

**PATIENT SERVICES, INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2011 AND 2010**

**PATIENT SERVICES, INC.**

**TABLE OF CONTENTS**

---

INDEPENDENT AUDITOR’S REPORT..... 1

FINANCIAL STATEMENTS

    Statements of Financial Position .....2-3

    Statements of Activities ..... 4

    Statements of Cash Flows..... 5

    Statements of Functional Expenses ..... 6-7

    Notes to Financial Statements..... 8-14

COMPLIANCE

    Report on Internal Control Over Financial Reporting and on Compliance and  
    Other Matters Based on an Audit of Financial Statements Performed in  
    Accordance with *Government Auditing Standards* .....15

    Report on Compliance with Requirements That Could Have a Direct and Material Effect  
    on Each Major Federal Program and on Internal Control Over Compliance in  
    Accordance with OMB Circular A-133 ..... 16-17

    Schedule of Expenditures of Federal Awards ..... 18

    Note to Schedule of Expenditures of Federal Awards.....19

    Schedule of Findings and Questioned Costs .....20



## Independent Auditor's Report

The Board of Directors  
Patient Services, Inc.  
Midlothian, Virginia

We have audited the accompanying statements of financial position of Patient Services, Inc. (the "Organization") as of December 31, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan to perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Patient Services, Inc. as of December 31, 2011 and 2010, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2012 on our consideration of Patient Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the result of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Cherry Bekaert + Holland, C.L.P.*

Richmond, Virginia  
March 26, 2012

**PATIENT SERVICES, INC.**

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 15,798,086	\$ 11,716,172
Investments	5,367,348	5,367,184
Contract fees receivable, net	42,268,908	29,248,350
Accounts receivable - other, net	-	225,015
Other prepaid expenses	27,710	10,356
Total Current Assets	<u>63,462,052</u>	<u>46,567,077</u>
Property and Equipment		
Land	291,100	350,227
Buildings	2,459,497	2,763,359
Furniture and equipment	1,267,995	3,160,406
	<u>4,018,592</u>	<u>6,273,992</u>
Less accumulated depreciation	<u>1,366,003</u>	<u>3,270,915</u>
Total Property and Equipment	<u>2,652,589</u>	<u>3,003,077</u>
Other Assets		
Life insurance annuity	637,129	324,758
Intellectual property	476,000	476,000
Deferred financing costs	72,004	84,537
Deposits	40,287	7,500
Total Other Assets	<u>1,225,420</u>	<u>892,795</u>
<b>Total Assets</b>	<u><u>\$ 67,340,061</u></u>	<u><u>\$ 50,462,949</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

**PATIENT SERVICES, INC.**

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

DECEMBER 31, 2011 AND 2010

---

	<u>2011</u>	<u>2010</u>
<b>LIABILITIES</b>		
Current Liabilities		
Current portion of long-term debt	\$ 136,384	\$ 129,034
Accounts payable	157,542	31,312
Accrued expenses	398,987	306,945
Total Current Liabilities	<u>692,913</u>	<u>467,291</u>
Other Liabilities		
Long-term debt, net of current portion	<u>1,012,804</u>	<u>1,502,966</u>
<b>Total Liabilities</b>	<u>1,705,717</u>	<u>1,970,257</u>
<b>NET ASSETS</b>		
Unrestricted net assets	9,756,423	7,841,581
Temporarily restricted net assets	<u>55,877,921</u>	<u>40,651,111</u>
<b>Total Net Assets</b>	<u>65,634,344</u>	<u>48,492,692</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 67,340,061</u>	<u>\$ 50,462,949</u>

The accompanying notes to the financial statements are an integral part of this statement.

