



## Consolidated Financial Statements

December 31, 2020 and 2019



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**PATIENT SERVICES, INC.  
AND SUBSIDIARY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of  
Patient Services, Inc.  
Midlothian, Virginia

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Patient Services, Inc. and its subsidiary (collectively, the “Organization”), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Patient Services, Inc. and its subsidiary as of December 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

A handwritten signature in black ink, appearing to read "Keita", with a stylized flourish at the end.

March 3, 2021  
Glen Allen, Virginia

**PATIENT SERVICES, INC.  
AND SUBSIDIARY**

Consolidated Statements of Financial Position  
December 31, 2020 and 2019

<b>ASSETS</b>	<u>2020</u>	<u>2019</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 63,758,869	\$ 62,122,954
Contributions and contract fees receivable, net	22,955,429	38,594,118
Other prepaid expenses	<u>100,110</u>	<u>92,143</u>
Total current assets	<u>86,814,408</u>	<u>100,809,215</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land	291,100	291,100
Buildings	2,612,430	2,612,430
Vehicle	-	55,000
Furniture and equipment	<u>274,974</u>	<u>635,964</u>
	3,178,504	3,594,494
Less accumulated depreciation	<u>1,284,092</u>	<u>1,574,966</u>
Total property and improvements	<u>1,894,412</u>	<u>2,019,528</u>
<b>OTHER ASSETS</b>		
Life Insurance Annuity	1,485,949	1,352,046
Investments	6,507,067	6,167,887
Deposits	<u>2,000</u>	<u>2,000</u>
Total other assets	<u>7,995,016</u>	<u>7,521,933</u>
Total assets	<u><u>\$ 96,703,836</u></u>	<u><u>\$ 110,350,676</u></u>

See accompanying notes to consolidated financial statements.

**PATIENT SERVICES, INC.  
AND SUBSIDIARY**

Consolidated Statements of Financial Position, Continued  
December 31, 2020 and 2019

<b>LIABILITIES AND NET ASSETS</b>	<u>2020</u>	<u>2019</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 1,090,798	\$ 759,387
Accrued expenses	<u>328,709</u>	<u>3,141,594</u>
Total current liabilities	<u>1,419,507</u>	<u>3,900,981</u>
<b>NET ASSETS</b>		
Without donor restrictions	11,430,956	11,226,467
With donor restrictions	<u>83,853,373</u>	<u>95,223,228</u>
Total net assets	<u>95,284,329</u>	<u>106,449,695</u>
Total liabilities and net assets	<u>\$ 96,703,836</u>	<u>\$ 110,350,676</u>

See accompanying notes to consolidated financial statements.

**PATIENT SERVICES, INC.  
AND SUBSIDIARY**

Consolidated Statements of Activities  
Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>						
Contributions	\$ 6,617,687	\$ 42,447,573	\$ 49,065,260	\$ 6,587,629	\$ 61,588,329	\$ 68,175,958
Fees for contracted services	82,253	440,070	522,323	185,695	498,214	683,909
Interest income	181,960	-	181,960	695,074	-	695,074
Miscellaneous income	6,114	-	6,114	4,326	-	4,326
Gain on investments and life insurance annuity	422,437	-	422,437	869,274	-	869,274
	7,310,451	42,887,643	50,198,094	8,341,998	62,086,543	70,428,541
Net assets released from restrictions	54,215,677	(54,215,677)	-	56,387,811	(56,387,811)	-
 Total revenues and other support	61,526,128	(11,328,034)	50,198,094	64,729,809	5,698,732	70,428,541
<b>EXPENSES AND LOSSES</b>						
Program services	56,688,576	-	56,688,576	58,725,647	-	58,725,647
Fund-raising	851,742	-	851,742	661,739	-	661,739
Management and general	3,771,927	-	3,771,927	4,674,133	-	4,674,133
 Total functional expenses	61,312,245	-	61,312,245	64,061,519	-	64,061,519
Uncollectible pledge expense	4,136	41,821	45,957	170,606	2,955,464	3,126,070
Loss from legal settlement (see Note 8)	-	-	-	3,000,000	-	3,000,000
Loss on disposal of equipment	5,258	-	5,258	-	-	-
 Total expenses and losses	61,321,639	41,821	61,363,460	67,232,125	2,955,464	70,187,589
 Change in net assets	204,489	(11,369,855)	(11,165,366)	(2,502,316)	2,743,268	240,952
<b>NET ASSETS</b>						
Beginning of year	11,226,467	95,223,228	106,449,695	13,728,784	92,479,960	106,208,744
 Ending	\$ 11,430,956	\$ 83,853,373	\$ 95,284,329	\$ 11,226,467	\$ 95,223,228	\$ 106,449,695

