

PATIENT ACCESS NETWORK FOUNDATION

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

***As of and for the Year Ended December 31, 2023
(With Summarized Comparative Totals as of and for the
Year Ended December 31, 2022)***

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.

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, 2023, 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, 2023, and the changes in its net assets and 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 audit. We believe 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 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 2022 financial statements, and we have expressed an unmodified audit opinion on those audited financial statements in our report dated July 20, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 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 as noted on the table of contents 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
May 15, 2024

PATIENT ACCESS NETWORK FOUNDATION
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 103,014,040	\$ 92,539,164
Investments	294,935,671	288,504,938
Contributions receivable	58,339,999	12,959,999
Prepaid expenses and other assets	1,011,968	1,680,327
Total Current Assets	<u>457,301,678</u>	<u>395,684,428</u>
Fixed assets, net	9,114,545	6,987,864
Operating lease right-of-use asset	2,151,853	2,519,369
Total Assets	<u><u>\$ 468,568,076</u></u>	<u><u>\$ 405,191,661</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 9,898,236	\$ 12,484,058
Co-payment assistance obligation, net	95,303,051	122,732,163
Current portion of operating lease liability	382,972	371,928
Total Current Liabilities	<u>105,584,259</u>	<u>135,588,149</u>
Operating lease liability, net of current portion	<u>1,795,431</u>	<u>2,178,403</u>
Total Liabilities	<u><u>107,379,690</u></u>	<u><u>137,766,552</u></u>
Net Assets:		
Without Donor Restrictions:		
Invested in fixed assets and leases, net	9,087,995	6,956,902
Board designated - Strategic Patient Assistance Initiative	52,894	52,894
Board designated - Financial Reserve	10,320,000	12,500,000
Undesignated	13,442,846	1,357,660
Total Without Donor Restrictions	<u>32,903,735</u>	<u>20,867,456</u>
With Donor Restrictions	<u>328,284,651</u>	<u>246,557,653</u>
Total Net Assets	<u><u>361,188,386</u></u>	<u><u>267,425,109</u></u>
Total Liabilities and Net Assets	<u><u>\$ 468,568,076</u></u>	<u><u>\$ 405,191,661</u></u>

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

PATIENT ACCESS NETWORK FOUNDATION
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2023 (WITH SUMMARIZED TOTALS FOR 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Support and Revenue:				
Contributions	\$ 358,641	\$ 363,827,555	\$ 364,186,196	\$ 277,827,701
Net investment return	17,376,137	-	17,376,137	(11,320,534)
Other income	62,428	-	62,428	-
	<u>17,797,206</u>	<u>363,827,555</u>	<u>381,624,761</u>	<u>266,507,167</u>
Net assets released from restrictions	<u>282,100,557</u>	<u>(282,100,557)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>299,897,763</u>	<u>81,726,998</u>	<u>381,624,761</u>	<u>266,507,167</u>
Expenses:				
Program service	268,960,814	-	268,960,814	321,134,356
Management and general	15,050,432	-	15,050,432	7,650,576
Fundraising	3,850,238	-	3,850,238	1,309,635
Total Expenses	<u>287,861,484</u>	<u>-</u>	<u>287,861,484</u>	<u>330,094,567</u>
Change in net assets	12,036,279	81,726,998	93,763,277	(63,587,400)
Net assets, beginning of year	<u>20,867,456</u>	<u>246,557,653</u>	<u>267,425,109</u>	<u>331,012,509</u>
Net assets, end of year	<u>\$ 32,903,735</u>	<u>\$ 328,284,651</u>	<u>\$ 361,188,386</u>	<u>\$ 267,425,109</u>

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

PATIENT ACCESS NETWORK FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2023 (WITH SUMMARIZED TOTALS FOR 2022)

	Program Service	Management and General	Fundraising	2023 Total	2022 Total
Co-payment assistance	\$ 255,391,522	\$ -	\$ -	\$ 255,391,522	\$ 298,040,691
Program administration	2,615,127	-	-	2,615,127	4,536,816
Compensation expense	5,179,611	6,680,204	905,857	12,765,672	8,647,880
Board honorarium	-	152,000	-	152,000	162,000
Professional fees	340,045	2,465,181	-	2,805,226	1,885,242
Alliance	224,777	-	-	224,777	280,505
Travel	72,061	323,455	34,984	430,500	208,365
Conferences	13,777	311,944	4,451	330,172	161,508
Occupancy	-	414,442	-	414,442	411,283
Office expenses	673,242	809,203	11,296	1,493,741	1,300,295
Insurance	-	330,651	-	330,651	340,947
Depreciation and amortization	375,000	16,711	-	391,711	3,560,778
Consulting services	4,075,652	3,546,641	2,893,650	10,515,943	10,558,257
	<u>\$ 268,960,814</u>	<u>\$ 15,050,432</u>	<u>\$ 3,850,238</u>	<u>\$ 287,861,484</u>	<u>\$ 330,094,567</u>

