

Report of Independent Auditor

The Board of Directors
Patient Access Network Foundation
Washington, DC

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, 2017, and the related statements of activities 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, 2017, 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 2016 financial statements, and we have expressed an unmodified audit opinion on those audited financial statements in our report dated June 6, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, 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 15 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Cherry Bekart LLP

Charlotte, North Carolina
May 17, 2018

PATIENT ACCESS NETWORK FOUNDATION
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017 (WITH COMPARATIVE TOTALS FOR 2016)

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 81,417,902	\$ 64,769,684
Investments	237,405,613	255,163,178
Pledges receivable	66,575,000	53,305,500
Prepaid expenses and other assets	299,050	333,017
Total Current Assets	<u>385,697,565</u>	<u>373,571,379</u>
Fixed assets, net	<u>5,669,490</u>	<u>3,253,267</u>
Total Assets	<u><u>\$ 391,367,055</u></u>	<u><u>\$ 376,824,646</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 6,785,181	\$ 9,096,457
Line of credit	-	65,209,235
Co-payment assistance obligation, net	<u>131,352,003</u>	<u>219,592,489</u>
Total Current Liabilities	<u>138,137,184</u>	<u>293,898,181</u>
Net Assets:		
Unrestricted:		
Undesignated	11,291,950	10,994,112
Strategic Patient Assistance Initiative	791,244	1,782,187
Temporarily restricted	<u>241,146,677</u>	<u>70,150,166</u>
Total Net Assets	<u>253,229,871</u>	<u>82,926,465</u>
Total Liabilities and Net Assets	<u><u>\$ 391,367,055</u></u>	<u><u>\$ 376,824,646</u></u>

PATIENT ACCESS NETWORK FOUNDATION
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017 (WITH COMPARATIVE TOTALS FOR 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
Support and Revenue:				
Contributions	\$ 424	\$ 525,431,569	\$ 525,431,993	\$ 582,541,219
Net investment income (loss)	5,164,442	-	5,164,442	(2,437,341)
	5,164,866	525,431,569	530,596,435	580,103,878
Net assets released from restrictions	354,435,058	(354,435,058)	-	-
Total support and revenue	<u>359,599,924</u>	<u>170,996,511</u>	<u>530,596,435</u>	<u>580,103,878</u>
Expenses:				
Program service:				
Co-payment assistance	347,865,265	-	347,865,265	808,567,274
Fees for program operation, patient determinations and related services	4,932,635	-	4,932,635	4,420,113
Personnel expenses	1,481,187	-	1,481,187	932,892
Total program service expenses	<u>354,279,087</u>	<u>-</u>	<u>354,279,087</u>	<u>813,920,279</u>
Management and general:				
Personnel expenses	1,900,259	-	1,900,259	1,523,953
Office expenses	701,110	-	701,110	661,378
Board fees	189,004	-	189,004	159,440
Professional fees	1,392,083	-	1,392,083	1,181,711
Insurance	39,394	-	39,394	111,338
Printing/stationery/supplies	46,582	-	46,582	17,224
Interest	676,188	-	676,188	1,400,009
Depreciation expense	340,571	-	340,571	26,705
Other	39,574	-	39,574	56,124
Total management and general expenses	<u>5,324,765</u>	<u>-</u>	<u>5,324,765</u>	<u>5,111,177</u>
Fundraising				
Personnel expenses	418,308	-	418,308	537,629
Other fundraising expenses	270,869	-	270,869	656,871
Total fundraising expenses	<u>689,177</u>	<u>-</u>	<u>689,177</u>	<u>1,194,500</u>
Total expenses	<u>360,293,029</u>	<u>-</u>	<u>360,293,029</u>	<u>820,225,956</u>
Change in net assets	(693,105)	170,996,511	170,303,406	(240,122,078)
Net assets, beginning of year	<u>12,776,299</u>	<u>70,150,166</u>	<u>82,926,465</u>	<u>323,048,543</u>
Net assets, end of year	<u>\$ 12,083,194</u>	<u>\$ 241,146,677</u>	<u>\$ 253,229,871</u>	<u>\$ 82,926,465</u>