See accompanying notes to consolidated financial statements.

**PATIENT SERVICES, INC.  
AND SUBSIDIARY**

Consolidated Statements of Cash Flows  
Years Ended December 31, 2020 and 2019

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (11,165,366)	\$ 240,952
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	91,304	100,877
Loss on disposal of equipment	5,258	-
Interest income reinvested	-	(124,383)
Gain on life insurance annuity	(133,903)	(187,778)
Gain on investments	(339,180)	(681,496)
Changes in assets and liabilities:		
Contributions and contract fees receivable	15,638,689	8,698,292
Other prepaid expenses	(7,967)	355,690
Accounts payable	331,411	664,572
Accrued expenses	(2,812,885)	2,408,300
Net cash provided by operations	1,607,361	11,475,026
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property and equipment	28,554	-
Net increase in cash and cash equivalents	1,635,915	11,475,026
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning	62,122,954	50,647,928
Ending	\$ 63,758,869	\$ 62,122,954

See accompanying notes to consolidated financial statements.



**PATIENT SERVICES, INC.  
AND SUBSIDIARY**

Consolidated Statements of Functional Expenses  
Years Ended December 31, 2020 and 2019

	<u>2020</u>				<u>2019</u>			
	<u>Program Services</u>	<u>Fund - Raising</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Fund - Raising</u>	<u>Management and General</u>	<u>Total</u>
<b>DIRECT EXPENSES</b>								
Direct payment assistance	\$ 54,215,675	\$ -	\$ -	\$ 54,215,675	\$ 56,387,812	\$ -	\$ -	\$ 56,387,812
<b>INDIRECT EXPENSES</b>								
Advertising	-	-	1,202	1,202	-	20	-	20
Bank fees	165	-	-	165	180	-	20	200
Computer network	100,904	25,082	136,107	262,093	92,170	22,098	106,543	220,811
Conferences and travel	2,468	25,382	39,864	67,714	12,155	59,737	112,103	183,995
Continuing education	588	4,837	6,467	11,892	484	-	2,695	3,179
Depreciation	58,647	9,023	23,634	91,304	74,851	4,990	21,036	100,877
Dues and subscriptions	2,587	4,079	60,522	67,188	1,783	1,528	52,092	55,403
Gifts and incentives	162	45	3,363	3,570	613	258	20,206	21,077
Insurance	29,761	4,579	12,031	46,371	37,318	2,488	10,107	49,913
Legal and accounting	52,703	-	745,134	797,837	48,945	-	1,491,881	1,540,826
Meals	338	946	6,880	8,164	258	2,041	42,011	44,310
Miscellaneous expense	-	-	7,587	7,587	-	-	-	-
Occupancy	85,263	13,117	33,894	132,274	125,267	8,351	34,729	168,347
Office expense	88,643	3,774	3,933	96,350	86,778	13,579	15,480	115,837
Patient representation	6,872	-	-	6,872	24,130	-	-	24,130
Public relations	-	2,700	102,563	105,263	-	2,640	138,308	140,948
Registration fees	7,109	-	250	7,359	7,345	-	-	7,345
Salaries and benefits	1,724,927	683,876	1,975,384	4,384,187	1,597,301	504,791	1,850,579	3,952,671
Subcontractors	177,480	73,102	603,575	854,157	58,644	36,619	772,261	867,524
Taxes and licenses	12,128	-	972	13,100	12,617	-	-	12,617
Telecommunications	122,156	1,200	8,565	131,921	156,996	2,599	4,082	163,677
Total indirect expenses	<u>2,472,901</u>	<u>851,742</u>	<u>3,771,927</u>	<u>7,096,570</u>	<u>2,337,835</u>	<u>661,739</u>	<u>4,674,133</u>	<u>7,673,707</u>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>\$ 56,688,576</u>	<u>\$ 851,742</u>	<u>\$ 3,771,927</u>	<u>\$ 61,312,245</u>	<u>\$ 58,725,647</u>	<u>\$ 661,739</u>	<u>\$ 4,674,133</u>	<u>\$ 64,061,519</u>

