

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, 2014 and 2013, 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, 2014 and 2013, 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 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 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
May 4, 2015

PATIENT ACCESS NETWORK FOUNDATION
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,676,661	\$ 300,009
Restricted cash and cash equivalents	49,617,350	3,782,177
Investments	425,353,355	296,502,695
Pledges receivable	110,015,000	86,245,000
Prepaid expenses	123,173	79,109
Total Current Assets	<u>586,785,539</u>	<u>386,908,990</u>
Fixed assets, net	<u>95,309</u>	<u>108,910</u>
Total Assets	<u><u>\$ 586,880,848</u></u>	<u><u>\$ 387,017,900</u></u>
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 10,586,050	\$ 6,305,221
Co-payment assistance obligation, net	<u>82,929,230</u>	<u>57,297,000</u>
Total Current Liabilities	<u>93,515,280</u>	<u>63,602,221</u>
Net Assets:		
Unrestricted:		
Undesignated	29,854,100	12,109,943
Strategic Patient Assistance Initiative	2,125,000	4,000,000
Temporarily restricted	<u>461,386,468</u>	<u>307,305,736</u>
Total Net Assets	<u>493,365,568</u>	<u>323,415,679</u>
Total Liabilities and Net Assets	<u><u>\$ 586,880,848</u></u>	<u><u>\$ 387,017,900</u></u>

PATIENT ACCESS NETWORK FOUNDATION
STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2014 (WITH COMPARATIVE TOTALS FOR 2013)

	Unrestricted	Temporarily Restricted	2014 Total	2013 Total
Support and Revenue:				
Contributions	\$ 192,899,360	\$ 466,228,765	\$ 659,128,125	\$ 313,390,449
Investment income	20,771,062	-	20,771,062	12,398,758
	<u>213,670,422</u>	<u>466,228,765</u>	<u>679,899,187</u>	<u>325,789,207</u>
Net assets released from restrictions	312,148,033	(312,148,033)	-	-
Total support and revenue	<u>525,818,455</u>	<u>154,080,732</u>	<u>679,899,187</u>	<u>325,789,207</u>
Expenses:				
Program service				
Co-payment assistance	491,075,645	-	491,075,645	172,059,777
Pharmacy cards	1,340,633	-	1,340,633	541,403
Fees for program operation, patient determinations and related services	12,252,708	-	12,252,708	11,273,107
Professional fees	800,476	-	800,476	488,503
Personnel expenses	432,659	-	432,659	313,235
Outreach, education and other	179,336	-	179,336	226,669
Total program service expenses	<u>506,081,457</u>	<u>-</u>	<u>506,081,457</u>	<u>184,902,694</u>
Management and general				
Personnel expenses	1,057,800	-	1,057,800	765,615
Office expenses	557,869	-	557,869	406,544
Board fees	128,960	-	128,960	123,934
Professional fees	1,177,961	-	1,177,961	815,490
Insurance	46,462	-	46,462	9,115
Printing/stationery/supplies	27,406	-	27,406	27,499
Interest	210,144	-	210,144	59,943
Other	64,092	-	64,092	68,951
Total management and general expenses	<u>3,270,694</u>	<u>-</u>	<u>3,270,694</u>	<u>2,277,091</u>
Fundraising				
Personnel expenses	493,629	-	493,629	245,749
Public relations	36,335	-	36,335	68,847
Other fundraising expenses	67,183	-	67,183	99,329
Total fundraising expenses	<u>597,147</u>	<u>-</u>	<u>597,147</u>	<u>413,925</u>
Total expenses	<u>509,949,298</u>	<u>-</u>	<u>509,949,298</u>	<u>187,593,710</u>
Change in net assets	15,869,157	154,080,732	169,949,889	138,195,497
Net assets, beginning of year	<u>16,109,943</u>	<u>307,305,736</u>	<u>323,415,679</u>	<u>185,220,182</u>
Net assets, end of year	<u>\$ 31,979,100</u>	<u>\$ 461,386,468</u>	<u>\$ 493,365,568</u>	<u>\$ 323,415,679</u>

PATIENT ACCESS NETWORK FOUNDATION
STATEMENTS OF ACTIVITIES (CONTINUED)

FOR THE 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	172,059,777	-	172,059,777
Pharmacy cards	541,403	-	541,403
Fees for program operation, patient determinations and related services	11,273,107	-	11,273,107
Professional fees	488,503	-	488,503
Personnel expenses	313,235	-	313,235
Outreach, education and other	226,669	-	226,669
Total program service expenses	<u>184,902,694</u>	<u>-</u>	<u>184,902,694</u>
Management and general			
Personnel expenses	765,615	-	765,615
Office expenses	406,544	-	406,544
Board fees	123,934	-	123,934
Professional fees	815,490	-	815,490
Insurance	9,115	-	9,115
Printing/stationery/supplies	27,499	-	27,499
Interest	59,943	-	59,943
Other	68,951	-	68,951
Total management and general expenses	<u>2,277,091</u>	<u>-</u>	<u>2,277,091</u>
Fundraising			
Personnel expenses	245,749	-	245,749
Public relations	68,847	-	68,847
Other fundraising expenses	99,329	-	99,329
Total fundraising expenses	<u>413,925</u>	<u>-</u>	<u>413,925</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 CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ 169,949,889	\$ 138,195,497
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	22,261	11,358
Unrealized and realized (gains) on investments	(10,382,320)	(6,055,670)
Loss on disposal of property and equipment	370	21,040
(Increase) decrease in operating assets:		
Restricted cash and cash equivalents	(45,835,173)	1,312,183
Pledges receivables	(23,770,000)	(35,725,000)
Other receivables	-	5,000
Prepaid expenses	(44,064)	(7,407)
Increase (decrease) in operating liabilities:		
Accounts payable	4,280,829	1,735,986
Co-payment assistance obligation	25,632,230	14,690,000
Net cash provided by operating activities	<u>119,854,022</u>	<u>114,182,987</u>
Cash flows from investing activities:		
Purchases of investments	(689,819,915)	(271,903,520)
Proceeds from sale of investments	571,351,575	157,802,754
Net (purchases) sales of property and equipment	(9,030)	(109,691)
Net cash used by investing activities	<u>(118,477,370)</u>	<u>(114,210,457)</u>
Cash flows from financing activities:		
Proceeds from portfolio loan	295,200,000	81,021,205
Repayment of portfolio loan	(295,200,000)	(81,021,205)
Net cash provided by financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	1,376,652	(27,470)
Cash and cash equivalents, beginning	<u>300,009</u>	<u>327,479</u>
Cash and cash equivalents, ending	<u>\$ 1,676,661</u>	<u>\$ 300,009</u>
Supplemental disclosure		
Cash paid for interest	<u>\$ 210,140</u>	<u>\$ 53,500</u>