

Report of Independent Auditor

The Board of Directors
Patient Access Network Foundation
Washington, DC

Report on the Financial Statements

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, 2013 and 2012, 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 audits. We conducted our audits 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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Accompanying Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of contributions by month on page 14 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 audits 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
April 30, 2014

PATIENT ACCESS NETWORK FOUNDATION
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 300,009	\$ 327,479
Restricted cash and cash equivalents	3,782,177	5,094,360
Investments	296,502,695	176,346,259
Pledges receivable	86,245,000	50,520,000
Other receivables	-	5,000
Prepaid expenses	79,109	71,702
Total current assets	<u>386,908,990</u>	<u>232,364,800</u>
Fixed assets, net	<u>108,910</u>	<u>31,617</u>
Total Assets	<u><u>\$ 387,017,900</u></u>	<u><u>\$ 232,396,417</u></u>
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 6,305,221	\$ 4,569,235
Co-payment assistance obligation, net	<u>57,297,000</u>	<u>42,607,000</u>
Total current liabilities	<u>63,602,221</u>	<u>47,176,235</u>
Net assets		
Unrestricted:		
Undesignated	12,109,943	10,802,700
Strategic Patient Assistance Initiative	4,000,000	-
Temporarily restricted:		
Uncommitted	157,121,640	79,861,103
Committed	<u>150,184,096</u>	<u>94,556,379</u>
Total Net Assets	<u>323,415,679</u>	<u>185,220,182</u>
Total Liabilities and Net Assets	<u><u>\$ 387,017,900</u></u>	<u><u>\$ 232,396,417</u></u>

PATIENT ACCESS NETWORK FOUNDATION
STATEMENTS OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2013

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Contributions	\$ 58,439,072	\$ 254,951,377	\$ 313,390,449
Investment income	12,398,758	-	12,398,758
	<u>70,837,830</u>	<u>254,951,377</u>	<u>325,789,207</u>
Net assets released from restrictions	122,063,123	(122,063,123)	-
Total support and revenue	<u>192,900,953</u>	<u>132,888,254</u>	<u>325,789,207</u>
Expenses			
Program service			
Co-payment assistance	172,059,735	-	172,059,735
Pharmacy cards	541,403	-	541,403
Fees for program operation, patient determinations and related services	10,393,135	-	10,393,135
Outreach and symposium	65,881	-	65,881
Total program service expenses	<u>183,060,154</u>	<u>-</u>	<u>183,060,154</u>
Management and general			
Management fees	488,504	-	488,504
Management expense	438,038	-	438,038
Personnel expenses	1,078,850	-	1,078,850
Office expenses	462,935	-	462,935
Board fees	128,831	-	128,831
Professional fees	1,245,998	-	1,245,998
Insurance	9,830	-	9,830
Printing/stationary/supplies	28,138	-	28,138
Interest	59,943	-	59,943
Other	178,044	-	178,044
Total management and general expenses	<u>4,119,111</u>	<u>-</u>	<u>4,119,111</u>
Fundraising			
Personnel expenses	245,749	-	245,749
Public relations	68,847	-	68,847
Other fundraising expenses	99,849	-	99,849
Total fundraising expenses	<u>414,445</u>	<u>-</u>	<u>414,445</u>
Total expenses	<u>187,593,710</u>	<u>-</u>	<u>187,593,710</u>
Change in net assets	5,307,243	132,888,254	138,195,497
Net assets, beginning of year	<u>10,802,700</u>	<u>174,417,482</u>	<u>185,220,182</u>
Net assets, end of year	<u>\$ 16,109,943</u>	<u>\$ 307,305,736</u>	<u>\$ 323,415,679</u>

PATIENT ACCESS NETWORK FOUNDATION
STATEMENTS OF ACTIVITIES (CONTINUED)

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 service			
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 service expenses	<u>116,018,909</u>	<u>-</u>	<u>116,018,909</u>
Management and general			
Management fees	671,459	-	671,459
Management expense	250,774	-	250,774
Personnel expenses	427,419	-	427,419
Office expenses	218,562	-	218,562
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 management and general 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	<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 CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Change in net assets	\$ 138,195,497	\$ 67,319,493
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	11,358	3,640
Unrealized and realized (gains) on investments	(6,055,670)	(3,251,126)
Loss of disposal of property and equipment	21,040	-
(Increase) decrease in operating assets:		
Restricted cash and cash equivalents	1,312,183	(1,638,541)
Pledges receivables	(35,725,000)	(38,570,000)
Other receivables	5,000	20,049
Prepaid expenses	(7,407)	(47,848)
Increase (decrease) in operating liabilities:		
Accounts payable	1,735,986	3,267,625
Co-payment assistance obligation	14,690,000	29,518,827
Net cash provided by operating activities	<u>114,182,987</u>	<u>56,622,119</u>
Cash flows from investing activities		
Purchases of investments	(271,903,520)	(162,675,532)
Proceeds from sale of investments	157,802,754	106,198,074
Net (purchases) sales of property and equipment	<u>(109,691)</u>	<u>3,611</u>
Net cash used by investing activities	<u>(114,210,457)</u>	<u>(56,473,847)</u>
Cash flows from financing activities		
Proceeds from portfolio loan	81,021,205	-
Repayment of portfolio loan	<u>(81,021,205)</u>	<u>-</u>
Net cash provided by financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(27,470)	148,272
Cash and cash equivalents, beginning	<u>327,479</u>	<u>179,207</u>
Cash and cash equivalents, ending	<u>\$ 300,009</u>	<u>\$ 327,479</u>
Supplemental disclosure		
Cash paid for interest	<u>\$ 53,500</u>	<u>\$ -</u>