See accompanying notes to consolidated financial statements.

# PATIENT SERVICES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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## NOTE 1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Patient Services, Inc. (“PSI”) is a national non-profit organization based in Midlothian, Virginia. The Organization provides financial support to patients and families effected by Alpha 1 Antitrypsin Deficiency, Breast Cancer, Chronic Myelogenous Leukemia, Circadian Rhythm Disorders, Fabry Disease, Gastrointestinal Stromal Tumors, Gaucher’s Disease, Hemophilia, Hereditary Angioedema (C1 Inhibitor Deficiencies), Hypoparathyroidism, Idiopathic Pulmonary Fibrosis, Inherited Retinal Disease, Inhibitors in Hemophilia, Kidney Stones, Lambert-Eaton Myasthenic Syndrome (LEMS), MPS 1, Pompe Disease, Primary Immune Deficiency, Pseudobulbar Affect (PBA) and Underlying Neurological Diseases, von Willebrand Disease, Pulmonary Hypertension, Sickle Cell Disease, Lysosomal Acid Lipase Deficiency, and other rare and chronic conditions as funding allows.

PSI formed Accesia, Inc (“Accesia”), as a wholly-owned taxable subsidiary, with its primary office located in Virginia. Accesia was established as a Virginia stock corporation on April 25, 2012. Its purpose is to provide certain services to third parties in connection with the administration of patient assistant programs. Accesia is structured to comply, and operates in compliance with, relevant provisions of the Social Security Act, including the maintenance of an “ethical wall” between PSI and Accesia designed to ensure PSI’s independence in the operation of its patient assistance programs. During 2015, the Board of Directors decided to suspend operations of Accesia. As of December 31, 2020, Accesia operations remain suspended.

**Principles of Consolidation:** The accompanying consolidated financial statements include the accounts of PSI and Accesia (collectively, the “Organization”). All significant intercompany accounts and transactions have been eliminated in consolidation.

**Use of Estimates:** The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, the actual results could differ from those estimates. Any adjustments applied to estimated amounts are recognized in the year in which such adjustments are determined.

**Consolidated Financial Statement Presentation:** The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States (“GAAP”), under the accrual basis of accounting. The accrual basis of accounting records revenue in the period in which earned rather than when received and records expenses in the period in which incurred rather than when paid. The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

# PATIENT SERVICES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued  
December 31, 2020 and 2019

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## NOTE 1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

**Consolidated Financial Statement Presentation, Continued:** Accordingly, the net assets and revenues of the Organization are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets are not subject to donor-imposed restrictions.

*Net Assets With Donor Restrictions* – Net assets which are stipulated by donors for specific purposes, use restrictions, or are restricted in perpetuity. These assets currently consist of contributions. As of December 31, 2020 and 2019, total net assets with donor restrictions of \$83,853,373 and \$95,223,228, respectively, are restricted by donors for program purposes in the amount of \$80,878,373 and \$90,780,428, respectively, and restricted by time for administrative purposes in the amount of \$2,975,000 and \$4,442,800, respectively.

**Cash and Cash Equivalents:** For purposes of reporting cash flows, the Organization considers demand deposits and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

**Investments:** Investments are reported at fair value in the consolidated statements of financial position. Donated stocks and other securities are recorded at fair value as of the date received. Interest, dividends, realized and unrealized gains and losses are reflected in the consolidated statements of activities.

