

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, 2015 and 2014, 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, 2015 and 2014, 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.

Reclassification

As further described in Note 1, a reclassification has been made to the prior year financial statements in order for them to be in conformity with the current year presentation. In the prior year, the Foundation reported restricted cash and cash equivalents as a separate line item on the statement of financial position that was not donor restricted for long term purposes. Accordingly, all cash and cash equivalents are reported under one line item in the statements of financial position. Our opinion is not modified with respect to this matter.

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 5, 2016

PATIENT ACCESS NETWORK FOUNDATION
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 10,722,070	\$ 51,294,011
Investments	492,075,397	425,353,355
Pledges receivable	53,205,000	110,015,000
Prepaid expenses	147,977	123,173
Total Current Assets	<u>556,150,444</u>	<u>586,785,539</u>
Fixed assets, net	<u>99,138</u>	<u>95,309</u>
Total Assets	<u><u>\$ 556,249,582</u></u>	<u><u>\$ 586,880,848</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 16,001,134	\$ 10,586,050
Co-payment assistance obligation, net	217,199,905	82,929,230
Total Current Liabilities	<u>233,201,039</u>	<u>93,515,280</u>
Net Assets:		
Unrestricted:		
Undesignated	17,146,488	29,854,100
Strategic Patient Assistance Initiative	341,616	2,125,000
Temporarily restricted	<u>305,560,439</u>	<u>461,386,468</u>
Total Net Assets	<u>323,048,543</u>	<u>493,365,568</u>
Total Liabilities and Net Assets	<u><u>\$ 556,249,582</u></u>	<u><u>\$ 586,880,848</u></u>

PATIENT ACCESS NETWORK FOUNDATION
STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2015 (WITH COMPARATIVE TOTALS FOR 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
Support and Revenue:				
Contributions	\$ 348,474,583	\$ 452,681,210	\$ 801,155,793	\$ 659,128,125
Investment income (loss)	(5,184,599)	-	(5,184,599)	20,771,062
	<u>343,289,984</u>	<u>452,681,210</u>	<u>795,971,194</u>	<u>679,899,187</u>
Net assets released from restrictions	608,507,239	(608,507,239)	-	-
Total support and revenue	<u>951,797,223</u>	<u>(155,826,029)</u>	<u>795,971,194</u>	<u>679,899,187</u>
Expenses:				
Program service				
Co-payment assistance	940,459,500	-	940,459,500	491,075,645
Pharmacy cards	1,712,970	-	1,712,970	1,340,633
Fees for program operation, patient determinations and related services	17,100,711	-	17,100,711	12,252,708
Professional fees	526,123	-	526,123	800,476
Personnel expenses	530,306	-	530,306	432,659
Outreach, education and other	725,064	-	725,064	179,336
Total program service expenses	<u>961,054,674</u>	<u>-</u>	<u>961,054,674</u>	<u>506,081,457</u>
Management and general				
Personnel expenses	1,437,671	-	1,437,671	1,057,800
Office expenses	459,326	-	459,326	557,869
Board fees	138,475	-	138,475	128,960
Professional fees	1,274,365	-	1,274,365	1,177,961
Insurance	79,284	-	79,284	46,462
Printing/stationery/supplies	15,662	-	15,662	27,406
Interest	716,504	-	716,504	210,144
Other	66,720	-	66,720	64,092
Total management and general expenses	<u>4,188,007</u>	<u>-</u>	<u>4,188,007</u>	<u>3,270,694</u>
Fundraising				
Personnel expenses	890,052	-	890,052	493,629
Public relations	-	-	-	36,335
Other fundraising expenses	155,486	-	155,486	67,183
Total fundraising expenses	<u>1,045,538</u>	<u>-</u>	<u>1,045,538</u>	<u>597,147</u>
Total expenses	<u>966,288,219</u>	<u>-</u>	<u>966,288,219</u>	<u>509,949,298</u>
Change in net assets	(14,490,996)	(155,826,029)	(170,317,025)	169,949,889
Net assets, beginning of year	<u>31,979,100</u>	<u>461,386,468</u>	<u>493,365,568</u>	<u>323,415,679</u>
Net assets, end of year	<u>\$ 17,488,104</u>	<u>\$ 305,560,439</u>	<u>\$ 323,048,543</u>	<u>\$ 493,365,568</u>

