

PATIENT ACCESS NETWORK FOUNDATION

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

***As of and for the Year Ended December 31, 2021
(With Summarized Comparative Totals for the Year Ended
December 31, 2020)***

And Report of Independent Auditor

PATIENT ACCESS NETWORK FOUNDATION

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Report of Independent Auditor

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

Opinion

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report of Summarized Comparative Information

We have previously audited the Foundation's 2020 financial statements, and we have expressed an unmodified audit opinion on those audited financial statements in our report dated October 7, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited statements from which it has been derived.

Report on Supplementary 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 is presented for purposes of additional analysis 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 LLP

Charlotte, North Carolina
June 7, 2022

PATIENT ACCESS NETWORK FOUNDATION
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021 (WITH COMPARATIVE TOTALS FOR 2020)

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 88,004,775	\$ 130,125,387
Investments	392,135,007	436,444,561
Contributions receivable	20,760,000	51,791,285
Prepaid expenses and other assets	955,227	701,822
Total Current Assets	<u>501,855,009</u>	<u>619,063,055</u>
Fixed assets, net	<u>6,115,693</u>	<u>1,997,574</u>
Total Assets	<u><u>\$ 507,970,702</u></u>	<u><u>\$ 621,060,629</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 14,854,822	15,030,637
Co-payment assistance obligation, net	162,103,371	169,370,182
Total Current Liabilities	<u>176,958,193</u>	<u>184,400,819</u>
Net Assets:		
Without Donor Restrictions:		
Invested in fixed assets	6,115,693	1,997,574
Board designated - Strategic Patient Assistance Initiative	52,894	380,517
Board designated - Financial Reserve	12,245,000	11,925,000
Undesignated	24,183,290	27,153,500
Total Without Donor Restrictions	<u>42,596,877</u>	<u>41,456,591</u>
With Donor Restrictions	<u>288,415,632</u>	<u>395,203,219</u>
Total Net Assets	<u>331,012,509</u>	<u>436,659,810</u>
Total Liabilities and Net Assets	<u><u>\$ 507,970,702</u></u>	<u><u>\$ 621,060,629</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, 2021 (WITH SUMMARIZED TOTALS FOR 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Support and Revenue:				
Contributions	\$ -	\$ 297,101,560	\$ 297,101,560	439,121,644
Net investment return	3,407,885	-	3,407,885	11,247,150
	3,407,885	297,101,560	300,509,445	450,368,794
Net assets released from restrictions	403,889,147	(403,889,147)	-	-
Total Support and Revenue	407,297,032	(106,787,587)	300,509,445	450,368,794
Expenses:				
Program service	398,507,825	-	398,507,825	466,305,622
Management and general	6,147,045	-	6,147,045	8,952,135
Fundraising	1,501,876	-	1,501,876	1,125,006
Total Expenses	406,156,746	-	406,156,746	476,382,763
Change in net assets	1,140,286	(106,787,587)	(105,647,301)	(26,013,969)
Net assets, beginning of year	41,456,591	395,203,219	436,659,810	462,673,779
Net assets, end of year	<u>\$ 42,596,877</u>	<u>\$ 288,415,632</u>	<u>\$ 331,012,509</u>	<u>\$ 436,659,810</u>

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, 2021 (WITH SUMMARIZED TOTALS FOR 2020)