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

PATIENT ACCESS NETWORK FOUNDATION
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017 (WITH COMPARATIVE TOTALS FOR 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 170,303,406	\$ (240,122,078)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation expense	340,571	26,705
Unrealized and realized losses on investments	45,091	10,591,276
Change in operating assets and liabilities:		
Pledges receivables	(13,269,500)	(100,500)
Prepaid expenses and other assets	33,967	(185,040)
Accounts payable	(2,311,276)	(6,904,677)
Co-payment assistance obligation	(88,240,486)	2,392,584
Net cash flows from operating activities	<u>66,901,773</u>	<u>(234,301,730)</u>
Cash flows from investing activities:		
Purchases of investments	(13,749,623)	(707,657,863)
Proceeds from sale of investments	31,462,097	933,978,806
Purchases of fixed assets	<u>(2,756,794)</u>	<u>(3,180,834)</u>
Net cash flows from investing activities	<u>14,955,680</u>	<u>223,140,109</u>
Cash flows from financing activities:		
Proceeds from portfolio loan	15,677,186	683,360,345
Repayment of portfolio loan	<u>(80,886,421)</u>	<u>(618,151,110)</u>
Net cash flows from financing activities	<u>(65,209,235)</u>	<u>65,209,235</u>
Net change in cash and cash equivalents	16,648,218	54,047,614
Cash and cash equivalents, beginning	<u>64,769,684</u>	<u>10,722,070</u>
Cash and cash equivalents, ending	<u>\$ 81,417,902</u>	<u>\$ 64,769,684</u>
Supplemental disclosure:		
Cash paid for interest	<u>\$ 676,188</u>	<u>\$ 1,400,009</u>

PATIENT ACCESS NETWORK FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 (WITH COMPARATIVE TOTALS FOR 2016)

Note 1—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 (“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 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:

Unrestricted Net Assets – are those currently available for use in the day-to-day operation of the Foundation and those resources invested in property and equipment. The Board of Directors has the right to designate certain amounts to be utilized or invested to meet specific objectives of the Foundation. Such amounts would be reflected as unrestricted, designated net assets. There was \$791,244 and \$1,782,187 designated as the Strategic Patient Assistance Initiative at December 31, 2017 and 2016, respectively. The Strategic Patient Assistance Initiative allows the Foundation’s board to strategically allocate unrestricted net assets to specific disease funds or other patient initiatives to help further execute the mission of the Foundation.

Temporarily Restricted Net Assets – are those 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – are those subject to donor-imposed stipulations that they be maintained permanently by the Foundation. 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, 2017 and 2016, there are no permanently restricted net assets.

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 temporarily restricted. Conditional promises are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Income Taxes - The Foundation is a nonprofit, 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.

PATIENT ACCESS NETWORK FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 (WITH COMPARATIVE TOTALS FOR 2016)

Note 1—Summary of significant accounting policies (continued)

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 2. 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 (loss) 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.

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, 2017 and 2016.

PATIENT ACCESS NETWORK FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 (WITH COMPARATIVE TOTALS FOR 2016)

Note 1—Summary of significant accounting policies (continued)

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. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Joint Costs - Personnel expenses incurred by the Foundation totaling \$3,799,754 and \$2,994,474 for the years ended December 31, 2017 and 2016, respectively, include joint costs that are not directly attributable to program service, management and general, or fundraising activities of the Foundation. These costs are allocated to the respective functions based on the time and effort of the personnel of the Foundation.