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

PATIENT ACCESS NETWORK FOUNDATION
STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 93,763,277	\$ (63,587,400)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization expense	391,711	3,560,778
Unrealized and realized (gains) losses on investments	(3,139,418)	18,517,880
Noncash lease expense	(4,412)	30,961
Change in operating assets and liabilities:		
Contributions receivable	(45,380,000)	7,800,001
Prepaid expenses and other assets	668,359	(725,100)
Accounts payable and accrued expenses	(2,873,194)	(2,370,764)
Co-payment assistance obligation	(27,429,112)	(39,371,208)
Net cash flows from operating activities	<u>15,997,211</u>	<u>(76,144,852)</u>
Cash flows from investing activities:		
Purchases of fixed assets	(2,231,020)	(4,432,948)
Purchases of investments	(453,799,418)	(9,845,441)
Proceeds from sale of investments	450,508,103	94,957,630
Net cash flows from investing activities	<u>(5,522,335)</u>	<u>80,679,241</u>
Net change in cash and cash equivalents	10,474,876	4,534,389
Cash and cash equivalents, beginning of year	<u>92,539,164</u>	<u>88,004,775</u>
Cash and cash equivalents, end of year	<u>\$ 103,014,040</u>	<u>\$ 92,539,164</u>
Supplemental disclosure of cash flow information:		
Right-of-use asset obtained in exchange for lease liability	<u>\$ -</u>	<u>\$ 2,911,491</u>
Fixed assets in accounts payable	<u>\$ 287,372</u>	<u>\$ -</u>

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

PATIENT ACCESS NETWORK FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

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.

In December 2023, the Foundation formed PAN BrightTrack, LLC a limited liability company registered in Delaware. The Foundation is the sole member of the PAN BrightTrack, LLC. The purpose of PAN BrightTrack, LLC is to pursue activities related to clinical trials. PAN BrightTrack, LLC had no activity during the year ended December 31, 2023.

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 (“ASC”) 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 and Leases – Represents net assets invested in fixed assets and operating leases, net of accumulated depreciation and liabilities.

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 leases 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, 2023 and 2022, there are no net assets with donor restrictions to be maintained in perpetuity.

PATIENT ACCESS NETWORK FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

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

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.

Income Taxes – The Foundation is a non-profit, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management believes 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 return 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 and amortization 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 ASC Topic 350-40, *Internal-Use Software*. The Foundation has capitalized approximately \$9,084,659 of software development costs for the year-ended December 31, 2023. Amortization has not yet begun as the software has not yet been implemented.

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, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

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

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.

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, 2023 or 2022.

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, 2022, from which the summarized information was derived.

PATIENT ACCESS NETWORK FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

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.

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

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 103,014,040	\$ 92,539,164
Contributions receivable	58,339,999	12,959,999
Investments	<u>294,935,671</u>	<u>288,504,938</u>
Total financial assets	456,289,710	394,004,101
Less amounts not available to be used for general expenditures within one year:		
Board designated - Strategic Patient Assistance Initiative	52,894	52,894
Board designated - Financial Reserve	<u>10,320,000</u>	<u>12,500,000</u>
Financial assets available to meet general expenditures within one year	<u>\$ 445,916,816</u>	<u>\$ 381,451,207</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. 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.

PATIENT ACCESS NETWORK FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

Note 3—Investments

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

	<u>2023</u>	<u>2022</u>
Cash and money market funds	\$ 105,628,165	\$ 18,180,408
Equity investments	22,149,560	18,434,490
Fixed income investments	167,157,946	251,890,040
Total investments	<u>\$ 294,935,671</u>	<u>\$ 288,504,938</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.

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

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 14,513,052	\$ 7,890,347
Realized losses, net	(4,332,626)	(1,517,025)
Unrealized gains (losses), net	7,472,044	(17,000,855)
Investment management fees	(276,333)	(693,001)
	<u>\$ 17,376,137</u>	<u>\$ (11,320,534)</u>

Note 4—Contributions receivable

Contributions receivable is 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 is fully collectible; therefore, no allowance for uncollectible contributions receivable was necessary as of December 31, 2023 or 2022.

