of December 31, 2014 and 2013. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restriction.

PATIENT SERVICES, INC.
Notes to Consolidated Financial Statements
December 31, 2014 and 2013

NOTE 1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Cash and Cash Equivalents: For purposes of reporting cash flows, the Organization considers demand deposits and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments: Investments are reported at fair value in the consolidated statements of financial position. Donated stocks and other securities are recorded at fair value as of the date received. Interest, dividends, realized and unrealized gains and losses are reflected in the consolidated statements of activities.

Use of Estimates: The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, the actual results could differ from those estimates. Any adjustments applied to estimated amounts are recognized in the year in which such adjustments are determined.

Promises to Give: Contributions are promises to give to the Organization that are, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires or is otherwise satisfied, temporarily restricted net assets are reclassified to unrestricted net assets.

Property and Equipment: Property and equipment are recorded at cost if purchased or fair value if contributed. Depreciation is computed using an accelerated method for furniture and equipment and the straight-line method for buildings and improvements over estimated useful lives as follows:

Furniture and equipment	5 – 15 years
Buildings	15 – 39 years
Vehicle	5 years

New acquisitions of property and equipment having a cost of less than \$2,500, or which are not expected to last for more than a year, are expensed in the year of acquisition. Depreciation expense was \$245,226 and \$251,789 for 2014 and 2013, respectively.

In accordance with GAAP, management reviews the recorded value of the property for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

PATIENT SERVICES, INC.
Notes to Consolidated Financial Statements
December 31, 2014 and 2013

NOTE 1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Contract Fees Receivable: Contract fees receivable consist primarily of amounts due from the contributing drug companies. Receivables are recorded at the net realizable value, which approximates their fair value. Management reviews receivables on a regular basis and accounts are written-off once deemed uncollectible.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Deferred Financing Costs: Deferred financing costs are amortized over the life of the related long-term debt using the straight-line method. During the year ended December 31, 2014, the long-term debt was satisfied early therefore the remaining deferred financing costs were expensed. Amortization expense was \$56,003 and \$8,000 for 2014 and 2013, respectively.

Income Taxes: PSI is exempt from paying income taxes under Internal Revenue Code Section 501(c)(3) and is an organization that is not a private foundation under Section 509(A)(1). No income tax was paid during the years ended December 31, 2014 or December 31, 2013. Accessia was formed as a C corporation during 2012. Due to its lack of activity during 2014 and 2013, no provision or liability for income taxes has been included in the accompanying consolidated financial statements.

Management has evaluated the effect of accounting guidance surrounding uncertain income tax positions and concluded that the Organization and its subsidiary has no significant financial statement exposure to uncertain tax positions at December 31, 2014 or 2013. The Organization's information returns (Form 990) for the years since 2011 remain open for examination by tax authorities. The Organization is not currently under audit by any tax jurisdiction.

Advertising: Advertising costs are expensed as incurred and are included in functional expenses in the accompanying statement of activities. Advertising expense for the years ended December 31, 2014 and 2013 was \$6,563 and \$23,815, respectively.

Subsequent Events: Management has evaluated subsequent events through April 12, 2015, the date the consolidated financial statements were available for issuance, and has determined that no additional disclosure is necessary.

PATIENT SERVICES, INC.
Notes to Consolidated Financial Statements
December 31, 2014 and 2013

NOTE 2. FAIR VALUE MEASUREMENTS OF ASSETS

The Organization has adopted Financial Accounting Standards Board (“FASB”) guidance on fair value measurements. The provisions of the guidance provides a framework for measuring fair value under GAAP and defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This guidance requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. This guidance also establishes a fair value hierarchy which prioritizes the valuation inputs into three broad levels. Based on the underlying inputs, each fair value measurement in its entirety is reported in one of three levels.

