

PATIENT ACCESS NETWORK FOUNDATION

FINANCIAL STATEMENTS AND ACCOMPANYING INFORMATION

***As of and for the Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)***

And Report of Independent Auditor

PATIENT ACCESS NETWORK FOUNDATION

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Report of Independent Auditor

To the Board of Directors
Patient Access Network Foundation
Washington, D.C.

We have audited the accompanying financial statements of Patient Access Network Foundation (the "Foundation"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, 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

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.

Auditor's 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 of 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 auditor's 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 the Foundation as of December 31, 2019, and the changes in its net assets, functional expenses, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report of Summarized Comparative Information

We have previously audited the Foundation's 2018 financial statements, and we have expressed an unmodified audit opinion on those audited financial statements in our report dated April 19, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited statements from which it has been derived.

Accompanying Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of contributions by month on page 17 are presented for purposes of additional analysis and are 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 LLP

Charlotte, North Carolina
April 17, 2020

PATIENT ACCESS NETWORK FOUNDATION
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 244,685,655	\$ 196,460,171
Investments	329,808,225	277,689,248
Contributions receivable	32,083,000	78,400,000
Prepaid expenses and other assets	2,313,206	150,695
Total Current Assets	<u>608,890,086</u>	<u>552,700,114</u>
Fixed assets, net	<u>3,198,141</u>	<u>4,500,586</u>
Total Assets	<u><u>\$ 612,088,227</u></u>	<u><u>\$ 557,200,700</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 12,049,978	\$ 10,762,023
Co-payment assistance obligation, net	<u>137,364,470</u>	<u>122,462,344</u>
Total Current Liabilities	<u>149,414,448</u>	<u>133,224,367</u>
Net Assets:		
Without Donor Restrictions:		
Invested in fixed assets	3,198,141	4,500,586
Board designated - Strategic Patient Assistance Initiative	976,607	1,036,607
Board designated - Financial Reserve	13,300,000	-
Undesignated	<u>15,541,299</u>	<u>13,622,372</u>
Total Without Donor Restrictions	33,016,047	19,159,565
With Donor Restrictions	<u>429,657,732</u>	<u>404,816,768</u>
Total Net Assets	<u>462,673,779</u>	<u>423,976,333</u>
Total Liabilities and Net Assets	<u><u>\$ 612,088,227</u></u>	<u><u>\$ 557,200,700</u></u>

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

PATIENT ACCESS NETWORK FOUNDATION
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Support and Revenue:				
Contributions	\$ -	\$ 434,035,433	\$ 434,035,433	\$ 530,743,654
Net investment income	17,173,579	-	17,173,579	4,639,784
	17,173,579	434,035,433	451,209,012	535,383,438
Net assets released from restrictions	409,194,469	(409,194,469)	-	-
Total Support and Revenue	426,368,048	24,840,964	451,209,012	535,383,438
Expenses:				
Program service	402,208,436	-	402,208,436	358,373,372
Management and general	9,377,873	-	9,377,873	5,386,472
Fundraising	925,257	-	925,257	877,132
Total Expenses	412,511,566	-	412,511,566	364,636,976
Change in net assets	13,856,482	24,840,964	38,697,446	170,746,462
Net assets, beginning of year	19,159,565	404,816,768	423,976,333	253,229,871
Net assets, end of year	\$ 33,016,047	\$ 429,657,732	\$ 462,673,779	\$ 423,976,333

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

PATIENT ACCESS NETWORK FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

	Program Service	Management and General	Fundraising	2019 Total	2018 Total
Co-payment assistance	\$ 393,325,435	\$ -	\$ -	\$ 393,325,435	\$ 350,615,316
Program administration	4,676,036	-	-	4,676,036	3,465,722
Compensation expense	1,350,921	2,197,756	423,588	3,972,265	3,793,439
Board honorarium	-	136,000	-	136,000	137,000
Professional fees	290,076	1,278,391	-	1,568,467	3,573,873
Alliance	415,261	14,045	-	429,306	229,509
Travel	39,637	91,143	12,812	143,592	135,135
Conferences	14,853	50,797	4,190	69,840	68,186
Occupancy	290,029	22,952	6,260	319,241	365,156
Office expenses	34,072	667,854	56,898	758,824	1,016,987
Depreciation	1,146,551	90,734	24,746	1,262,031	1,236,653
Consulting services	625,565	2,787,786	396,763	3,810,114	-
Other expenses	-	2,040,415	-	2,040,415	-
	<u>\$ 402,208,436</u>	<u>\$ 9,377,873</u>	<u>\$ 925,257</u>	<u>\$ 412,511,566</u>	<u>\$ 364,636,976</u>