**PATIENT SERVICES, INC.**  
**STATEMENTS OF ACTIVITIES**  
**DECEMBER 31, 2011 AND 2010**

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenues and Other Support</b>						
Contributions	\$ 8,030,575	\$ 53,924,728	\$ 61,955,303	\$ 7,806,014	\$ 39,588,202	\$ 47,394,216
Fees for contracted services	551,385	1,286,956	1,838,341	491,605	709,703	1,201,308
Contributed Goods		-	-	-	1,747,314	1,747,314
Interest income	35,163	-	35,163	9,477	-	9,477
Miscellaneous income	42,359	-	42,359	43,268	-	43,268
Gain on Investments	12,372	-	12,372	24,757	-	24,757
Net assets released from restrictions	39,984,874	(39,984,874)	-	38,798,936	(38,798,936)	-
Total revenues and other support	48,656,728	15,226,810	63,883,538	47,174,057	3,246,283	50,420,340
<b>Expenses and Losses</b>						
Program services	43,731,252	-	43,731,252	42,254,389	-	42,254,389
Fund-raising	524,583	-	524,583	627,389	-	627,389
Management and general	2,539,435	-	2,539,435	2,340,032	-	2,340,032
Total functional expenses	46,795,270	-	46,795,270	45,221,810	-	45,221,810
(Gain) Loss on disposal of equipment	(53,384)	-	(53,384)	32,491	-	32,491
Total expenses and losses	46,741,886	-	46,741,886	45,254,301	-	45,254,301
Change in net assets	1,914,842	15,226,810	17,141,652	1,919,756	3,246,283	5,166,039
<b>Net Assets</b>	7,841,581	40,651,111	48,492,692	5,921,825	37,404,828	43,326,653
	\$ 9,756,423	\$ 55,877,921	\$ 65,634,344	\$ 7,841,581	\$ 40,651,111	\$ 48,492,692

The accompanying notes to the financial statements are an integral part of this statement.

**PATIENT SERVICES, INC.**

**STATEMENTS OF CASH FLOWS**

DECEMBER 31, 2011 AND 2010

	2011	2010
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 17,141,652	\$ 5,166,039
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	206,237	367,561
(Gain) Loss on disposal of property and equipment	(53,384)	32,491
Gain on life insurance annuity	(12,371)	(24,758)
Changes in assets and liabilities:		
Contract fees receivable	(13,020,558)	(6,178,576)
Accounts receivable - other	225,015	450,760
Other Prepaid expenses	(17,354)	(4,151)
Prescription drug Inventory	-	228,579
Deferred financing costs	12,533	(79,042)
Deposits	(32,787)	39,361
Accounts payable	126,230	(154,559)
Accrued expenses	92,042	(407,594)
	4,667,255	(563,889)
Net cash provided by (used in) operations		
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(167,865)	(5,782)
Purchase of life insurance annuity	(300,000)	
Accrued Interest payable	-	(4,331)
Proceeds from sale of property and equipment	365,500	250
Proceeds from sale of investments	(164)	105
	(102,529)	(9,758)
Net cash used in investing activities		
<b>Cash flows from financing activities</b>		
Principal repayment of long-term debt	(482,812)	(1,872,769)
Issuance of long-term debt	-	1,632,000
	(482,812)	(240,769)
Net cash used in financing activities		
Net increase (decrease) in cash and cash equivalents	4,081,914	(814,416)
<b>Cash and cash equivalents</b>		
Beginning	11,716,172	12,530,588
Ending	\$ 15,798,086	\$ 11,716,172
<b>Supplemental cash flow disclosures</b>		
Transfer of software to Positudes, Inc.	\$ -	\$ 31,867
Write off of construction in progress	\$ -	\$ 130,609
Cash paid during the year for interest	\$ 31,673	\$ 124,407

The accompanying notes to the financial statements are an integral part of this statement.

**PATIENT SERVICES, INC.**

STATEMENT OF FUNCTIONAL EXPENSES

DECEMBER 31, 2011

	Program Services	Fund - Raising	Management and General	Total
<b>Direct Expenses</b>				
Direct Payment Assistance	\$ 39,983,874	\$ -	\$ -	39,983,874
<b>Indirect Expenses</b>				
Advertising	-	2,802	12	2,814
Amortization	6,980	132	888	8,000
Bad Debt	-	-	-	-
Bank Fees	1,313	25	167	1,505
Computer Network	15,990	923	31,879	48,792
Conferences and travel	27,529	82,223	163,035	272,787
Continuing education	18,846	305	14,008	33,159
Depreciation	179,931	3,410	22,896	206,237
Dues and subscriptions	1,629	803	38,312	40,744
Gifts and incentives	11,831	217	18,188	30,236
Insurance	18,439	349	2,346	21,134
Interest expense	27,633	524	3,516	31,673
Legal and accounting	24,556	461	144,763	169,780
Meals	2,964	6,502	39,461	48,927
Occupancy	88,739	12,020	80,736	181,495
Office expense	143,869	22,147	20,077	186,093
Patient Representation	36,939	-	-	36,939
Registration fees	7,036	133	895	8,064
Salaries and benefits	2,987,626	350,085	1,798,669	5,136,380
Startup PSI PI	-	-	-	-
Subcontractors	103,464	35,116	130,993	269,573
Taxes and licenses	12,655	237	1,715	14,607
Telecommunications	29,409	6,169	26,879	62,457
Total indirect expenses	3,747,378	524,583	2,539,435	6,811,396
<b>Total Functional Expenses</b>	<b>\$ 43,731,252</b>	<b>\$ 524,583</b>	<b>\$ 2,539,435</b>	<b>\$ 46,795,270</b>