	Program Service	Management and General	Fundraising	2021 Total	2020 Total
Co-payment assistance	\$ 380,051,359	\$ -	\$ -	\$ 380,051,359	\$ 454,243,207
Program administration	6,057,560	-	-	6,057,560	7,084,678
Compensation expense	4,666,777	2,672,251	846,652	8,185,680	4,143,002
Board honorarium	-	166,000	-	166,000	134,000
Professional fees	397,027	761,305	-	1,158,332	1,892,099
Alliance	289,420	-	-	289,420	369,840
Travel	9,770	87,470	394	97,634	43,308
Conferences	1,311	20,332	748	22,391	50,775
Occupancy	318,083	71,914	11,064	401,061	395,835
Office expenses	255,392	1,030,818	51,846	1,338,056	1,150,844
Depreciation	3,123,056	10,920	-	3,133,976	1,200,567
Consulting services	3,338,070	1,326,035	591,172	5,255,277	5,324,608
Other expenses	-	-	-	-	350,000
	<u>\$ 398,507,825</u>	<u>\$ 6,147,045</u>	<u>\$ 1,501,876</u>	<u>\$ 406,156,746</u>	<u>\$ 476,382,763</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, 2021 (WITH COMPARATIVE TOTALS FOR 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ (105,647,301)	\$ (26,013,969)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation expense	3,133,976	1,200,567
Unrealized and realized losses (gains) on investments	5,202,819	(2,134,646)
Change in operating assets and liabilities:		
Contributions receivable	31,031,285	(19,708,285)
Prepaid expenses and other assets	(253,405)	1,611,384
Accounts payable and accrued expenses	(175,815)	2,980,659
Co-payment assistance obligation	(7,266,811)	32,005,712
Net cash flows from operating activities	<u>(73,975,252)</u>	<u>(10,058,578)</u>
Cash flows from investing activities:		
Purchases of fixed assets	(7,252,095)	-
Purchases of investments	(15,394,026)	(122,464,376)
Proceeds from sale of investments	54,500,761	17,962,686
Net cash flows from investing activities	<u>31,854,640</u>	<u>(104,501,690)</u>
Net change in cash and cash equivalents	(42,120,612)	(114,560,268)
Cash and cash equivalents, beginning of year	130,125,387	244,685,655
Cash and cash equivalents, end of year	<u>\$ 88,004,775</u>	<u>\$ 130,125,387</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, 2021 (WITH COMPARATIVE TOTALS FOR 2020)

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. On April 5, 2021, the Foundation insourced its call center operation.

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 objectives.

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, 2021 and 2020, 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, 2021 (WITH COMPARATIVE TOTALS FOR 2020)

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

The Foundation capitalizes internally developed software costs in accordance with FASB Accounting Standards Codification Topic 350-40, *Internal-Use Software*. The Foundation has capitalized approximately \$2,170,000 of software development costs for the year-ended December 31, 2021. Amortization has not yet begun as the software has not yet been implemented.

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.

PATIENT ACCESS NETWORK FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 (WITH COMPARATIVE TOTALS FOR 2020)

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

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.

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, 2021 and 2020.

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 have 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:

<u>Expense</u>	<u>Method of Allocation</u>
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, 2020, from which the summarized information was derived.

PATIENT ACCESS NETWORK FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 (WITH COMPARATIVE TOTALS FOR 2020)

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

Future Pronouncements – In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 was subsequently amended by ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842*; ASU 2018-11, *Targeted Improvements*; ASU 2018-20 *Narrow-Scope Improvements for Lessors*; ASU 2021-05 *Certain Leases with Variable Lease Payments*; and ASU 2021-09 *Discount Rate for Lessees That Are Not Public Business Entities*. The ASU requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statements of operations. This ASU will be effective for the year ended December 31, 2022, and a modified retrospective approach is required with certain practical expedients available including the option to apply the new guidance at the adoption date without adjusting prior periods presented. Management is currently evaluating the impact of the pending adoption.

In September 2020, FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958) – Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in this ASU are intended to improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The new standard is effective for fiscal years beginning after June 15, 2021. 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 restrictions.

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, 2021 (WITH COMPARATIVE TOTALS FOR 2020)

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>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 88,004,775	\$ 130,125,387
Contributions receivable	20,760,000	51,791,285
Investments - cash and money funds	13,409,762	10,035,077
Investments - other	<u>378,725,245</u>	<u>426,409,484</u>
Total financial assets	<u>500,899,782</u>	<u>618,361,233</u>
Less amounts not available to be used for general expenditures within one year:		
Board designated - Strategic Patient Assistance Initiative	52,894	380,517
Board designated - Financial Reserve	<u>12,245,000</u>	<u>11,925,000</u>
Financial assets available to meet general expenditures within one year:	<u>\$ 488,601,888</u>	<u>\$ 606,055,716</u>

The Foundation’s goal is generally to maintain readily available cash to meet the general expenditures over the next 12 months. The Foundation considers general expenditures to include all program service activity related to its mission as well as the supporting services required to administer those programs. General expenditures are primarily funded by donor-restricted contributions and the Foundation’s financial assets without donor restriction. 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>2021</u>	<u>2020</u>
Cash and money funds	\$ 13,409,762	\$ 10,035,077
Certificates of deposit	497,880	1,237,673
Exchange traded and closed-end funds	9,847,982	15,456,726
Mutual funds	13,142,086	6,850,879
Government, agency and asset backed securities	219,093,286	274,290,176
Corporate and international bonds	<u>136,144,011</u>	<u>128,574,030</u>
Total investments	<u>\$ 392,135,007</u>	<u>\$ 436,444,561</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, 2021 (WITH COMPARATIVE TOTALS FOR 2020)