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

PATIENT ACCESS NETWORK FOUNDATION
STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 38,697,446	\$ 170,746,462
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation expense	1,262,031	1,236,653
Unrealized and realized (gains) losses on investments	(4,163,846)	3,540,547
Loss on disposal of fixed assets	40,414	-
Change in operating assets and liabilities:		
Contributions receivable	46,317,000	(11,825,000)
Prepaid expenses and other assets	(2,162,511)	148,355
Accounts payable	1,287,955	3,976,842
Co-payment assistance obligation	14,902,126	(8,889,659)
Net cash flows from operating activities	<u>96,180,615</u>	<u>158,934,200</u>
Cash flows from investing activities:		
Purchases of investments	(348,948,228)	(81,431,887)
Proceeds from sale of investments	300,993,097	37,607,705
Purchases of fixed assets	-	(67,749)
Net cash flows from investing activities	<u>(47,955,131)</u>	<u>(43,891,931)</u>
Net change in cash and cash equivalents	48,225,484	115,042,269
Cash and cash equivalents, beginning of year	196,460,171	81,417,902
Cash and cash equivalents, end of year	<u>\$ 244,685,655</u>	<u>\$ 196,460,171</u>

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

PATIENT ACCESS NETWORK FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

Note 1—Nature of organization and summary of significant accounting policies

Organization and Nature of Activities – The Patient Access Network Foundation (the “Foundation”) is an independent, non-profit organization incorporated under the District of Columbia Non-Profit Corporation Act on May 12, 2004, for the purpose of helping underinsured patients access needed treatments through co-payment assistance. The Foundation solicits, receives, and administers funds and other contributions for this purpose and is operated through an independent Board of Directors.

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The Financial Accounting Standards Board (“FASB”) has established the Accounting Standards Codification as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with U.S. GAAP. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation’s management and the Board of Directors. The Foundation has chosen to provide further classification information about net assets without donor restrictions on the statement of financial position. The sub classifications are as follows:

Invested in Fixed Assets – Represents net assets invested in fixed assets, net of accumulated depreciation.

Board Designated – Strategic Patient Assistance Initiative – Represents certain amounts designated by the Board of Directors to be utilized to meet specific objectives of the Foundation. The Strategic Patient Assistance Initiative funds may be strategically allocated by the board to specific disease funds or other patient initiatives to help further execute the mission of the Foundation.

Board Designated – Financial Reserve – Represents certain amounts designated by the Board of Directors to be utilized to meet specific objectives of the Foundation. The Financial Reserve funds may be used to pay for specified purposes that may not otherwise be accommodated in the budgetary year.

Undesignated – Represents the cumulative net assets without donor restrictions excluding those net assets invested in fixed assets and designated by the board for specific activities.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Other donor restrictions may require the Foundation to maintain funds in perpetuity. Generally, the donors of these assets permit the Foundation to use all of, or part of, the income earned on related investments for general or specific purposes. At December 31, 2019 and 2018, there are no net assets with donor restrictions to be maintained in perpetuity.

Contributions – Contributions are recognized when cash, other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or right of release, are not recognized until the conditions on which they depend have been substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

PATIENT ACCESS NETWORK FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

Note 1—Nature of organization and summary of significant accounting policies (continued)

Income Taxes – The Foundation is a non-profit, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management believes that the Foundation continues to satisfy the requirements of a tax-exempt organization and is not subject to tax. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements.

Management has evaluated the effect of FASB guidance on accounting for uncertainty in income taxes. The guidance clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements by prescribing a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Foundation's policy is to record a liability for any tax position taken that is beneficial to the Foundation, including any related interest and penalties, when it is more likely than not the position taken by management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination.