The accompanying notes to the financial statements are an integral part of this statement.



**PATIENT SERVICES, INC.**

STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

DECEMBER 31, 2010

	Program Services	Fund - Raising	Management and General	Total
<b>Direct Expenses</b>				
Direct payment assistance	\$ 37,440,434	\$ -	\$ -	\$ 37,440,434
<b>Indirect Expenses</b>				
Advertising	143	21,500	273	21,916
Bad debt	246,085	-	-	246,085
Bank fees	5,855	94	649	6,598
Conferences and travel	69,475	68,269	121,830	259,574
Continuing education	22,216	79	7,613	29,908
Depreciation	274,566	11,815	81,180	367,561
Dues and subscriptions	4,805	2,140	8,904	15,849
Gifts and incentives	165,457	271	5,990	171,718
Insurance	15,454	249	1,713	17,416
Interest expense	92,663	3,987	27,397	124,047
Legal and accounting	80,048	1,283	57,298	138,629
Meals	13,732	11,236	47,859	72,827
Network	35,395	2,285	43,076	80,756
Occupancy	160,422	7,271	180,594	348,287
Office expense	139,442	3,617	16,548	159,607
Patient representation	32,421	-	-	32,421
Registration fees	4,035	65	447	4,547
Salaries and benefits	2,995,942	328,385	1,636,588	4,960,915
Startup PSI PI	392,000	-	-	392,000
Subcontractors	5,123	159,744	84,473	249,340
Taxes and licenses	15,682	250	1,723	17,655
Telecommunications	42,994	4,849	15,877	63,720
Total indirect expenses	4,813,955	627,389	2,340,032	7,781,376
<b>Total Functional Expenses</b>	<b>\$ 42,254,389</b>	<b>\$ 627,389</b>	<b>\$ 2,340,032</b>	<b>\$ 45,221,810</b>

The accompanying notes to the financial statements are an integral part of this statement.

# PATIENT SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

---

### **Note 1 – Nature of Operations**

Patient Services, Inc. (the "Organization") is a national non-profit organization based in Midlothian, Virginia. The Organization provides financial support to patients and families effected by Acromegaly, Advanced Idiopathic Parkinson's Disease, Alpha 1 Antitrypsin Deficiency, Bone Metastases, Breast Cancer Screening, Chronic Myelogenous Leukemia, Chronic Inflammatory Demyelinating Polyneuropathy, Complement Mediated Diseases, Clostridium Difficile, Cutaneous T-Cell Lymphoma (CTCL), Cystic Fibrosis (with Pseudomonas), Fabry Disease, Gastrointestinal Stromal Tumors, Hemophilia, Hereditary Angioedema (C1 Inhibitor Deficiencies), Inhibitors in Hemophilia, Insulin like Growth Factor 1 Deficiency (IGF1), MPS 1, Pompe Disease, Primary Immune Deficiency, Severe Congenital Protein C Deficiency, Virginia HIV/AIDS SPAP and ADAP Programs, Pleural Effusions & Malignant Ascites, Metastatic Melanoma, Metastatic Renal Cell Carcinoma, Pseudobulbar Affect (PBA) and von Willebrand Disease.

### **Note 2 – Significant Accounting Policies**

*Financial Statement Presentation and Basis of Accounting* - The Organization's 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. Total temporarily restricted net assets of \$55,877,921 are restricted by donors for program purposes in the amount of \$50,363,198 and restricted by time for administrative purposes in the amount of \$5,514,723.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restriction.

*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 statement 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 statement of activities.

*Use of Estimates* - The preparation of 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.

**PATIENT SERVICES, INC.**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

---

**Note 2 – Significant Accounting Policies (Continued)**

*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

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 \$206,237 and \$367,561 for 2011 and 2010, 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.