Future Pronouncements - In August of 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This standard changes presentation and disclosure requirements of not-for-profit entities. The primary changes are a decrease in the number of net asset classes from three to two, reporting of the underwater amounts of donor-restricted endowment funds in net assets with donor restrictions, continuing to allow preparers to choose between the direct method and indirect method for presenting operating cash flows, requiring disclosures of qualitative information on how the not-for-profit entity manages its liquid available resources and liquidity risks, and requiring reporting of expenses by function and nature, as well as an analysis of expenses by both function and nature. This standard is effective for all fiscal years beginning after December 15, 2017. Management is evaluating the impact of this standard.

PATIENT ACCESS NETWORK FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 (WITH COMPARATIVE TOTALS FOR 2016)

Note 1—Summary of significant accounting policies (continued)

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.

Reclassification – \$23,726,921 of expenses categorized as fees for program operation, patient determinations and related services in the 2016 statement of activities have been reclassified as co-payment assistance expenses for comparative purposes to conform with the presentation in the 2017 statement of activities. These reclassifications did not have an impact on the change in net assets for the year ended December 31, 2016.

Note 2—Investments

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

	2017	2016
Cash and money funds	\$ 4,643,213	\$ 11,655,185
Certificates of deposit	5,557,573	10,018,372
Exchange traded and closed end funds	11,322,445	16,957,977
Mutual funds	956,613	1,552,183
Government, agency and asset backed securities	123,218,824	139,511,566
Corporate and international bonds	91,706,945	75,467,895
Total investments	<u>\$ 237,405,613</u>	<u>\$ 255,163,178</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 income is comprised of the following for the years ended December 31:

	2017	2016
Interest and dividends	\$ 5,779,770	\$ 9,527,137
Realized gains (losses), net	1,062,162	(14,443,674)
Unrealized gains (losses), net	(1,107,253)	3,852,398
Investment management fees	(570,237)	(1,373,202)
	<u>\$ 5,164,442</u>	<u>\$ (2,437,341)</u>

PATIENT ACCESS NETWORK FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 (WITH COMPARATIVE TOTALS FOR 2016)

Note 3—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, 2017 and 2016.

Note 4—Fixed Assets

	2017	2016
Computer equipment	\$ 22,022	\$ 22,022
Furniture and fixtures	120,837	120,837
Leasehold improvements	12,711	12,711
Software	5,933,064	3,176,270
	6,088,634	3,331,840
Accumulated depreciation	(419,144)	(78,573)
	<u>\$ 5,669,490</u>	<u>\$ 3,253,267</u>

Depreciation expense for the years ended December 31, 2017 and 2016 was \$340,571 and \$26,705, respectively.

PATIENT ACCESS NETWORK FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 (WITH COMPARATIVE TOTALS FOR 2016)

Note 5—Co-payment assistance obligation, net

At December 31, 2017 and 2016, the Foundation reported \$131,352,003 and \$219,592,489, respectively, as co-payment assistance obligation to serve patients across a variety of disease states and treatment regimens.

Acromegaly	Metastatic Prostate Cancer
Ankylosing Spondylitis	Multiple Myeloma
Arrhythmia with Atrial Fibrillation or Flutter	Multiple Sclerosis
Asthma	Myelodysplastic Syndrome
Basal Cell Carcinoma	Myeloproliferative Neoplasms
Bone Metastases	Neutropenia
Chemotherapy-Induced Nausea and Vomiting	Neuroendocrine Tumors of Pancreatic Origin
Chronic Iron or Lead Overload	Non-Hodgkin's Lymphoma
Chronic Lymphocytic Leukemia	Non-Small Cell Lung Cancer
Chronic Myelogenous Leukemia	Ovarian Cancer
Colorectal Cancer	Parkinson's Disease
Cushing's Disease or Syndrome	Philadelphia Chromosome Positive Acute Lymphoblastic Leukemia
Cutaneous T-cell Lymphoma	Plaque Psoriasis
Gaucher Disease	Postmenopausal Osteoporosis
Heart Failure	Psoriatic Arthritis
Hepatitis C	Pulmonary Hypertension
HIV Prevention and Treatment	Renal Cell Carcinoma
Hodgkin's Lymphoma	Respiratory Syncytial Virus
Homozygous Familial Hypercholesterolemia	Retinal Vein Occlusion
Hypercholesterolemia	Rheumatoid Arthritis
Hyperkalemia	Secondary Hyperparathyroidism
Idiopathic Thrombocytopenic Purpura	Short Bowel Syndrome
Inflammatory Bowel Disease	Thyroid Cancer
Lower Extremity Ulcers	Tuberous Sclerosis Complex
Macular Diseases	Uveitis
Mantle Cell Lymphoma	Venous Leg Ulcers
Melanoma	Wilson's Disease
Metastatic Breast Cancer	

