

## 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 statements of financial position as of December 31, 2012 and December 31, 2011, and the related statements of activities and cash flows for the years 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, 2012 and December 31, 2011, 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.

**Other Matter**

As discussed in Note 10 to the financial statements, the Foundation has restated its 2011 financial statements during the current year to reflect a change in accounting method in accordance with accounting principles generally accepted in the United States of America. During 2012, Management resolved to change the method by which co-pay assistance expense is recorded by recognizing an estimated liability and an expense upon patient approval, as opposed to recognizing expense when approved patients submit claims. The new method is consistent with the methods used by similar organizations and management believes the new method is more preferable because it more accurately portrays the true net asset position of the Foundation. Our opinion is not modified with respect to that matter.

*Cherry Bekaert LLP*

Charlotte, North Carolina  
June 7, 2013

**PATIENT ACCESS NETWORK FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**

DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 327,479	\$ 179,207
Restricted cash and cash equivalents	5,094,360	3,455,819
Investments	176,346,259	116,617,675
Pledges receivable	50,520,000	11,950,000
Other receivables	5,000	25,049
Prepaid expenses	71,702	23,854
<b>Total current assets</b>	<u>232,364,800</u>	<u>132,251,604</u>
Fixed assets, net	<u>31,617</u>	<u>38,868</u>
<b>Total Assets</b>	<u><u>\$ 232,396,417</u></u>	<u><u>\$ 132,290,472</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 4,569,235	\$ 1,301,610
Co-payment assistance obligation, net	42,607,000	13,088,173
<b>Total current liabilities</b>	<u>47,176,235</u>	<u>14,389,783</u>
Net assets		
Unrestricted	10,802,700	6,268,902
Temporarily restricted:		
Uncommitted	79,861,103	56,660,321
Committed	94,556,379	54,971,466
<b>Total Net Assets</b>	<u>185,220,182</u>	<u>117,900,689</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 232,396,417</u></u>	<u><u>\$ 132,290,472</u></u>

**PATIENT ACCESS NETWORK FOUNDATION**  
**STATEMENTS OF ACTIVITIES**

YEAR ENDED DECEMBER 31, 2012

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Contributions	\$ 56,928,905	\$ 122,529,425	\$ 179,458,330
Investment income	7,365,131	-	7,365,131
	<u>64,294,036</u>	<u>122,529,425</u>	<u>186,823,461</u>
Net assets released from restrictions	59,743,730	(59,743,730)	-
Total support and revenue	<u>124,037,766</u>	<u>62,785,695</u>	<u>186,823,461</u>
Expenses			
Program			
Co-payment assistance	108,460,641	-	108,460,641
Pharmacy cards	330,250	-	330,250
Fees for program operation, patient determinations and related services	7,154,661	-	7,154,661
Outreach and symposium	73,357	-	73,357
Total program expenses	<u>116,018,909</u>	<u>-</u>	<u>116,018,909</u>
Administrative			
Management fees	671,459	-	671,459
Management expense	250,774	-	250,774
Executive office expenses	645,981	-	645,981
Board fees	188,763	-	188,763
Professional fees	748,230	-	748,230
Insurance	15,331	-	15,331
Printing/stationary/supplies	25,106	-	25,106
Other	34,730	-	34,730
Total administrative expenses	<u>2,580,374</u>	<u>-</u>	<u>2,580,374</u>
Fundraising			
Personnel expenses	448,349	-	448,349
Public relations	176,294	-	176,294
Other fundraising expenses	280,042	-	280,042
Total fundraising expenses	<u>904,685</u>	<u>-</u>	<u>904,685</u>
Total expenses	<u>119,503,968</u>	<u>-</u>	<u>119,503,968</u>
Change in net assets	4,533,798	62,785,695	67,319,493
Net assets, beginning of year (restated)	<u>6,268,902</u>	<u>111,631,787</u>	<u>117,900,689</u>
Net assets, end of year	<u>\$ 10,802,700</u>	<u>\$ 174,417,482</u>	<u>\$ 185,220,182</u>

**PATIENT ACCESS NETWORK FOUNDATION**  
**STATEMENTS OF ACTIVITIES (CONTINUED)**

YEAR ENDED DECEMBER 31, 2011 (RESTATED)

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Contributions	\$ 2,266,278	\$ 81,366,044	\$ 83,632,322
Investment income	4,368,396	-	4,368,396
	<u>6,634,674</u>	<u>81,366,044</u>	<u>88,000,718</u>
Net assets released from restrictions	32,722,327	(32,722,327)	-
Total support and revenue	<u>39,357,001</u>	<u>48,643,717</u>	<u>88,000,718</u>
Expenses			
Program			
Co-payment assistance	30,624,315	-	30,624,315
Pharmacy cards	104,078	-	104,078
Fees for program operation, patient determinations and related services	3,686,878	-	3,686,878
Outreach and symposium	33,449	-	33,449
Total program expenses	<u>34,448,720</u>	<u>-</u>	<u>34,448,720</u>
Administrative			
Management fees	577,412	-	577,412
Management expense	110,627	-	110,627
Executive office expenses	496,681	-	496,681
Board fees	164,697	-	164,697
Professional fees	802,732	-	802,732
Insurance	11,377	-	11,377
Printing/stationary/supplies	25,948	-	25,948
Other	16,159	-	16,159
Total administrative expenses	<u>2,205,633</u>	<u>-</u>	<u>2,205,633</u>
Fundraising			
Personnel expenses	420,777	-	420,777
Public relations	166,755	-	166,755
Other fundraising expenses	54,351	-	54,351
Total fundraising expenses	<u>641,883</u>	<u>-</u>	<u>641,883</u>
Total expenses	<u>37,296,236</u>	<u>-</u>	<u>37,296,236</u>
Change in net assets	2,060,765	48,643,717	50,704,482
Net assets, beginning of year	<u>4,208,137</u>	<u>62,988,070</u>	<u>67,196,207</u>
Net assets, end of year	<u>\$ 6,268,902</u>	<u>\$ 111,631,787</u>	<u>\$ 117,900,689</u>

**PATIENT ACCESS NETWORK FOUNDATION**  
**STATEMENTS OF CASH FLOWS**

*FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011*

	<u>2012</u>	<u>2011</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 67,319,493	\$ 50,704,482
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	3,640	3,397
Unrealized and realized (gains) on investments	(3,251,126)	(821,260)
(Increase) decrease in operating assets:		
Restricted cash and cash equivalents	(1,638,541)	2,066,965
Pledges receivables	(38,570,000)	(11,576,765)
Other receivables	20,049	(25,049)
Prepaid expenses	(47,848)	(2,152)
Increase (decrease) in operating liabilities:		
Accounts payable	3,267,625	(128,720)
Co-payment assistance obligation	29,518,827	(455,170)
Contributions refundable to donor	-	(107,000)
Net cash provided by operating activities	<u>56,622,119</u>	<u>39,658,728</u>
<b>Cash flows from investing activities</b>		
Purchases of investments	(162,675,532)	(123,886,447)
Proceeds from sale of investments	106,198,074	84,134,459
Net (purchases) sales of property and equipment	<u>3,611</u>	<u>(37,208)</u>
Net cash used by investing activities	<u>(56,473,847)</u>	<u>(39,789,196)</u>
Net increase (decrease) in cash and cash equivalents	148,272	(130,468)
Cash and cash equivalents, beginning	<u>179,207</u>	<u>309,675</u>
Cash and cash equivalents, ending	<u>\$ 327,479</u>	<u>\$ 179,207</u>