PATIENT ACCESS NETWORK FOUNDATION
STATEMENTS OF ACTIVITIES (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue:			
Contributions	\$ 192,899,360	\$ 466,228,765	\$ 659,128,125
Investment income	20,771,062	-	20,771,062
	<u>213,670,422</u>	<u>466,228,765</u>	<u>679,899,187</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>
Expenses:			
Program service			
Co-payment assistance	491,075,645	-	491,075,645
Pharmacy cards	1,340,633	-	1,340,633
Fees for program operation, patient determinations and related services	12,252,708	-	12,252,708
Professional fees	800,476	-	800,476
Personnel expenses	432,659	-	432,659
Outreach, education and other	179,336	-	179,336
Total program service expenses	<u>506,081,457</u>	<u>-</u>	<u>506,081,457</u>
Management and general			
Personnel expenses	1,057,800	-	1,057,800
Office expenses	557,869	-	557,869
Board fees	128,960	-	128,960
Professional fees	1,177,961	-	1,177,961
Insurance	46,462	-	46,462
Printing/stationery/supplies	27,406	-	27,406
Interest	210,144	-	210,144
Other	64,092	-	64,092
Total management and general expenses	<u>3,270,694</u>	<u>-</u>	<u>3,270,694</u>
Fundraising			
Personnel expenses	493,629	-	493,629
Public relations	36,335	-	36,335
Other fundraising expenses	67,183	-	67,183
Total fundraising expenses	<u>597,147</u>	<u>-</u>	<u>597,147</u>
Total expenses	<u>509,949,298</u>	<u>-</u>	<u>509,949,298</u>
Change in net assets	15,869,157	154,080,732	169,949,889
Net assets, beginning of year	<u>16,109,943</u>	<u>307,305,736</u>	<u>323,415,679</u>
Net assets, end of year	<u>\$ 31,979,100</u>	<u>\$ 461,386,468</u>	<u>\$ 493,365,568</u>

PATIENT ACCESS NETWORK FOUNDATION
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ (170,317,025)	\$ 169,949,889
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	28,651	22,261
Unrealized and realized (gains) losses on investments	15,285,936	(10,382,320)
Loss on disposal of property and equipment	-	370
(Increase) decrease in operating assets:		
Pledges receivables	56,810,000	(23,770,000)
Prepaid expenses	(24,804)	(44,064)
Increase in operating liabilities:		
Accounts payable	5,415,084	4,280,829
Co-payment assistance obligation	134,270,675	25,632,230
Net cash from operating activities	<u>41,468,517</u>	<u>165,689,195</u>
Cash flows from investing activities:		
Purchases of investments	(863,400,999)	(689,819,915)
Proceeds from sale of investments	781,393,021	571,351,575
Purchases of property and equipment	<u>(32,480)</u>	<u>(9,030)</u>
Net cash from investing activities	<u>(82,040,458)</u>	<u>(118,477,370)</u>
Cash flows from financing activities:		
Proceeds from portfolio loan	666,999,038	295,200,000
Repayment of portfolio loan	<u>(666,999,038)</u>	<u>(295,200,000)</u>
Net cash from financing activities	<u>-</u>	<u>-</u>
Net change in cash and cash equivalents	(40,571,941)	47,211,825
Cash and cash equivalents, beginning	<u>51,294,011</u>	<u>4,082,186</u>
Cash and cash equivalents, ending	<u>\$ 10,722,070</u>	<u>\$ 51,294,011</u>
Supplemental disclosure:		
Cash paid for interest	<u>\$ 716,504</u>	<u>\$ 210,144</u>