Cash and Cash Equivalents – The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, except for those short-term investments managed as part of the Foundation's investment management strategies as shown in Note 3. Cash and cash equivalents consist mainly of cash and money funds.

Investments – Investments in marketable securities with readily determinable fair values are included in the statement of financial position at fair value. Fair value is determined by reference to exchange or dealer-quoted market prices. If a quoted market price is not available, fair value is estimated using quoted market prices for similar investment securities. Changes in investments carried at fair value are reflected as investment income in the accompanying statement of activities.

Fixed Assets, Net – The Foundation capitalizes all property and equipment purchases greater than \$1,000 with a useful life greater than one year. Depreciation is determined using the straight-line method over the estimated useful lives of the assets as follows:

Leasehold improvements	10 - 15 years
Furniture and fixtures	8 - 10 years
Computer equipment and software	3 - 5 years

Co-Payment Assistance Expenses – The Foundation awards financial assistance to underinsured patients living with chronic or life-threatening diseases. The Foundation records the financial assistance as program service expense in the year approved based on available funding.

Co-Payment Assistance Obligation, Net – The Foundation records a co-payment assistance obligation for patients currently awarded grants based on estimated payments that are expected to be made using a model that compares the Foundation's emerging experience to previously estimated patient spending levels for the individual disease states. The Foundation has established an allowance to adjust the original award commitment for estimated participant withdrawals and unused funds that are projected to be available for new grants based on an actuarial study of historical experience of the disease state and current market conditions.

Fair Value Measurements – Fair value is 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 value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value.

PATIENT ACCESS NETWORK FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

Note 1—Nature of organization and summary of significant accounting policies (continued)

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. There have been no changes in the methodologies used at December 31, 2019 and 2018.

Three levels of inputs may be used to measure fair value:

Level 1 – Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;

Level 2 – Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies; and

Level 3 – Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

Use of Estimates – The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could significantly differ from those estimates.

Functional Allocation of Expenses – The costs of providing the various programs and activities has been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The expenses that are allocated include the following:

Expense	Method of Allocation
Compensation expense	Time and effort of the personnel of the Foundation
Occupancy	Employee headcount
Depreciation	Employee headcount

Comparative Totals – The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

PATIENT ACCESS NETWORK FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

Note 1—Nature of organization and summary of significant accounting policies (continued)

New Pronouncements – In June 2018, FASB issued Accounting Standards Update (“ASU”) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 provided a more detailed framework for determining whether a grant or similar contract should be accounted for as a contribution or as an exchange transaction. ASU 2018-08 also provides additional guidance to help determine whether a contribution is conditional, and better distinguish between a donor-imposed condition and a donor-imposed restriction. The ASU has been applied on a retrospective basis to all periods presented, which did not result in an adjustment to the financial statements.

Future Pronouncements – In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classifications affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2020. Management is currently evaluating the impact of the pending adoption.

Note 2—Liquidity and availability

Substantially all contributions received by the Foundation have donor-imposed restrictions requiring the funds to be used in accordance with the associated purpose restrictions on specific disease funds. Investment income earned on funds held for patient assistance is classified as income without donor restriction.

The Foundation considers investment income without donor restrictions, and contributions with donor restrictions for use in current patient assistance programs which are ongoing, major, and central to its annual operations, to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses, and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation’s fiscal year.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

1. Operating within a prudent range of financial soundness and stability,
2. Maintaining adequate liquid assets, and
3. Maintaining sufficient reserves to provide reasonable assurance that long-term grant commitments with donor restrictions, that support mission fulfillment, will continue to be met, ensuring the sustainability of the Foundation.