The Organization’s assets recorded at fair value on a recurring basis are categorized based on the priority of the inputs used to measure fair value. The inputs used in measuring fair value are categorized into three levels, as follows:

- **Level 1:** Inputs that are based upon quoted prices for identical instruments traded in active markets.
- **Level 2:** Inputs that are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar investments in markets that are not active, or models based on valuation techniques for which all significant assumptions are observable in the marker or can be corroborated by observable market data for substantially the full item of the investment.
- **Level 3:** Inputs that are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flows models, and similar techniques

The asset’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 to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value.

Government agencies - Values utilizing the market approach as determined by the fund manager or market process for similar instruments within public markets.

Money market funds - Valued at the net asset value of shares held by PSI at year end.

PATIENT SERVICES, INC.
Notes to Consolidated Financial Statements
December 31, 2014 and 2013

NOTE 2. FAIR VALUE MEASUREMENTS OF ASSETS, CONTINUED

Annuity contracts - Valued based on summation of values assigned to underlying investments in equity and fixed income securities, most of which are traded on an active market.

The following table summarizes the valuation of the Organization's financial assets measured at fair value on a recurring basis at December 31, 2014, based on the level of input utilized to measure fair value:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Investments:				
Government agencies	\$ -	\$ 1,627,632	\$ -	\$ 1,627,632
Money market funds	<u>3,555,371</u>	<u>-</u>	<u>-</u>	<u>3,555,371</u>
	3,555,371	1,627,632	-	5,183,003
Annuity contracts	<u>-</u>	<u>-</u>	<u>1,113,500</u>	<u>1,113,500</u>
Total assets at fair value	<u>\$ 3,555,371</u>	<u>\$ 1,627,632</u>	<u>\$ 1,113,500</u>	<u>\$ 6,296,503</u>

The following table summarizes the valuation of the Organization's financial assets measured at fair value on a recurring basis at December 31, 2013, based on the level of input utilized to measure fair value:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Investments:				
Government agencies	\$ -	\$ 2,830,000	\$ -	\$ 2,830,000
Money market funds	<u>2,397,561</u>	<u>-</u>	<u>-</u>	<u>2,397,561</u>
	2,397,561	2,830,000	-	5,227,561
Annuity contracts	<u>-</u>	<u>-</u>	<u>1,139,101</u>	<u>1,139,101</u>
Total assets at fair value	<u>\$ 2,397,561</u>	<u>\$ 2,830,000</u>	<u>\$ 1,139,101</u>	<u>\$ 6,366,662</u>

At December 31, 2014 and 2013, there were no unfunded commitments or redemption restrictions on the Company's level 2 or 3 assets.

The following table presents additional information about level 3 assets measured at fair value on a recurring basis at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Beginning balance	\$ 1,139,101	\$ 1,010,365
Unrealized gain (loss)	(25,601)	128,736
Ending Balance	<u>\$ 1,113,500</u>	<u>\$ 1,139,101</u>

PATIENT SERVICES, INC.
Notes to Consolidated Financial Statements
December 31, 2014 and 2013

NOTE 3. LONG-TERM DEBT

The Organization had a note payable dated December 1, 2010 in the original principal amount of \$ 1,632,000; the note was collateralized by real property, and bore interest at 68% of one-month LIBOR plus 65% of 2.75%.

This noted was satisfied during 2014. The outstanding balance was \$858,359 and current maturities were \$154,235 at December 31, 2013.

NOTE 4. INTELLECTUAL PROPERTY

Intellectual property in the amount of \$476,000 was acquired from a member of management of PSI in 2004. In accordance with GAAP, no amortization of intangible assets with an indefinite life has been recorded. The Organization assesses intellectual property for impairment annually. During 2014, as a result of the increase in competition, it is has been deemed that the carrying value of the intellectual property has been impaired and the entire amount has been written off.

NOTE 5. LEASES

The Organization has entered into various leases for office space, office equipment, and a storage facility that originally ranged in duration from three to five years. Future minimum lease payments at December 31, 2014 were:

2015	\$ 304,169
2016	<u>247,963</u>
	<u>\$ 552,132</u>

During the year ended December 31, 2014, Accessia entered into a sub-lease agreement with Atara Biotherapeutics, Inc. after the sub-lease with Tobira Therapeutics, Inc. ended during July 2014. Total revenue under these agreements for 2014 totaled \$166,267 and for 2013 totaled \$25,008. Future lease income as of December 31, 2014 is as follows: 2015 –\$185,381, 2016 – \$193,826 and 2017 – \$16,680.