**Promises to Give:** Contributions are promises to give to the Organization that are, in substance, unconditional. Donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires or is otherwise satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions.

**Property and Equipment:** Property and equipment are recorded at cost if purchased or fair value if contributed. Depreciation is computed using an accelerated method for furniture and equipment and the straight-line method for buildings and improvements over estimated useful lives as follows:

Furniture and equipment	5 – 15 years
Buildings	7 – 39 years
Vehicle	5 years

## PATIENT SERVICES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued  
December 31, 2020 and 2019

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### NOTE 1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

**Property and Equipment, Continued:** New acquisitions of property and equipment having a cost of less than \$2,500, or which are not expected to last for more than a year, are expensed in the year of acquisition. Depreciation expense was \$91,304 in 2020 and \$100,877 in 2019.

In accordance with GAAP, management reviews the recorded value of the property for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

**Contributions and Contract Fees:** Fees for contracted services are recorded in the year the grant is made. Contract fees receivable consist primarily of amounts due from the contributing drug companies. Receivables are recorded at the net realizable value, which approximates their fair value, and reported net of allowance for doubtful accounts. Management reviews receivables on a regular basis and accounts are written-off once deemed uncollectible. The allowance for doubtful accounts balance was \$1,000,000 at December 31, 2020 and 2019.

**Functional Allocation of Expenses:** The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services based on recording organizational expenses in department categories that align with these functions. Direct program expenses represent payments for health care services such as copayments and premiums made to or on behalf of patients. Indirect program expenses include the work of patient service representatives, and associated costs most directly involved with delivering financial assistance and support services to patients. Fundraising expenses include the work of the Development team. Management, General, and Administrative expenses reflect a variety of business functions including Information Technology, Finance, Human Resources, Advocacy, and Executive Management.

**Income Taxes:** PSI is exempt from paying income taxes under Internal Revenue Code Section 501(c)(3) and is an organization that is not a private foundation under Section 509(A)(1). No income tax was paid during the years ended December 31, 2020 or December 31, 2019. Accesia was formed as a C corporation during 2012. Due to its lack of activity during 2020 and 2019, no provision or liability for income taxes has been included in the accompanying consolidated financial statements.

Management has evaluated the effect of accounting guidance surrounding uncertain income tax positions and concluded that the Organization has no significant financial statement exposure to uncertain tax positions at December 31, 2020 or 2019. The Organization is not currently under audit by any tax jurisdiction.

# PATIENT SERVICES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued  
December 31, 2020 and 2019

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## NOTE 1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

**Advertising:** Advertising costs are expensed as incurred and are included in functional expenses in the accompanying consolidated statements of activities. Advertising expense was \$1,202 in 2020 and \$20 in 2019.

**Reclassifications:** To conform with the current year presentation, certain accrued expenses were reclassified to accounts payable as of December 31, 2019. Additionally, fees for contracted services has been presented separately from contributions for the years ended December 31, 2020 and 2019.

**Subsequent Events:** Management has evaluated subsequent events through March 3, 2021, the date the consolidated financial statements were available for issuance, and has determined that no additional disclosure is necessary.

## NOTE 2. FAIR VALUE MEASUREMENTS OF ASSETS

The Organization has adopted Financial Accounting Standards Board (“FASB”) guidance on fair value measurements. The provisions of the guidance provide a framework for measuring fair value under GAAP and defines fair value as 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 between market participants on the measurement date. This guidance requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. This guidance also establishes a fair value hierarchy which prioritizes the valuation inputs into three broad levels. Based on the underlying inputs, each fair value measurement in its entirety is reported in one of three levels.

The Organization’s assets recorded at fair value on a recurring basis are categorized based on the priority of the inputs used to measure fair value. The inputs used in measuring fair value are categorized into three levels, as follows:

- **Level 1:** Inputs that are based upon quoted prices for identical instruments traded in active markets.
- **Level 2:** Inputs that are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar investments in markets that are not active, or models based on valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the investment.