Note 6—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, 2017 (WITH COMPARATIVE TOTALS FOR 2016)

Note 6—Fair value measurements of assets and liabilities (continued)

The following tables present information about the Foundation's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2017 and 2016, based on the level of input utilized to measure fair value.

<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>

<u>December 31, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments:			
Cash	\$ 11,655,185	\$ -	\$ 11,655,185
Certificates of deposit	10,018,372	-	10,018,372
Equity investments:			
Exchange traded and closed end funds	15,418,265	-	15,418,265
Fixed income investments:			
Exchange traded and closed end funds	1,539,712	-	1,539,712
Mutual funds	1,552,183	-	1,552,183
Government and agency securities	-	139,511,566	139,511,566
Corporate bonds	-	75,467,895	75,467,895
	<u>\$ 40,183,717</u>	<u>\$ 214,979,461</u>	<u>\$ 255,163,178</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, 2017 and 2016, 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, 2017 (WITH COMPARATIVE TOTALS FOR 2016)

Note 7—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 (2.164% as of December 31, 2017) 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 approximately \$314,000,000 at December 31, 2017. There was no balance outstanding on the portfolio loan as of December 31, 2017. The outstanding balance of the portfolio loan totaled \$65,209,235 as of December 31, 2016.

Note 8—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, 2017 and 2016, management fees and expenses billed under these agreements to the Foundation totaled approximately \$18,800,000 and \$29,700,000, respectively. These fees are reported in both co-payment assistance and fees for program operation, patient determinations and related services in the accompanying statement of activities. Approximately \$1,591,000 and \$2,923,000 was payable under these agreements as of December 31, 2017 and 2016, respectively.

Note 9—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 \$76,053 and \$77,270 for the years ended December 31, 2017 and 2016, respectively, and are included within personnel expenses in management and general expenses and fundraising expenses on the statement of activities.

Note 10—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.

Future minimum rental payments are as follows:

<u>Year Ended December 31,</u>	
2018	\$ 182,982
2019	46,080
	<u>\$ 229,062</u>

Rent expense amounted to \$226,619 and \$220,277 for the years ended December 31, 2017 and 2016, respectively, which is included in office expenses in the accompanying statement of activities.

PATIENT ACCESS NETWORK FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 (WITH COMPARATIVE TOTALS FOR 2016)

Note 10—Contingencies and commitments (continued)

Effective October 13, 2017, the Foundation entered into a 10 year, non-cancelable 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. See Note 12 for further information.

Note 11—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 (“FDIC”) 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 \$758,962 and \$1,564,370 at December 31, 2017 and 2016, 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 60% and 65% of total contributions in 2017 and 2016, 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 12—Subsequent events

Beginning April 23, 2018, the Foundation leased office space for a monthly amount of \$28,300, subject to annual increases of 2.5%. The Foundation will receive rent abatements of \$18,000 per month for a total of 17 months.

Future minimum rental payments are as follows:

<u>Year Ended December 31,</u>	
2018	\$ 89,953
2019	186,099
2020	356,802
2021	365,722
2022	374,865
Thereafter	<u>2,899,997</u>
	<u>\$ 4,273,438</u>

The Foundation has evaluated subsequent events through May 17, 2018, in connection with the preparation of these financial statements which is the date the financial statements were available to be issued.