Note 5—Fixed assets

Fixed assets consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Computer equipment	\$ -	\$ 4,090
Furniture and fixtures	-	832
Leasehold improvements	584,071	630,813
Software in development	19,541,855	17,050,123
	20,125,926	17,685,858
Accumulated depreciation	(11,011,381)	(10,697,994)
	<u>\$ 9,114,545</u>	<u>\$ 6,987,864</u>

Depreciation and amortization expense for the years ended December 31, 2023 and 2022 was \$391,711 and \$3,560,778, respectively.

PATIENT ACCESS NETWORK FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

Note 6—Co-payment assistance obligation, net

At December 31, 2023 and 2022, the Foundation reported \$95,303,051 and \$122,732,163, respectively, as co-payment assistance obligation to serve patients across a variety of disease states and treatment regimens.

Acromegaly	HIV Treatment and Prevention	Pemphigus Vulgaris
Amyloidosis	Hypercholesterolemia	Philadelphia Chromosome
Ankylosing Spondylitis	Hyperkalemia	Negative Myeloproliferative Neoplasms
Asthma	Immune Thrombocytopenic Purpura	Plaque Psoriasis
Atopic Dermatitis	Inflammatory Bowel Disease	Pompe Disease
Basal Cell Carcinoma	Inherited Retinal	Postmenopausal Osteoporosis
Biliary Tract Cancer	Inherited Retinal Premium	Prostate Cancer
Bipolar Disorder	Liver Cancer	Pulmonary Hypertension
Bladder Cancer	Lysosomal Acid Lipase Deficiency	Renal Cell Carcinoma
Chronic Lymphocytic Leukemia	Macular Diseases	Retinal Vein Occlusion
Colorectal Cancer	Mantle Cell Lymphoma	Rett Syndrome
Cushing's Disease or Syndrome	Melanoma	Rheumatoid Arthritis
Diabetic Foot Ulcer	Breast Cancer	Schizophrenia
Duchenne Muscular Dystrophy	Multiple Myeloma	Short Bowel Syndrome
Fabry Disease	Multiple Sclerosis	Sickle Cell Disease
Fabry Disease Premium	Myasthenia Gravis	Small Cell Lung Cancer
Gastrointestinal Stromal Tumors	Neuromyelitis Optica Spectrum D	Spinal Muscular Atrophy
Gaucher Disease	Neurotrophic Keratitis	Systemic Lupus Erythematosus
Glioblastoma Multiforme	Neutropenia	Transportation
Graft vs Host Disease	Non-Hodgkin's Lymphoma	Type 2 Diabetes
Heart Failure	Non-Small Cell Lung Cancer	Uveitis
Hemolytic Uremic Syndrome	Ovarian Cancer	Venous Leg Ulcers
Hemophilia	Pancreatic Cancer	Von Willebrand Disease
Hemophilia Premium	Parkinson's Disease	Waldenstrom Macroglobulinemia
Hepatitis C	Paroxysmal Nocturnal Hemoglobinuria	

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, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

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, 2023 and 2022, based on the level of input utilized to measure fair value:

<u>December 31, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments:			
Cash and money funds	\$ 105,628,165	\$ -	\$ 105,628,165
Equity investments	22,149,560	-	22,149,560
Fixed income investments	-	167,157,946	167,157,946
	<u>\$ 127,777,725</u>	<u>\$ 167,157,946</u>	<u>\$ 294,935,671</u>
<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments:			
Cash and money funds	\$ 18,180,408	\$ -	\$ 18,180,408
Equity investments	18,434,490	-	18,434,490
Fixed income investments	-	251,890,040	251,890,040
	<u>\$ 36,614,898</u>	<u>\$ 251,890,040</u>	<u>\$ 288,504,938</u>

The Foundation’s investment in fixed income investments 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, 2023 and 2022, 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 had 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 was paid monthly based on 30-day SOFR Average plus the 0.11%. The portfolio loan was secured by 13 investment and cash accounts held by the Foundation totaling \$379,795,840 at December 31, 2022. There was no balance outstanding on the portfolio loan as of December 31, 2022. The portfolio loan was closed during the year ended December 31, 2023.