NOTE 6. FUND-RAISING EXPENDITURES

The Organization solicits funds from organizations and individuals within the chronic illness community. Contributions are solicited through attending conferences, direct contact, literature mailings and other methods. Fund-raising expenditures totaled \$1,271,685 and \$1,093,041 in 2014 and 2013, respectively.

PATIENT SERVICES, INC.
Notes to Consolidated Financial Statements
December 31, 2014 and 2013

NOTE 7. RETIREMENT PLAN

The Organization sponsors a qualified defined contribution plan under section 401(k) of the Internal Revenue Code, which covers eligible full-time employees after six months of continuous service. Voluntary contributions made by PSI are determined annually. Retirement expense for 2014 and 2013 was \$132,947 and \$185,436, respectively.

NOTE 8. CONCENTRATIONS

The Organization maintains several bank accounts at one bank located in the United States. The Federal Deposit Insurance Corporation (FDIC) provides insurance coverage for up to \$250,000 for substantially all depository accounts. Cash at this institution totaling \$35,436,272 and \$20,697,641 exceeded federally insured limits as of December 31, 2014 and 2013, respectively. The Organization, from time to time, may have amounts on deposit in excess of the insured limits.

The Organization maintains investments through one financial institution. The Securities Investor Protection Corporation (SIPC) insures deposits up to \$500,000. The amount in excess of the SIPC limit totaled \$4,683,003 and \$4,727,561 as of December 31, 2014 and 2013, respectively.

For the year ended December 31, 2014, contributions from one donor comprised approximately 51% of total contributions. In addition, 89% of contract fees receivable are due from three donors as of December 31, 2014.

For the year ended December 31, 2013, contributions from nine donors comprised approximately 96% of total contributions. In addition, 82% of contract fees receivable are due from two donors as of December 31, 2013.

SUPPLEMENTAL INFORMATION

**PATIENT SERVICES, INC.
AND SUBSIDIARY**

Statements of Financial Position – PSI Only
December 31, 2014 and 2013

ASSETS	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 35,411,413	\$ 20,634,069
Investments	5,183,003	5,227,561
Contract fees receivable, net	53,753,868	58,023,545
Accounts receivable - other, net	2,299,738	1,976,183
Other prepaid expenses	<u>37,773</u>	<u>47,074</u>
Total current assets	<u>96,685,795</u>	<u>85,908,432</u>
PROPERTY AND EQUIPMENT		
Land	291,100	291,100
Buildings	2,459,497	2,459,497
Vehicle	27,799	27,799
Furniture and equipment	<u>1,271,151</u>	<u>1,193,193</u>
	4,049,547	3,971,589
Less accumulated depreciation	<u>1,665,827</u>	<u>1,543,832</u>
Total property and equipment	<u>2,383,720</u>	<u>2,427,757</u>
OTHER ASSETS		
Intellectual property	-	476,000
Life insurance annuity	1,113,500	1,139,102
Investment in Accessia	400,000	400,000
Deferred financing costs, net	-	56,003
Deposits	<u>2,000</u>	<u>2,000</u>
Total other assets	<u>1,515,500</u>	<u>2,073,105</u>
Total assets	<u><u>\$100,585,015</u></u>	<u><u>\$ 90,409,294</u></u>

See report of independent accountants.

