CRITICAL PATH INSTITUTE

OMB CIRCULAR A-133 REPORTS

YEAR ENDED JUNE 30, 2013

CONTENTS

<table>
<thead>
<tr>
<th>CONTENTS</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>A-133 SINGLE AUDIT REPORTS AND SCHEDULES</td>
<td></td>
</tr>
<tr>
<td>Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133</td>
<td>3 - 4</td>
</tr>
<tr>
<td>Schedule of Expenditures of Federal Awards</td>
<td>5</td>
</tr>
<tr>
<td>Notes to Schedule of Expenditures of Federal Awards</td>
<td>6</td>
</tr>
<tr>
<td>Schedule of Findings and Questioned Costs</td>
<td>7 - 8</td>
</tr>
<tr>
<td>Summary Schedule of Prior Year Findings</td>
<td>9</td>
</tr>
</tbody>
</table>
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF COMBINED FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Critical Path Institute
Tucson, Arizona

We have audited, in accordance with U.S. generally accepted auditing standards established by the AICPA Auditing Standards Board and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the combined financial statements of Critical Path Institute (C-Path) which comprise the combined statement of financial position as of June 30, 2013, and the related combined statements of activities and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated October 21, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered C-Path's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of C-Path's internal control. Accordingly, we do not express an opinion on the effectiveness of C-Path's internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's combined financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.
Compliance and Other Matters

As part of obtaining reasonable assurance about whether C-Path's financial statements are free from 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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of C-Path's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering C-Path's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Tucson, Arizona
October 21, 2013
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Directors  
Critical Path Institute  
Tucson, Arizona

Report on Compliance for Each Major Federal Program

We have audited Critical Path Institute's (C-Path) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the C-Path's major federal programs for the year ended June 30, 2013. C-Path's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of C-Path's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards established by the AICPA Auditing Standards Board; 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 C-Path'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 on compliance for each major federal program. However, our audit does not provide a legal determination of C-Path's compliance.

Opinion on Each Major Federal Program

In our opinion, C-Path complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.
Report on Internal Control over Compliance

Management of C-Path is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered C-Path's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 C-Path's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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 there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the combined financial statements of C-Path as of and for the year ended June 30, 2013, and have issued our report thereon dated October 21, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards established by the AICPA Auditing Standards Board. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Tucson, Arizona
October 21, 2013
### CRITICAL PATH INSTITUTE

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED JUNE 30, 2013**

<table>
<thead>
<tr>
<th>Federal Grant/Pass-Through Grantor/Program Title</th>
<th>Federal CFDA Number</th>
<th>Pass-Through Entity Identifying Number</th>
<th>Federal Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Department of Health and Human Services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Program:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food and Drug Administration _Research</td>
<td>93.103</td>
<td>N/A</td>
<td>$1,768,576</td>
</tr>
<tr>
<td>Total U.S. Department of Health and Human Services</td>
<td></td>
<td></td>
<td>1,768,576</td>
</tr>
<tr>
<td>Total expenditures of federal awards</td>
<td></td>
<td></td>
<td>$1,768,576</td>
</tr>
</tbody>
</table>

See accompanying notes to schedule of expenditures of federal awards.
1. Basis of presentation:

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Critical Path Institute and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB 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 basic combined financial statements.

2. Catalog of Federal Domestic Assistance (CFDA) Numbers:

The program titles and CFDA numbers or federal identification numbers were obtained from the federal or grantor agency or the update to the 2012 *Catalog of Federal Domestic Assistance*. 
SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expressed an unqualified opinion on the combined financial statements of Critical Path Institute.

2. No material weaknesses or significant deficiencies relating to the audit of combined financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Combined Financial Statements Performed in Accordance With Government Auditing Standards.

3. No instances of noncompliance material to the combined financial statements of Critical Path Institute, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.

4. No material weaknesses or significant deficiencies relating to the audit of the major federal awards programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.

5. The auditors' report on compliance for the major federal awards programs for Critical Path Institute expressed an unqualified opinion on its major program.

6. There were no audit findings which were required to be reported in accordance with Section 510(a) of OMB Circular A-133.

7. The program tested as a major program was:

   Food and Drug Administration_Research  93.103

8. The dollar threshold for distinguishing Type A and Type B programs was $300,000.

9. Critical Path Institute was determined to be a low-risk auditee.
CRITICAL PATH INSTITUTE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

FINDINGS - FINANCIAL STATEMENT AUDIT
None.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT
None.
There were no prior year findings.