

PATIENT ACCESS NETWORK FOUNDATION

FINANCIAL STATEMENTS AND ACCOMPANYING INFORMATION

***Year Ended December 31, 2018
(with Comparative Totals for the Year Ended December 31, 2017)***

And Report of Independent Auditor

PATIENT ACCESS NETWORK FOUNDATION

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Report of Independent Auditor

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, 2018, 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report of Summarized Comparative Information

We have previously audited the Foundation's 2017 financial statements, and we have expressed an unmodified audit opinion on those audited financial statements in our report dated May 17, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, 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 schedules 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.

Changes in Financial Statement Presentation

As discussed in Note 1, the Foundation adopted Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The provisions of the ASU provide for enhanced presentation and disclosure of expenses, liquidity and availability of resources and donor-imposed restrictions. Our opinion is not modified with respect to this matter.

Cherry Bekaert LLP

Charlotte, North Carolina
April 19, 2019

PATIENT ACCESS NETWORK FOUNDATION
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 196,460,171	\$ 81,417,902
Investments	277,689,248	237,405,613
Pledges receivable	78,400,000	66,575,000
Prepaid expenses and other assets	150,695	299,050
Total Current Assets	<u>552,700,114</u>	<u>385,697,565</u>
Fixed assets, net	<u>4,500,586</u>	<u>5,669,490</u>
Total Assets	<u><u>\$ 557,200,700</u></u>	<u><u>\$ 391,367,055</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 10,762,023	\$ 6,785,181
Co-payment assistance obligation, net	122,462,344	131,352,003
Total Current Liabilities	<u>133,224,367</u>	<u>138,137,184</u>
Net Assets:		
Without Donor Restrictions:		
Invested in fixed assets	4,500,586	5,669,490
Board designated - Strategic Patient Assistance Initiative	1,036,607	791,244
Undesignated	13,622,372	5,622,460
Total Without Donor Restrictions	<u>19,159,565</u>	<u>12,083,194</u>
With Donor Restrictions	<u>404,816,768</u>	<u>241,146,677</u>
Total Net Assets	<u>423,976,333</u>	<u>253,229,871</u>
Total Liabilities and Net Assets	<u><u>\$ 557,200,700</u></u>	<u><u>\$ 391,367,055</u></u>

PATIENT ACCESS NETWORK FOUNDATION
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total
Support and Revenue:				
Contributions	\$ -	\$ 530,743,654	\$ 530,743,654	\$ 525,431,993
Net investment income	4,639,784	-	4,639,784	5,164,442
	4,639,784	530,743,654	535,383,438	530,596,435
Net assets released from restrictions	367,073,563	(367,073,563)	-	-
Total Support and Revenue	371,713,347	163,670,091	535,383,438	530,596,435
Expenses:				
Program service	358,373,372	-	358,373,372	354,279,087
Management and general	5,386,472	-	5,386,472	5,324,765
Fundraising	877,132	-	877,132	689,177
Total Expenses	364,636,976	-	364,636,976	360,293,029
Change in net assets	7,076,371	163,670,091	170,746,462	170,303,406
Net assets, beginning of year	12,083,194	241,146,677	253,229,871	82,926,465
Net assets, end of year	\$ 19,159,565	\$ 404,816,768	\$ 423,976,333	\$ 253,229,871

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, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