## PATIENT SERVICES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued  
December 31, 2020 and 2019

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### NOTE 2. FAIR VALUE MEASUREMENTS OF ASSETS, CONTINUED

- **Level 3:** Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flows models, and similar techniques.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value.

**Stocks and bonds** – Valued at the closing price as reported on the active market on which stocks or bonds are traded.

**Money market funds:** Valued at cost plus accrued interest.

**Annuity contracts** - Valued based on summation of values assigned to underlying investments in equity and fixed income securities, most of which are traded on an active market.

The following table summarizes the valuation of the Organization's financial assets measured at fair value on a recurring basis at December 31, 2020, based on the level of input utilized to measure fair value:

Assets	Level 1	Level 3	Total
Investments:			
Stocks	\$ 1,443,829	\$ -	\$ 1,443,829
Bonds	962,552	-	962,552
Money market funds	4,100,686	-	4,100,686
Annuity contracts	-	1,485,949	1,485,949
Total assets at fair value	<u>\$ 6,507,067</u>	<u>\$ 1,485,949</u>	<u>\$ 7,993,016</u>

There were no assets or liabilities measured using Level 2 criteria at December 31, 2020.

## PATIENT SERVICES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued  
December 31, 2020 and 2019

### NOTE 2. FAIR VALUE MEASUREMENTS OF ASSETS, CONTINUED

The following table summarizes the valuation of the Organization's financial assets measured at fair value on a recurring basis at December 31, 2019, based on the level of input utilized to measure fair value:

Assets	Level 1	Level 3	Total
Investments:			
Stocks	\$ 86,212	\$ -	\$ 86,212
Bonds	57,475	-	57,475
Money market funds	6,024,200	-	6,024,200
Annuity contracts	-	1,352,046	1,352,046
Total assets at fair value	<u>\$ 6,167,887</u>	<u>\$ 1,352,046</u>	<u>\$ 7,519,933</u>

There were no assets or liabilities measured using Level 2 criteria at December 31, 2019. During 2020 and 2019, there were no purchases or sales of annuity contracts.

Inputs used to estimate the value of level 3 assets (annuity contracts) include third-party pricing sources. The value is reflective of surrender charges and interest adjustments as specified in the annuity contract. At December 31, 2020 and 2019, there were no unfunded commitments or redemption restrictions on the Organization's level 3 assets.

### NOTE 3. LEASES

The Organization has entered into various leases for office space and office equipment that originally ranged in duration from three to five years. Rent expense was \$63,071 for 2020 and \$69,251 for 2019. Future minimum lease payments at December 31, 2020 were:

Year	Amount
2021	\$ 56,855
2022	31,282
2023	1,022
	<u>\$ 89,159</u>

## **PATIENT SERVICES, INC. AND SUBSIDIARY**

Notes to Consolidated Financial Statements, Continued  
December 31, 2020 and 2019

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### **NOTE 4. FUND-RAISING EXPENDITURES**

The Organization solicits funds from organizations and individuals within the chronic illness community. Contributions are solicited through attending conferences, direct contact, literature mailings and other methods. Fund-raising expenditures totaled \$851,742 in 2020 and \$661,739 in 2019.

### **NOTE 5. RETIREMENT PLAN**

The Organization sponsors a qualified defined contribution plan under section 401(k) of the Internal Revenue Code, which covers eligible full-time employees after six months of continuous service. Voluntary contributions made by PSI are determined annually. Retirement expense was \$92,310 in 2020 and \$92,619 in 2019.

### **NOTE 6. CONCENTRATIONS**

The Organization maintains several bank accounts at one bank located in the United States. The Federal Deposit Insurance Corporation (FDIC) provides insurance coverage for up to \$250,000 for substantially all depository accounts. Cash at this institution totaling \$63,749,282 as of December 31, 2020 and \$62,111,664 as of December 31, 2019 exceeded federally insured limits.