*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 statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

*Income Taxes* - The Organization 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 year ended December 31, 2011.

*Deferred Financing Costs* - Deferred financing costs are amortized over the life of the related long-term debt using the straight-line method.

*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, 2011 and 2010 were \$2,814 and \$21,916, respectively.

**PATIENT SERVICES, INC.**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

---

**Note 3 – Fair value measurements of assets**

The Organization has adopted 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 market 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 flow 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* - Valued utilizing the market approach as determined by the fund manager or market prices for similar instruments within public markets.

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

*Annuity contracts* - Valued upon application of the discount rate used on future cash flows.

**PATIENT SERVICES, INC.**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

**Note 3 – Fair value measurements of assets (Continued)**

The following table summarizes the valuation of the Organization's financial assets measured at fair value on a recurring basis at December 31, 2011 and 2010, based on the level of input utilized to measure fair value:

	2011			Total
	Fair Value Using			
	Level 1	Level 2	Level 3	
Assets:				
Investments:				
Government agencies	\$ -	\$ 2,970,000	\$ -	\$ 2,970,000
Money market funds	2,397,348	-	-	2,397,348
Annuity contracts	-	-	637,129	637,129
Total assets at fair value	<u>\$ 2,397,348</u>	<u>\$ 2,970,000</u>	<u>\$ 637,129</u>	<u>\$ 6,004,477</u>

	2010			Total
	Fair Value Using			
	Level 1	Level 2	Level 3	
Assets:				
Investments:				
Government agencies	\$ -	\$ 2,970,000	\$ -	\$ 2,970,000
Money market funds	2,397,184	-	-	2,397,184
Annuity contracts	-	-	324,758	324,758
Total assets at fair value	<u>\$ 2,397,184</u>	<u>\$ 2,970,000</u>	<u>\$ 324,758</u>	<u>\$ 5,691,942</u>

The following table presents additional information about Level 3 assets measured at fair value on a recurring basis at December 31, 2011 and 2010:

	2011	2010
Beginning balance	\$ 324,758	\$ 300,000
Purchases	300,000	
Withdrawals	(931)	(882)
Interest	24,145	13,096
Realized gains		
Unrealized gain (loss)	(10,843)	12,544
Ending balance	<u>\$ 637,129</u>	<u>\$ 324,758</u>

**PATIENT SERVICES, INC.**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

---

**Note 4 – Long-Term Debt**

Long-term debt as of December 31, 2011 and 2010 consists of the following:

	<u>2011</u>	<u>2010</u>
Note Payable dated December 1, 2010 in the principal amount of \$1,632,000; the note is collateralized by real property, bearing interest at the adjusted LIBOR rate, which was 1.97% at year end, due monthly and matures December 1, 2020. Due to the sale of a building, \$336,452 of principal debt was paid down.	<u>\$ 1,149,188</u>	<u>\$ 1,632,000</u>
	1,149,188	1,632,000
Less current maturities	<u>136,384</u>	<u>129,034</u>
Total long-term debt	<u><u>\$ 1,012,804</u></u>	<u><u>\$ 1,502,966</u></u>

Aggregate maturities required on principal are as follows:

2012	\$ 136,384
2013	151,383
2014	154,502
2015	157,665
2016	160,861
Thereafter	<u>252,009</u>
	<u><u>\$ 1,012,804</u></u>

**Note 5 – Intellectual Property**

Intellectual property in the amount of \$476,000 was acquired from a member of management of the Organization 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. No impairment adjustments were recorded during 2011 or 2010.

**PATIENT SERVICES, INC.**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

---

**Note 6 – Leases**

As lessee, the Organization has an operating lease for equipment, a month to month lease for storage, and an office lease for its location in Tampa, Florida. Rent expense for 2011 and 2010 was \$42,776 and \$65,003, respectively.

Future minimum lease payments to be paid are as follows:

2012	\$	31,173
2013		8,893
		<hr/>
	\$	40,066

**Note 7 – 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 \$524,583 and \$627,389 in 2011 and 2010, respectively.

**Note 8 – Retirement Plan**

Effective January 1, 2010, 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 the Organization are determined annually. Retirement expense for 2011 and 2010 was \$157,773 and \$145,205, respectively.