	Program Service	Management and General	Fundraising	Total 2018	Total 2017
Co-payment assistance	\$ 350,615,316	\$ -	\$ -	\$ 350,615,316	\$ 347,865,265
Program administration	3,465,722	-	-	3,465,722	2,790,377
Compensation expense	1,422,769	1,951,792	418,878	3,793,439	3,801,331
Board honorarium	-	137,000	-	137,000	140,000
Professional fees	1,060,576	2,174,361	338,936	3,573,873	3,352,858
Alliance	223,559	5,950	-	229,509	126,016
Travel	24,539	103,326	7,270	135,135	159,447
Conferences	18,926	46,993	2,267	68,186	52,789
Occupancy	303,402	5,370	56,384	365,156	302,790
Office expenses	211,050	770,726	35,211	1,016,987	685,397
Interest expense	-	-	-	-	676,188
Depreciation	1,027,513	190,954	18,186	1,236,653	340,571
	<u>\$ 358,373,372</u>	<u>\$ 5,386,472</u>	<u>\$ 877,132</u>	<u>\$ 364,636,976</u>	<u>\$ 360,293,029</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, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 170,746,462	\$ 170,303,406
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation expense	1,236,653	340,571
Unrealized and realized losses on investments	3,540,547	45,091
Change in operating assets and liabilities:		
Pledges receivables	(11,825,000)	(13,269,500)
Prepaid expenses and other assets	148,355	33,967
Accounts payable	3,976,842	(2,311,276)
Co-payment assistance obligation	<u>(8,889,659)</u>	<u>(88,240,486)</u>
Net cash flows from operating activities	<u>158,934,200</u>	<u>66,901,773</u>
Cash flows from investing activities:		
Purchases of investments	(81,431,887)	(13,749,623)
Proceeds from sale of investments	37,607,705	31,462,097
Purchases of fixed assets	<u>(67,749)</u>	<u>(2,756,794)</u>
Net cash flows from investing activities	<u>(43,891,931)</u>	<u>14,955,680</u>
Cash flows from financing activities:		
Proceeds from portfolio loan	-	15,677,186
Repayment of portfolio loan	<u>-</u>	<u>(80,886,421)</u>
Net cash flows from financing activities	<u>-</u>	<u>(65,209,235)</u>
Net change in cash and cash equivalents	115,042,269	16,648,218
Cash and cash equivalents, beginning of year	<u>81,417,902</u>	<u>64,769,684</u>
Cash and cash equivalents, end of year	<u>\$ 196,460,171</u>	<u>\$ 81,417,902</u>
Supplemental disclosure:		
Cash paid for interest	<u>\$ -</u>	<u>\$ 676,188</u>

PATIENT ACCESS NETWORK FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

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.

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 restriction are reclassified to net assets without donor restriction 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, 2018 and 2017, there are no net assets with donor restrictions to be maintained in perpetuity.

Contributions – Contributions, including unconditional promises, are recognized as revenues in the period made and are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or are restricted by the donor for specific purposes are reported as net assets with donor restrictions. Conditional promises are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

PATIENT ACCESS NETWORK FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

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 based on estimated payments that are expected to be made based on comparing 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 awards, also 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, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

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, 2018 and 2017.

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 accounting principles generally accepted in the United States of America 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:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort of the personnel of the Foundation
Occupancy	Employee headcount
Depreciation	Employee headcount

New Pronouncements – On August 18, 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The Foundation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented. The provisions of the ASU provide additional disclosures on liquidity and availability of resources, enhanced presentation of expenses, and additional information on donor-imposed restrictions and board-designations.

PATIENT ACCESS NETWORK FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

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

Future Pronouncements – In February 2016, the 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, 2019. Management is currently evaluating the impact of the pending adoption.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 provides 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 is effective for fiscal years beginning after December 15, 2018. The ASU requires the provisions to be applied on a modified prospective basis and early adoption is permitted. Management is currently evaluating the effect the ASU will have on the financial statements.

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, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

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>2018</u>	<u>2017</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 196,460,171	\$ 81,417,902
Pledges receivable	78,400,000	66,575,000
Investments - cash and money funds	14,238,439	4,643,213
Investments - other	<u>263,450,809</u>	<u>232,762,400</u>
Total financial assets	<u>552,549,419</u>	<u>385,398,515</u>
Less amounts not available to be used for general expenditures within one year:		
Board designated - Strategic Patient Assistance Initiative	<u>1,036,607</u>	<u>791,244</u>
Financial assets available to meet general expenditures within one year	<u>\$ 551,512,812</u>	<u>\$ 384,607,271</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 million line of credit available to meet cash flow needs if necessary which is further described in Note 8.

Note 3—Investments

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

	<u>2018</u>	<u>2017</u>
Cash and money funds	\$ 14,238,439	\$ 4,643,213
Certificates of deposit	4,193,284	5,557,573
Exchange traded and closed end funds	10,359,404	11,322,445
Mutual funds	948,670	956,613
Government, agency and asset backed securities	138,066,412	123,218,824
Corporate and international bonds	<u>109,883,039</u>	<u>91,706,945</u>
Total investments	<u>\$ 277,689,248</u>	<u>\$ 237,405,613</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, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

Note 3—Investments (continued)

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

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 8,605,773	\$ 5,779,770
Realized gains, net	1,435,306	1,062,162
Unrealized losses, net	(4,975,853)	(1,107,253)
Investment management fees	(425,442)	(570,237)
	<u>\$ 4,639,784</u>	<u>\$ 5,164,442</u>

Note 4—Pledges receivable

Pledges receivable are unconditional and all outstanding pledges are current and anticipated to be collected within one year. Management periodically reviews pledges receivable and assesses their collectability. Management believes all outstanding pledges are fully collectible; therefore no allowance for uncollectible pledges receivable was necessary as of December 31, 2018 and 2017.