PATIENT ACCESS NETWORK FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

Note 2—Liquidity and availability (continued)

The following represents the Foundation’s financial assets available to meet general expenditures within one year as of December 31:

	<u>2019</u>	<u>2018</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 244,685,655	\$ 196,460,171
Contributions receivable	32,083,000	78,400,000
Investments - cash and money funds	5,649,720	14,238,439
Investments - other	324,158,505	263,450,809
Total financial assets	<u>606,576,880</u>	<u>552,549,419</u>
Less amounts not available to be used for general expenditures within one year:		
Board designated - Strategic Patient Assistance Initiative	976,607	1,036,607
Board designated - Financial Reserve	13,300,000	-
Financial assets available to meet general expenditures within one year:	<u>\$ 592,300,273</u>	<u>\$ 551,512,812</u>

The Foundation’s goal is generally to maintain readily available cash to meet the general expenditures over the next 12 months. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit. The Foundation has a \$195,000,000 line of credit available to meet cash flow needs if necessary, which is further described in Note 8. Board designated funds are not intended to be used for general expenditures, but can be drawn upon by management in accordance with the Foundation’s reserves policy.

Note 3—Investments

Investments are stated at fair value. The fair values are summarized as follows as of December 31:

	<u>2019</u>	<u>2018</u>
Cash and money funds	\$ 5,649,720	\$ 14,238,439
Certificates of deposit	2,405,460	4,193,284
Exchange traded and closed end funds	18,222,869	10,359,404
Mutual funds	1,271,571	948,670
Government, agency and asset backed securities	190,530,835	138,066,412
Corporate and international bonds	111,727,770	109,883,039
Total investments	<u>\$ 329,808,225</u>	<u>\$ 277,689,248</u>

The Foundation’s investments are exposed to various risks such as interest rates, market, liquidity, and credit risks. Due to the current and potential future volatility in the financial markets, it is possible that changes in the investment values and liquidity could occur in the near term and could materially affect the reported investments valued in the accompanying statement of financial position.

PATIENT ACCESS NETWORK FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

Note 3—Investments (continued)

Net investment income is comprised of the following for the years ended December 31:

	2019	2018
Interest and dividends	\$ 13,565,060	\$ 8,605,773
Realized gains, net	3,360,464	1,435,306
Unrealized gains (losses), net	803,382	(4,975,853)
Investment management fees	(555,327)	(425,442)
	<u>\$ 17,173,579</u>	<u>\$ 4,639,784</u>

Note 4—Contributions receivable

Contributions receivable are unconditional and all outstanding promises to give are current and anticipated to be collected within one year. Management periodically reviews contributions receivable and assesses their collectability. Management believes all outstanding contributions receivable are fully collectible; therefore, no allowance for uncollectible contributions receivable was necessary as of December 31, 2019 and 2018.

Note 5—Fixed assets

Fixed assets consist of the following at December 31:

	2019	2018
Computer equipment	\$ 4,090	\$ 22,022
Furniture and fixtures	832	120,837
Leasehold improvements	46,742	64,375
Software	5,949,148	5,949,148
	6,000,812	6,156,382
Accumulated depreciation	(2,802,671)	(1,655,796)
	<u>\$ 3,198,141</u>	<u>\$ 4,500,586</u>

Depreciation expense for the years ended December 31, 2019 and 2018 was \$1,262,031 and \$1,236,653, respectively.

PATIENT ACCESS NETWORK FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

Note 6—Co-payment assistance obligation, net

At December 31, 2019 and 2018, the Foundation reported \$137,364,470 and \$122,462,344, respectively, as co-payment assistance obligation to serve patients across a variety of disease states and treatment regimens.

Acromegaly	Inherited Retinal Disease Travel
Acute Myeloid Leukemia	Mantle Cell Lymphoma
Arrhythmia in Patients with Atrial Fibrillation or Atrial Flutter	Melanoma
Asthma	Metastatic Breast Cancer
Basal Cell Carcinoma	Multiple Myeloma
Chronic Iron or Lead Overload	Multiple Sclerosis
Chronic Lymphocytic Leukemia	Myelodysplastic Syndromes
Colorectal Cancer	Philadelphia Chromosome Negative Myeloproliferative Neoplasms
Cushing's Disease or Syndrome	Neutropenia
Diabetic Foot Ulcers	Non-Small Cell Lung Cancer
Gaucher Disease	Ovarian Cancer
Heart Failure	Parkinson's Disease
Hemophilia	Postmenopausal Osteoporosis
Hemophilia Premium	Prostate Cancer
Hepatitis C	Pulmonary Hypertension
Homozygous Familial Hypercholesterolemia Premium	Retinal Vein Occlusion
Hypercholesterolemia	Rheumatoid Arthritis
Hyperkalemia	Short Bowel Syndrome
Immune Thrombocytopenic Purpura	Short Bowel Syndrome Premium
Immune Thrombocytopenic Purpura Travel	Thyroid Cancer
Inflammatory Bowel Disease	Uveitis
Inherited Retinal Disease	Venous Leg Ulcers
Inherited Retinal Disease Premium	Wilson Disease

