

CHRONIC DISEASE FUND, INC.

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2012



SALMON SIMS THOMAS

Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
of Chronic Disease Fund, Inc.

We have audited the accompanying financial statements of Chronic Disease Fund, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Chronic Disease Fund, Inc. as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Salmon Sims Thomas

Salmon Sims Thomas & Associates
A Professional Limited Liability Company

June 20, 2013

Chronic Disease Fund, Inc.
Statement of Financial Position
December 31, 2012

ASSETS

Current Assets

Cash and cash equivalents	\$ 269,458,670
Receivable from CDF Rx	1,202,214
Total Current Assets	<u>270,660,884</u>

Other Assets

Property and equipment, net	58,957,243
Deposit held by a related party	2,500,000
Total Other Assets	<u>61,457,243</u>

TOTAL ASSETS	<u><u>\$ 332,118,127</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Co-pay payable	\$ 7,297,381
Note payable, current portion	11,374,800
Total Current Liabilities	<u>18,672,181</u>

Long-term Liabilities

Note payable, noncurrent portion	<u>25,079,667</u>
Total Liabilities	<u>43,751,848</u>

Net Assets

Unrestricted	39,072,885
Temporarily restricted	249,293,394
Total Net Assets	<u>288,366,279</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 332,118,127</u></u>
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Chronic Disease Fund, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Other Support			
Co-pay assistance program revenues	\$ -	\$ 190,974,388	\$ 190,974,388
Contributions	19,127,413	-	19,127,413
Special events	158,350	-	158,350
Dividend and interest income	392,484	-	392,484
Investment gain	536,338	-	536,338
	<u>20,214,585</u>	<u>190,974,388</u>	<u>211,188,973</u>
Net assets released from restrictions	<u>151,338,530</u>	<u>(151,338,530)</u>	<u>-</u>
Total Revenues and Other Support	<u>171,553,115</u>	<u>39,635,858</u>	<u>211,188,973</u>
Expenses			
Program services	151,338,530	-	151,338,530
Supporting services	11,125,470	-	11,125,470
Fundraising	1,969,500	-	1,969,500
Total Expenses	<u>164,433,500</u>	<u>-</u>	<u>164,433,500</u>
Increase in Net Assets	7,119,615	39,635,858	46,755,473
Net Assets, December 31, 2011	<u>31,953,270</u>	<u>209,657,536</u>	<u>241,610,806</u>
Net Assets, December 31, 2012	<u>\$ 39,072,885</u>	<u>\$ 249,293,394</u>	<u>\$ 288,366,279</u>

Chronic Disease Fund, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2012

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Total</u>
Co-pay expenses	\$ 151,338,530	\$ -	\$ -	\$ 151,338,530
Marketing	-	-	493,473	493,473
Special event	-	-	426,487	426,487
General & administrative	-	410,819	225,786	636,605
Depreciation and amortization	-	6,811,929	6,803	6,818,732
Insurance	-	297,198	33,022	330,220
Meals and entertainment	-	3,563	32,068	35,631
Payroll	-	1,765,116	430,070	2,195,186
Payroll taxes, benefits, and other	-	190,306	47,577	237,883
Professional fees	-	244,358	30,900	275,258
Rent	-	294,638	15,507	310,145
Telecommunications	-	283,574	94,525	378,099
Travel	-	21,371	85,484	106,855
Utilities	-	31,691	1,668	33,359
Website	-	-	46,130	46,130
Interest	-	770,907	-	770,907
	<u>\$ 151,338,530</u>	<u>\$ 11,125,470</u>	<u>\$ 1,969,500</u>	<u>\$ 164,433,500</u>

Chronic Disease Fund, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2012

Cash Flows From Operating Activities

Increase in Net Assets	\$ 46,755,473
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	6,818,732
Realized gain on investments	(536,337)
Decrease in assets:	
Receivable from CDF Rx	2,000,000
Increase (Decrease) in liabilities:	
Accounts payable and accruals	(978,432)
Co-pay payable	1,679,332
Payable to Mckesson	(2,000,000)
Net Cash Provided by Operating Activities	<u>53,738,768</u>

Cash Flows From Investing Activities

Purchase of investments	(30,648)
Purchase of property and equipment	(172,863)
Purchase of property and equipment, DiseaseTrak cash portion	(9,738,794)
Repayment of deposits held by a related party	2,490,000
Net Cash Used by Investing Activities	<u>(7,452,305)</u>

Cash Flows From Financing Activities

Repayment of note payable	<u>(10,229,093)</u>
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Net Increase in Cash and Cash Equivalents 36,057,370

Cash and cash equivalents, beginning of year 233,401,300

Cash and cash equivalents, end of year \$ 269,458,670

Supplemental Information

Interest paid	<u>770,907</u>
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