PATIENT ACCESS NETWORK FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

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, 2023 and 2022, donor restricted net assets were restricted for the following general categories:

	<u>2023</u>	<u>2022</u>
Cancer funds	\$ 226,112,670	\$ 158,502,121
Chronic disease funds	29,036,786	43,112,088
Rare disease funds	<u>73,135,195</u>	<u>44,943,444</u>
Total net assets with donor restrictions	<u>\$ 328,284,651</u>	<u>\$ 246,557,653</u>

Note 10—Commitments and service agreements

The Foundation has various master services agreements with third parties that expire in 2026. During the years ended December 31, 2023 and 2022, management fees and expenses billed under these agreements to the Foundation totaled approximately \$2,084,671 and \$2,414,000, respectively. These fees are reported in both co-payment assistance and fees for program administration in the accompanying statement of functional expenses. These agreements are volume based and have no minimum committed fees.

Note 11—Retirement plan

The Foundation has a 401(k) employee savings plan available to all employees who are at least 21 years old and have completed three months of service with the Foundation. The Foundation matches up to 4% of employee compensation. Foundation contributions to the plan were \$402,154 and \$304,227 for the years ended December 31, 2023 and 2022, respectively, and are included within compensation expense on the statement of functional expenses. The Foundation had a deferred compensation plan eligible to a select group of individuals, where the participants became fully vested on December 31, 2023 and were paid out. The payout during the year ended December 31, 2023 was \$588,861.

Note 12—Leases

The Foundation leases office space. The Foundation determines whether a contract contains a lease at inception by determining if the contract conveys the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration.

Right-of-use (“ROU”) assets and lease liabilities are recognized at the commencement date based on the present value of the future minimum lease payments over the lease term. Renewal and termination clauses that are factored into the determination of the lease term if it is reasonably certain these options would be exercised by the Foundation. Lease assets are amortized over the lease term unless there is a transfer of title or purchase option reasonably certain of exercise, in which case the asset life is used. In order to determine the present value of lease payments, the Foundation uses the implicit rate when it is readily determinable. As the Foundation’s lease does not provide an implicit rate, management elected to use the risk-free rate to determine the present value of lease payments.

PATIENT ACCESS NETWORK FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

Note 12—Leases (continued)

The Foundation's lease agreement does not contain any material residual value guarantee or material restrictive covenants. The Foundation does not have a lease where it is involved with the construction or design of an underlying asset. The Foundation has no material obligation for leases signed but not yet commenced as of December 31, 2023.

Future minimum lease payments are as follows:

Years Ending December 31,

2024	\$ 390,854
2025	400,625
2026	410,641
2027	420,907
2028	431,429
Thereafter	<u>147,405</u>
Total undiscounted cash flows	2,201,861
Less present value discount	<u>(23,458)</u>
Total lease liabilities	<u><u>\$ 2,178,403</u></u>

Required supplemental information relating to our lease is as follows:

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 381,321	\$ 372,020
ROU assets obtained in exchange for new operating lease liabilities	\$ -	\$ 2,911,491
Weighted-average remaining lease term in years for operating leases	5	6
Weighted-average discount rate for operating leases	0.4%	0.4%

Operating lease expense amounted to \$414,442 and \$411,283 for the years ended December 31, 2023 and 2022, respectively.

The Foundation entered into a sublease agreement in September 2023. The term of the sublease extends through September 2029. Sublease revenue amounted to \$62,428 for the year ended December 31, 2023 and was reported on the statement of activities within other income.

The following is a schedule of future minimum payments to the Foundation by the lessee:

Years Ending December 31,

2024	\$ 252,210
2025	262,298
2026	272,790
2027	283,702
2028	295,050
Thereafter	<u>227,860</u>
	<u><u>\$ 1,593,910</u></u>

PATIENT ACCESS NETWORK FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

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 \$102,546,618 and \$91,685,354 at December 31, 2023 and 2022, respectively. Of this amount, \$91,290,902 was held within the investment portfolio at December 31, 2022. No such amounts were held within investments at December 31, 2023.

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 69% of total contributions in 2023. The Foundation's four largest donors represented 68% of total contributions in 2022. 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, 2023, approximately 93% of the Foundation's contributions receivable were provided by three donors. As of December 31, 2022, approximately 100% of the Foundation's contributions receivable were provided by three donors.

Note 14—Subsequent events

The Foundation has evaluated subsequent events through May 15, 2024 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, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

	2023	2022
January	\$ 33,725,661	\$ 3,567,611
February	13,295,933	44,518,351
March	43,364,789	23,711,272
April	19,396,048	12,555,151
May	12,396,168	19,839,196
June	26,179,005	20,001,324
July	16,961,653	46,140,171
August	3,323,113	3,730,157
September	26,005,979	6,531,133
October	2,303,834	2,107,550
November	14,475,412	15,853,824
December	152,758,601	79,271,961
	<u>\$ 364,186,196</u>	<u>\$ 277,827,701</u>

See Report of Independent Auditor.