Note 5—Fixed assets

	<u>2018</u>	<u>2017</u>
Computer equipment	\$ 22,022	\$ 22,022
Furniture and fixtures	120,837	120,837
Leasehold improvements	64,375	12,711
Software	5,949,148	5,933,064
	6,156,382	6,088,634
Accumulated depreciation	(1,655,796)	(419,144)
	<u>\$ 4,500,586</u>	<u>\$ 5,669,490</u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$1,236,653 and \$340,571, respectively.

PATIENT ACCESS NETWORK FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

Note 6—Co-payment assistance obligation, net

At December 31, 2018 and 2017, the Foundation reported \$122,462,344 and \$131,352,003, 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 the 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, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

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, 2018 and 2017, based on the level of input utilized to measure fair value.

<u>December 31, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments:			
Cash	\$ 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 and agency securities	-	138,066,412	138,066,412
Corporate bonds	-	109,883,039	109,883,039
	<u>\$ 29,739,797</u>	<u>\$ 247,949,451</u>	<u>\$ 277,689,248</u>
<u>December 31, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments:			
Cash	\$ 4,643,213	\$ -	\$ 4,643,213
Certificates of deposit	5,557,573	-	5,557,573
Equity investments:			
Exchange traded and closed end funds	11,322,445	-	11,322,445
Fixed income investments:			
Mutual funds	956,613	-	956,613
Government and agency securities	-	123,218,824	123,218,824
Corporate bonds	-	91,706,945	91,706,945
	<u>\$ 22,479,844</u>	<u>\$ 214,925,769</u>	<u>\$ 237,405,613</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, 2018 and 2017, the Foundation had no Level 3 measurements and no assets or liabilities measured at fair value on a non-recurring basis.

PATIENT ACCESS NETWORK FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

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 accounts held by the Foundation totaling \$473,083,887 at December 31, 2018. There was no balance outstanding on the portfolio loan as of December 31, 2018 or 2017.

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, 2018 and 2017, donor-restricted net assets were restricted for the following general categories:

	<u>2018</u>	<u>2017</u>
Cancer funds	\$ 263,450,412	\$ 118,144,182
Chronic disease funds	118,927,062	109,422,897
Rare disease funds	<u>22,439,294</u>	<u>13,579,598</u>
Total net assets with donor restrictions	<u>\$ 404,816,768</u>	<u>\$ 241,146,677</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, 2018 and 2017, management fees and expenses billed under these agreements to the Foundation totaled approximately \$18,200,000 and \$18,800,000, respectively. These fees are reported in both co-payment assistance and fees for program administration in the accompanying statement of functional expenses. Approximately \$1,522,000 and \$1,591,000 was payable under these agreements as of December 31, 2018 and 2017, 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 \$94,104 and \$76,053 for the years ended December 31, 2018 and 2017, respectively, and are included within benefits in management and general expenses and fundraising expenses on the statement of functional expenses.

PATIENT ACCESS NETWORK FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

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.

Effective October 13, 2017, the Foundation entered into a 10-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.

Future minimum rental payments are as follows:

Years Ended December 31,

2019	\$	232,180
2020		356,802
2021		365,722
2022		374,865
Thereafter		<u>2,899,997</u>
	\$	<u>4,229,566</u>

Occupancy expense amounted to \$365,156 and \$302,790 for the years ended December 31, 2018 and 2017.

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 \$642,793 and \$758,962 at December 31, 2018 and 2017, respectively.

The Foundation receives contributions and pledges from other organizations or individuals, primarily within the pharmaceutical drug industry. The Foundation's four largest donors represented 58% and 60% of total contributions in 2018 and 2017, 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.

Note 14—Subsequent events

The Foundation has evaluated subsequent events through April 19, 2019 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, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

	2018	2017
January	\$ 70,202,731	\$ 70,403,393
February	45,282,334	3,179,240
March	55,790,117	130,591,246
April	15,958,093	21,984,904
May	11,995,617	26,833,631
June	74,688,535	32,417,517
July	27,621,217	31,219,473
August	2,334,293	15,514,040
September	44,555,615	5,802,925
October	20,513,080	29,798,380
November	1,077,969	11,006,108
December	160,724,053	146,681,136
	<u>\$ 530,743,654</u>	<u>\$ 525,431,993</u>