Note 3—Investments (continued)

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

	2021	2020
Interest and dividends	\$ 9,226,883	\$ 9,824,200
Realized gains, net	3,951,441	1,751,667
Unrealized (loss) gains, net	(9,154,260)	382,979
Investment management fees	(616,179)	(711,696)
	<u>\$ 3,407,885</u>	<u>\$ 11,247,150</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, 2021 and 2020.

Note 5—Fixed assets

Fixed assets consist of the following at December 31:

	2021	2020
Computer equipment	\$ 4,090	\$ 4,090
Furniture and fixtures	832	832
Leasehold improvements	630,813	46,742
Software	12,617,174	5,949,148
	13,252,909	6,000,812
Accumulated depreciation	(7,137,216)	(4,003,238)
	<u>\$ 6,115,693</u>	<u>\$ 1,997,574</u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$3,133,976 and \$1,200,567, respectively.

PATIENT ACCESS NETWORK FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 (WITH COMPARATIVE TOTALS FOR 2020)

Note 6—Co-payment assistance obligation, net

At December 31, 2021 and 2020, the Foundation reported \$162,103,371 and \$169,370,182, respectively, as co-payment assistance obligation to serve patients across a variety of disease states and treatment regimens.

Acromegaly	Hemophilia Premium	Ovarian Cancer
Acute Myeloid Leukemia	Hepatitis C	Pancreatic Cancer
Amyloidosis	HIV Treatment and Prevention	Parkinson's Disease
Ankylosing Spondylitis	Hypercholesterolemia	Paroxysmal Nocturnal Hemoglobin
Asthma	Hyperkalemia	Plaque Psoriasis
Atopic Dermatitis	Immune Thrombo Purpura	Postmenopausal Osteoporosis
Basal Cell Carcinoma	Immune Thrombo Purpura Travel	Prostate Cancer
Biliary Tract Cancer	Inflammatory Bowel Disease	Prostate Cancer Travel
Bipolar Disorder	Inherited Retinal	Psoriatic Arthritis
Bladder Cancer	Inherited Retinal Premium	Pulmonary Hypertension
Carcinoid Syndrome	Inherited Retinal Travel	Renal Cell Carcinoma
Chronic Iron or Lead Overload	Liver Cancer	Retinal Vein Occlusion
Chronic Lymphocytic Leukemia	Macular Diseases	Rheumatoid Arthritis
Colorectal Cancer	Mantle Cell Lymphoma	Schizophrenia
COVID-19 Financial Support	Melanoma	Short Bowel Syndrome
Cushing's Disease or Syndrome	Met Breast Cancer	Short Bowel Syndrome Prem
Diabetic Foot Ulcer	Multiple Myeloma	Sickle Cell Disease
Fabry Disease	Multiple Sclerosis	Small Cell Lung Cancer
Fabry Disease Premium	Myasthenia Gravis	Spinal Muscular Atrophy
Gaucher Disease	Myeloproliferative Neoplasms	Transportation
Glioblastoma Multiforme	Neuromyelitis Optica Spectrum D	Uveitis
Graft vs Host Disease	Neurotrophic Keratitis	Venous Leg Ulcers
Heart Failure	Neutropenia	Von Willebrand Disease
Hemolytic Uremic Syndrome	Non-Hodgkin's Lymphoma	Waldenstrom Macroglobulinemia
Hemophilia	Non-Small Cell Lung Cancer	

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, 2021 (WITH COMPARATIVE TOTALS FOR 2020)

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, 2021 and 2020, based on the level of input utilized to measure fair value.