The Organization maintains investments through one financial institution. The Securities Investor Protection Corporation (SIPC) insures deposits up to \$500,000. Investments at this institution totaling \$6,507,067 as of December 31, 2020 and \$6,167,887 as of December 31, 2019 exceeded the insured limits.

For the year ended December 31, 2020, contributions from four donors comprised approximately 81% of total contributions. In addition, 88% of contract fees receivable are due from two donors as of December 31, 2020.

For the year ended December 31, 2019, contributions from four donors comprised approximately 76% of total contributions. In addition, 96% of contract fees receivable are due from three donors as of December 31, 2019.



## PATIENT SERVICES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued  
December 31, 2020 and 2019

### NOTE 7. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date, comprise the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 63,758,869	\$ 62,122,954
Investments	6,507,067	6,167,887
Contract fees receivable, net	<u>22,955,429</u>	<u>38,594,118</u>
Total financial assets available within one year	93,221,365	106,884,959
Net assets with donor restrictions	<u>(83,853,373)</u>	<u>(95,223,228)</u>
Total financial assets available within one year after net assets with donor restrictions	<u>\$ 9,367,992</u>	<u>\$ 11,661,731</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures become due. In addition, the Organization invests excess cash in investments and money market funds. The Organization takes a conservative approach to liquidity management in order to ensure funding availability to meet patient assistance needs, which can vary significantly month to month throughout the year.

### NOTE 8. LEGAL SETTLEMENT

On January 17, 2020, the Organization reached an agreement with the United States Department of Justice, on behalf of the Office of the Inspector General, to settle certain legal claims filed against the Organization. The settlement agreement required the Organization to pay \$3,000,000 to the Department of Justice and in return the Department of Justice will release the Organization from any further civil or administrative monetary claims. At December 31, 2019, this amount was included in accrued expenses on the 2019 consolidated statement of financial position and as loss from legal settlement on the 2019 consolidated statement of activities.

### NOTE 9. CHANGE IN EXECUTIVE LEADERSHIP

The following material changes in Executive Leadership occurred during 2020. On June 1<sup>st</sup>, Gwen Cooper became the new Chief Executive Officer, replacing James A. (Art) Wood who retired July 3, 2020. In February, PSI named its first full-time Compliance Officer, Deanna Callahan, to implement and oversee the organization's Integrity Agreement. The Vice President/General Manager position was eliminated.

## PATIENT SERVICES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued  
December 31, 2020 and 2019

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### NOTE 10. RISKS AND UNCERTAINTIES

During March 2020, a novel strain of coronavirus (COVID-19) outbreak was declared a pandemic by the World Health Organization. The situation is evolving with various cities and countries around the world responding in different ways to address the outbreak.

There are direct and indirect economic effects developing for various industries and individual companies throughout the world. Management will continue to monitor the impact COVID-19 has on the Organization's operations and reflect the effects as appropriate in the Organization's accounting and financial reporting.

### NOTE 11. NEW ACCOUNTING GUIDANCE

**Leases:** In February 2016, the FASB issued new guidance over leases which requires that all leasing activity with initial terms in excess of twelve months be recognized on the balance sheet with a right of use asset and a lease liability. The standard will require entities to classify leases as either a finance or operating lease based upon the contractual terms. For finance leases, the right to use asset and lease liability will be calculated based upon the present value of the lease payments. The asset will then be amortized and the interest on the obligation will be recognized separately within the statement of operations. On the statement of cash flows, the principal portion of the finance lease payments will be classified as a financing activity. For operating leases, the right to use asset and lease liability will also be calculated based upon the present value of the lease payments. However, the cost of the lease will generally be allocated over the lease term on a straight-line basis and presented as a single expense on the statement of operations. On the statement of cash flows, all cash payments for operating leases will be classified as an operating activity. The new standard will be effective for periods beginning after December 15, 2021 and will require entities to use a modified retrospective approach to the earliest period presented. The Organization is currently evaluating the reporting and economic implications of the new standard.