Note 7—Fair value measurements of assets and liabilities

The Foundation measures certain financial assets and liabilities at fair value on a recurring basis. Fair value is a market-based measurement that should be determined based on the assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the Foundation uses a three-level hierarchy established by FASB that prioritizes fair value measurements based on the types of inputs used for the various valuation techniques (market approach, income approach, and cost approach).

The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. Financial assets and liabilities are classified in their entirety based on the most stringent level of input that is significant to the fair value measurement.

PATIENT ACCESS NETWORK FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

Note 7—Fair value measurements of assets and liabilities (continued)

The following table presents information about the Foundation’s financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2019 and 2018, based on the level of input utilized to measure fair value.

December 31, 2019	Level 1	Level 2	Total
Investments:			
Cash and money funds	\$ 5,649,720	\$ -	\$ 5,649,720
Certificates of deposit	2,405,460	-	2,405,460
Equity investments:			
Exchange traded and closed end funds	18,222,869	-	18,222,869
Fixed income investments:			
Mutual funds	1,271,571	-	1,271,571
Government, agency, and asset backed securities	-	190,530,835	190,530,835
Corporate and international bonds	-	111,727,770	111,727,770
	<u>\$ 27,549,620</u>	<u>\$ 302,258,605</u>	<u>\$ 329,808,225</u>
December 31, 2018	Level 1	Level 2	Total
Investments:			
Cash and money funds	\$ 14,238,439	\$ -	\$ 14,238,439
Certificates of deposit	4,193,284	-	4,193,284
Equity investments:			
Exchange traded and closed end funds	10,359,404	-	10,359,404
Fixed income investments:			
Mutual funds	948,670	-	948,670
Government, agency, and asset backed securities	-	138,066,412	138,066,412
Corporate and international bonds	-	109,883,039	109,883,039
	<u>\$ 29,739,797</u>	<u>\$ 247,949,451</u>	<u>\$ 277,689,248</u>

The Foundation’s investment in government and agency securities and corporate bonds are valued based upon market transactions for comparable securities in active markets and various relationships between securities which are generally recognized by institutional traders.

As of December 31, 2019 and 2018, the Foundation had no Level 3 measurements and no assets or liabilities measured at fair value on a non-recurring basis.

Note 8—Portfolio loan

The Foundation has a portfolio loan agreement with a financial institution allowing for approximately \$195,000,000 (“Commitment Amount”) in borrowings. The Foundation is able to make either fixed rate or variable rate advances. The Commitment Amount is adjusted from time to time by the lender in accordance with the terms on the agreement. Repayments are made as soon as possible as contributions are received. Interest is paid monthly based on LIBOR plus the interest spread on any variable rate advance and a fixed rate based LIBOR for any fixed rate advance. The portfolio loan is secured by ten investment and cash accounts held by the Foundation totaling \$572,293,429 at December 31, 2019. There was no balance outstanding on the portfolio loan as of December 31, 2019 or 2018.

PATIENT ACCESS NETWORK FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

Note 9—Net assets with donor restrictions

The Foundation's net assets with donor restrictions are subject to purpose restrictions for patient assistance within certain disease funds. The active disease funds of the Foundation are listed in Note 6. Donor agreements also allow for certain percentages of the contributed funds to be used for program administration and other operating expenses of the Foundation. As of December 31, 2019 and 2018, donor restricted net assets were restricted for the following general categories:

	<u>2019</u>	<u>2018</u>
Cancer funds	\$ 297,619,307	\$ 263,450,412
Chronic disease funds	111,315,537	118,927,062
Rare disease funds	20,722,888	22,439,294
Total net assets with donor restrictions	<u>\$ 429,657,732</u>	<u>\$ 404,816,768</u>