**PATIENT SERVICES, INC.
AND SUBSIDIARY**

Statements of Financial Position – PSI Only, Continued
December 31, 2014 and 2013

LIABILITIES AND NET ASSETS	<u>2014</u>	<u>2013</u>
CURRENT LIABILITIES		
Current portion of long-term debt	\$ -	\$ 154,235
Accounts payable	212,093	152,084
Accrued expenses	<u>840,352</u>	<u>640,318</u>
Total current liabilities	1,052,445	946,637
OTHER LIABILITIES		
Long-term debt, net of current portion	<u>-</u>	<u>704,124</u>
Total liabilities	<u>1,052,445</u>	<u>1,650,761</u>
NET ASSETS		
Unrestricted net assets	15,097,318	14,258,331
Temporarily restricted net assets	<u>84,435,252</u>	<u>74,500,202</u>
Total net assets	<u>99,532,570</u>	<u>88,758,533</u>
Total liabilities and net assets	<u>\$100,585,015</u>	<u>\$ 90,409,294</u>

See report of independent accountants.

**PATIENT SERVICES, INC.
AND SUBSIDIARY**

Statements of Activities – PSI Only
Years Ended December 31, 2014 and 2013

	<u>2014</u>			<u>2013</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT						
Contributions	\$ 9,612,181	\$83,215,866	\$ 92,828,047	\$ 8,311,855	\$73,795,489	\$82,107,344
Fees for contracted services	73,347	454,264	527,611	202,657	1,098,169	1,300,826
Interest income	113,839	-	113,839	30,929	-	30,929
Miscellaneous income	93,957	-	93,957	25,166	-	25,166
(Loss) gain on investments	(158,113)	-	(158,113)	128,736	-	128,736
	<u>9,735,211</u>	<u>83,670,130</u>	<u>93,405,341</u>	<u>8,699,343</u>	<u>74,893,658</u>	<u>83,593,001</u>
Net assets released from restrictions	<u>73,735,080</u>	<u>(73,735,080)</u>	<u>-</u>	<u>60,897,475</u>	<u>(60,897,475)</u>	<u>-</u>
Total revenues and other support	<u>83,470,291</u>	<u>9,935,050</u>	<u>93,405,341</u>	<u>69,596,818</u>	<u>13,996,183</u>	<u>83,593,001</u>
EXPENSES AND LOSSES						
Program services	76,692,994	-	76,692,994	63,341,649	-	63,341,649
Fund-raising	1,271,685	-	1,271,685	1,093,041	-	1,093,041
Management and general	4,190,625	-	4,190,625	3,298,901	-	3,298,901
	<u>82,155,304</u>	<u>-</u>	<u>82,155,304</u>	<u>67,733,591</u>	<u>-</u>	<u>67,733,591</u>
Total expenses and losses	<u>82,155,304</u>	<u>-</u>	<u>82,155,304</u>	<u>67,733,591</u>	<u>-</u>	<u>67,733,591</u>
Impairment loss	<u>476,000</u>	<u>-</u>	<u>476,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	838,987	9,935,050	10,774,037	1,863,227	13,996,183	15,859,410
NET ASSETS						
Beginning	<u>14,258,331</u>	<u>74,500,202</u>	<u>88,758,533</u>	<u>12,395,104</u>	<u>60,504,019</u>	<u>72,899,123</u>
Ending	<u>\$15,097,318</u>	<u>\$84,435,252</u>	<u>\$ 99,532,570</u>	<u>\$14,258,331</u>	<u>\$74,500,202</u>	<u>\$88,758,533</u>

See report of independent accountants.