December 31, 2021	Level 1	Level 2	Total
Investments:			
Cash and money funds	\$ 13,409,762	\$ -	\$ 13,409,762
Certificates of deposit	497,880	-	497,880
Equity investments:			
Exchange traded and closed-end funds	9,847,982	-	9,847,982
Fixed income investments:			
Mutual funds	13,142,086	-	13,142,086
Government, agency, and asset backed securities	-	219,093,286	219,093,286
Corporate and international bonds	-	136,144,011	136,144,011
	<u>\$ 36,897,710</u>	<u>\$ 355,237,297</u>	<u>\$ 392,135,007</u>
December 31, 2020	Level 1	Level 2	Total
Investments:			
Cash and money funds	\$ 10,035,077	\$ -	\$ 10,035,077
Certificates of deposit	1,237,673	-	1,237,673
Equity investments:			
Exchange traded and closed-end funds	15,456,726	-	15,456,726
Fixed income investments:			
Mutual funds	6,850,879	-	6,850,879
Government, agency, and asset backed securities	-	274,290,176	274,290,176
Corporate and international bonds	-	128,574,030	128,574,030
	<u>\$ 33,580,355</u>	<u>\$ 402,864,206</u>	<u>\$ 436,444,561</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, 2021 and 2020, 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 eleven investment and cash accounts held by the Foundation totaling \$477,611,328 at December 31, 2021. There was no balance outstanding on the portfolio loan as of December 31, 2021 or 2020.

PATIENT ACCESS NETWORK FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 (WITH COMPARATIVE TOTALS FOR 2020)

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, 2021 and 2020, donor restricted net assets were restricted for the following general categories:

	<u>2021</u>	<u>2020</u>
Cancer funds	\$ 207,281,356	\$ 284,851,282
Chronic disease funds	45,483,018	85,058,391
Rare disease funds	35,651,258	25,293,546
Total net assets with donor restrictions	<u>\$ 288,415,632</u>	<u>\$ 395,203,219</u>

Note 10—Master services agreements

The Foundation has various master services agreements with third parties that expire between 2021 and 2022, with annual renewals thereafter. During the years ended December 31, 2021 and 2020, management fees and expenses billed under these agreements to the Foundation totaled approximately \$7,270,000 and \$20,320,000, respectively. These fees are reported in both co-payment assistance and fees for program administration in the accompanying statement of functional expenses. Approximately \$353,000 and \$2,098,000 was payable under these agreements as of December 31, 2021 and 2020, 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 \$199,948 and \$133,259 for the years ended December 31, 2021 and 2020, respectively, and are included within compensation expense in management and general expenses and fundraising expenses on the statement of functional expenses. The Foundation has a deferred-compensation plan eligible to a select group of individuals, where the participants become fully vested on December 31, 2023, if the participant remains continuously employed by the Foundation on a full-time basis through that date. The maximum potential payout is approximately \$710,000.

Note 12—Leases

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, 2021 (WITH COMPARATIVE TOTALS FOR 2020)

Note 12—Leases (continued)

Future minimum rental payments are as follows:

<u>Years Ending December 31,</u>	
2022	\$ 374,865
2023	384,236
2024	393,842
2025	403,688
2026	413,781
Thereafter	1,304,450
	<u>\$ 3,274,862</u>

Occupancy expense amounted to \$401,061 and \$395,835 for the years ended December 31, 2021 and 2020, 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 \$87,816,612 and \$129,587,243 at December 31, 2021 and 2020, respectively. Of this amount, \$85,476,321 and \$128,500,380 was held within the investment portfolio at December 31, 2021 and 2020, respectively.

The Foundation receives contributions and promises to give from other organizations or individuals, primarily within the pharmaceutical drug industry. The Foundation's five largest donors represented 83% of total contributions in 2021. The Foundation's four largest donors represented 75% of total contributions 2020. 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, 2021, approximately 87% of the Foundation's contributions receivable were provided by two donors. As of December 31, 2020, approximately 99% of the Foundation's contributions receivable were provided by three donors.

Note 14—Subsequent events

The Foundation has evaluated subsequent events through June 7, 2022 in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

PATIENT ACCESS NETWORK FOUNDATION
SCHEDULE OF CONTRIBUTIONS BY MONTH

YEAR ENDED DECEMBER 31, 2021 (WITH COMPARATIVE TOTALS FOR 2020)

	2021	2020
January	\$ 9,860,935	\$ 12,707,973
February	29,208,324	2,525,868
March	39,671,420	68,020,848
April	17,119,157	65,741,597
May	1,924,277	323,411
June	60,463,133	40,528,694
July	9,729,412	9,842,904
August	8,682,729	4,034,087
September	19,859,241	82,323,633
October	8,442,209	7,754,114
November	17,853,885	11,096,112
December	74,286,838	134,222,403
	<u>\$ 297,101,560</u>	<u>\$ 439,121,644</u>