**Note 9 – Concentrations**

The Organization places its cash on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation (FDIC) provides insurance coverage for up to \$250,000 for substantially all depository accounts and temporarily provides unlimited coverage, through December 31, 2012, for certain qualifying and participating non-interest bearing transaction accounts. Cash at this institution exceeded federally insured limits. The Organization, from time to time, may have amounts on deposit in excess of the insured limits.

The Organization maintains money market funds 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 \$4,867,348 and \$4,867,184 as of December 31, 2011 and 2010, respectively.

For the year ended December 31, 2011, contributions from seven donors comprised approximately 96% of total contributions. In addition, 69% of contract fees receivable are due from one donor as of December 31, 2011.

**PATIENT SERVICES, INC.**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

---

**Note 9 – Concentrations (Continued)**

For the year ended December 31, 2010, contributions from nine grantors comprised approximately 96% of total contributions. In addition, 82% of contract fees receivable are due from one donor as of December 31, 2010.

**Note 10 – Accounting for Uncertainty in Income Tax**

The Organization has evaluated the effect of GAAP guidance on Accounting for Uncertainty in Income Taxes that are currently in effect. The Organization is tax exempt under Section 501(c)(3) of the Internal Revenue Code. Management believes that the Organization had no uncertain income tax positions at December 31, 2011.

**Note 11 – Reclassifications**

Certain amounts in the fiscal year 2010 financial statements have been reclassified to conform to the 2011 presentation.

**Note 12 – Subsequent Events**

The Organization has evaluated subsequent events for potential recognition and/or disclosure in the December 31, 2011 financial statements through March 26, 2012, the date the financial statements were available to be issued.





**Report on Internal Control over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards***

The Board of Directors  
Patient Services, Inc.  
Richmond, Virginia

We have audited the financial statements of Patient Services, Inc. (the "Organization") as of and for the year ended December 31, 2011, and have issued our report thereon dated March 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the Organization is responsible for establishing and maintaining effective internal control over financial reporting with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Board of Directors, others within the Organization, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Cherry Bekaert + Holland, C.C.P.A.*

Richmond, Virginia  
March 26, 2012



**Report on Compliance with Requirements That Could Have a Direct  
and Material Effect on Each Major Federal Program and on Internal Control  
Over Compliance in Accordance with OMB Circular A-133**

The Board of Directors  
Patient Services, Inc.  
Richmond, Virginia

**Compliance**

We have audited Patient Services, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2011. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

**Internal Control Over Compliance**

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that that there is a possibility material compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Board of Directors, others within the Organization, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Cheng Beckert + Holland, L.L.P.*

Richmond, Virginia  
March 26, 2012

**PATIENT SERVICES, INC.**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2011

---

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA No.</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services Passed through the Virginia Department of Health and Human Services:		
Ryan White Part B HIV Care Grant Program	93.917	<u>\$ 1,098,373</u>
Total Federal Expenditures		<u><u>\$ 1,098,373</u></u>

**PATIENT SERVICES, INC.**

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2011

---

**Note 1 – Summary of Significant Accounting Policies**

*Basis of Accounting* - The accompanying Schedule of Expenditures of Federal Awards includes the activity of all federal awards programs of Patient Services, Inc. and is presented using the accrual basis of accounting. The information in the accompanying schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**PATIENT SERVICES, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED DECEMBER 31, 2011**

---

**Section I – Summary of Auditor’s Results**

1. The type of report issued on the financial statements: **UNQUALIFIED OPINION**
2. Significant deficiencies in internal control disclosed by the audit of the financial statements: **NONE REPORTED**
3. Material weaknesses: **NO**
4. Noncompliance which is material to the financial statements: **NO**
5. Significant deficiencies in internal control over major programs: **NONE REPORTED**
6. The type of report issued on compliance for major programs: **UNQUALIFIED OPINION**
7. Any audit findings which are required to be reported in accordance with section 510(a) of OMB A-133: **NO**
8. Major Program: **CFDA 93.917 – U.S. Department of Health and Human Services Ryan White Part B HIV Care Grant Program**
9. Dollar Threshold used to distinguish between Type A Programs and Type B Programs: **\$300,000**
10. Auditee qualified as a low-risk auditee under Section .530 of OMB Circular A-133: **NO**

**Section II – Financial Statement Findings**

**NONE**

**Section III – Federal Award Findings and Questioned Costs**

**NONE**

**Section IV: Resolution of Prior Year’s Findings**

This was the first year that the Organization had required single audit testing.