Note 10—Master services agreements

The Foundation has various master services agreements with third parties that expire between 2018 and 2022, with annual renewals thereafter. During the years ended December 31, 2019 and 2018, management fees and expenses billed under these agreements to the Foundation totaled approximately \$17,780,000 and \$16,620,000, respectively. These fees are reported in both co-payment assistance and fees for program administration in the accompanying statement of functional expenses. Approximately \$1,872,000 and \$1,522,000 was payable under these agreements as of December 31, 2019 and 2018, respectively.

Note 11—Retirement plan

The Foundation has a 401(k) employee savings plan available to all employees who work over one thousand hours per year. The Foundation matches up to 4% of employee compensation. Foundation contributions to the plan were \$96,875 and \$94,104 for the years ended December 31, 2019 and 2018, respectively, and are included within benefits in management and general expenses and fundraising expenses on the statement of functional expenses.

Note 12—Contingencies and commitments

The Foundation leases office space under an operating lease, which commenced on September 15, 2011. The lease calls for monthly payments of \$5,844, subject to annual increases. In March 2013, the lease was amended which provides for monthly lease payments on the original lease of \$6,381, subject to annual increases and extends the term of the original lease through March 2019. The amendment also provides for an additional lease for additional office space which commenced April 1, 2013 and provides for monthly lease payments of \$6,869, subject to annual increases. These leases expired on May 30, 2019.

Effective October 13, 2017, the Foundation entered into an 11-year, noncancelable lease agreement for office space consisting of 6,659 square feet of rentable area. The lease commencement date is April 23, 2018, at which point monthly rent payments began. The Foundation leased office space for a monthly amount of \$28,300, subject to annual increases of 2.5%. The Foundation received rent abatements of \$18,000 per month for a total of 17 months.

PATIENT ACCESS NETWORK FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

Note 12—Contingencies and commitments (continued)

Future minimum rental payments are as follows:

<u>Years Ending December 31,</u>	
2020	\$ 356,802
2021	365,722
2022	374,865
2023	384,236
2024	393,842
Thereafter	2,121,919
	<u>\$ 3,997,386</u>

Occupancy expense amounted to \$319,241 and \$365,156 for the years ended December 31, 2019 and 2018, respectively.

Note 13—Concentrations of credit risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents. The Foundation places its cash and cash equivalents in financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. The Foundation from time to time may have amounts on deposit in excess of the insured limits. The Foundation had funds in financial institutions in excess of the federally insured limit of \$1,475,613 and \$642,793 at December 31, 2019 and 2018, respectively.

The Foundation receives contributions and promises to give from other organizations or individuals, primarily within the pharmaceutical drug industry. The Foundation's four largest donors represented 68% and 58% of total contributions in 2019 and 2018, respectively. Changes in economic conditions can directly affect a donor's ability and willingness to make future contributions to the Foundation. In addition, changing regulations within the pharmaceutical drug industry could further limit a donor's ability and willingness to make future contributions to the Foundation.

As of December 31, 2019, approximately 99% of the Foundation's contributions receivable were provided by two donors. As of December 31, 2018, approximately 83% of the Foundation's contributions receivable were provided by three donors.

Note 14—Subsequent events

The Foundation has evaluated subsequent events through April 17, 2020 in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

ACCOMPANYING INFORMATION

PATIENT ACCESS NETWORK FOUNDATION
SCHEDULE OF CONTRIBUTIONS BY MONTH

YEAR ENDED DECEMBER 31, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

	2019	2018
January	\$ 92,020,996	\$ 70,202,731
February	3,817,491	45,282,334
March	68,192,362	55,790,117
April	17,411,702	15,958,093
May	736,185	11,995,617
June	73,742,882	74,688,535
July	15,541,794	27,621,217
August	882,955	2,334,293
September	4,793,557	44,555,615
October	22,164,689	20,513,080
November	14,557,983	1,077,969
December	120,172,837	160,724,053
	<u>\$ 434,035,433</u>	<u>\$ 530,743,654</u>