**PATIENT SERVICES, INC.
AND SUBSIDIARY**

Statements of Cash Flows – PSI Only
Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 10,774,037	\$ 15,859,410
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	177,997	152,399
Loss on disposal of property and equipment	-	1,286
Loss (gain) on life insurance annuity	25,601	(128,736)
Loss on investments	132,512	-
Impairment loss	476,000	-
Changes in assets and liabilities:		
Contract fees receivable	4,269,677	(19,526,408)
Accounts receivable - other	(323,555)	(1,507,863)
Other prepaid expenses	9,301	(19,534)
Accounts payable	60,009	(2,262)
Accrued expenses	<u>200,034</u>	<u>(274,722)</u>
Net cash provided by (used in) operations	<u>15,801,613</u>	<u>(5,446,430)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(77,958)	(78,574)
Purchase of investments, net	(87,952)	(410,760)
Proceeds from sale of investments	<u>-</u>	<u>610,614</u>
Net cash (used in) provided by investing activities	<u>(165,910)</u>	<u>121,280</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal repayment of long-term debt	<u>(858,359)</u>	<u>(148,342)</u>
Net cash used in financing activities	<u>(858,359)</u>	<u>(148,342)</u>
Net increase (decrease) in cash and cash equivalents	14,777,344	(5,473,492)
CASH AND CASH EQUIVALENTS		
Beginning	<u>20,634,069</u>	<u>26,107,561</u>
Ending	<u>\$ 35,411,413</u>	<u>\$ 20,634,069</u>
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Cash paid for interest	<u>\$ 4,059</u>	<u>\$ 18,246</u>

See report of independent accountants.

**PATIENT SERVICES, INC.
AND SUBSIDIARY**

Statements of Functional Expenses – PSI Only
Years Ended December 31, 2014 and 2013

	2014				2013			
	Program Services	Fund - Raising	Management and General	Total	Program Services	Fund - Raising	Management and General	Total
DIRECT EXPENSES								
Direct Payment Assistance	\$73,735,080	\$ -	\$ -	\$73,735,080	\$60,897,475	\$ -	\$ -	\$60,897,475
INDIRECT EXPENSES								
Advertising	-	5,600	963	6,563	-	6,972	635	7,607
Amortization	45,077	2,438	8,488	56,003	6,270	416	1,314	8,000
Bank fees	4,923	266	927	6,116	683	45	143	871
Computer network	96,795	21,065	153,055	270,915	26,463	6,202	53,280	85,945
Conferences and travel	13,858	165,857	171,455	351,170	10,275	160,902	211,628	382,805
Continuing education	4,797	10,189	18,779	33,765	1,806	9,369	18,644	29,819
Depreciation	98,193	5,311	18,490	121,994	113,161	7,516	23,722	144,399
Dues and subscriptions	1,027	4,702	55,042	60,771	992	7,447	34,793	43,232
Gala expenses	-	120,027	-	120,027	-	-	-	-
Gifts and incentives	13,644	1,229	14,215	29,088	13,931	1,243	24,396	39,570
Insurance	28,468	1,540	5,360	35,368	19,498	1,295	4,087	24,880
Interest expense	3,267	177	615	4,059	14,297	950	2,997	18,244
Legal and accounting	50,327	2,722	166,771	219,820	50,830	3,075	180,544	234,449
Meals	1,386	16,240	71,835	89,461	823	25,177	71,785	97,785
Occupancy	61,153	26,698	96,308	184,159	40,352	30,031	91,327	161,710
Office expense	117,183	21,122	36,562	174,867	100,789	23,177	38,131	162,097
Patient representation	41,756	-	-	41,756	38,981	-	-	38,981
Public relations	-	8,089	29,500	37,589	-	6,424	31,100	37,524
Registration fees	5,544	300	1,044	6,888	4,647	309	974	5,930
Salaries and benefits	2,008,880	779,207	2,625,277	5,413,364	1,805,819	757,476	2,139,741	4,703,036
Subcontractors	329,441	64,304	682,462	1,076,207	162,761	31,723	338,189	532,673
Taxes and licenses	11,401	617	2,147	14,165	17,264	1,147	3,619	22,030
Telecommunications	20,794	13,985	31,330	66,109	14,532	12,145	27,852	54,529
Total indirect expenses	<u>2,957,914</u>	<u>1,271,685</u>	<u>4,190,625</u>	<u>8,420,224</u>	<u>2,444,174</u>	<u>1,093,041</u>	<u>3,298,901</u>	<u>6,836,116</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$76,692,994</u>	<u>\$ 1,271,685</u>	<u>\$ 4,190,625</u>	<u>\$82,155,304</u>	<u>\$63,341,649</u>	<u>\$ 1,093,041</u>	<u>\$ 3,298,901</u>	<u>\$67,733,591</u>

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