



National Cancer Coalition

NCC Donated Product Valuation Practices

The National Cancer Coalition's medical relief programs improve the health and treatment of medically underserved patients around the globe. Our cash support comes principally from individual private donors. We are a registered Private Voluntary Organization with the U.S. Department of State, yet we receive virtually no government funding. The support we do receive includes significant donations of medicines, supplies, and equipment that are manufactured by healthcare companies. NCC's accounting for the value of these products is consistent, using independently established and published wholesale prices as the basis rather than higher retail prices.

Our work is performed in a manner designed to facilitate and maximize efficiency, and to leverage the impact of donations received, thereby assisting as many patients as possible. In recent years, the amount of resources spent annually on administration and fundraising has been less than 5% percent of our overall budget. We have an extensive network of long-term partner hospitals, clinics, and healthcare focused foundations. Before providing medicines for use, we assess the needs at these facilities to determine that medicines shipped can be used appropriately and prior to expiration. We then provide requested chemotherapies, specialty medicines, essential pharmaceuticals, medical equipment and technologies, and medical supplies free of charge to benefit patients that would otherwise go without.

NCC does not purchase the medicines used in its programs. Medicines received for use in NCC's programs are donated to NCC. This cuts out the "middle man" and reduces transaction costs, resulting in cost efficiency. In almost every instance, these valuable medicines are manufactured in the United States. They are provided to NCC directly by U.S. healthcare companies and by select U.S. non-profit organizations working with NCC due to our focus and/or expertise in handling specialty medicines and/or unique healthcare access programs, and delivering needed medicines to areas we believe to be in the most need of the medicines. If NCC were to purchase medicines, then they would be valued at the purchase price.

NCC receives donated medicines at a secure U.S. Food and Drug Administration ("FDA") inspected warehouse facility with pharmaceutical warehousing and related licenses. NCC often provides injectable and biopharmaceutical medicines that require special handling and appropriate climate-control or refrigeration storage. NCC has substantial expertise and experience in warehousing, transporting, and distributing medical goods in an effective and efficient manner. NCC also has extensive knowledge and relationships within the pharmaceutical industry and is well known within the field for developing disease-specific medicine access programs for underserved patients in the United States and around the world.

In addition to Coalition Partners in the U.S., NCC has an established partner network in numerous overseas countries that help distribute much of our donated medical products. Our goal is both to provide medical resources for immediate use by medical professionals at the institutes that we support, as well as strengthening the local or national healthcare systems in the recipient countries. In doing so, we actively partner with individuals and organizations that provide resources to our programs, enabling NCC to leverage its relationships, capabilities and expertise to allow access to high quality medical resources for underserved individuals.

NCC follows Generally Accepted Accounting Principles (GAAP) including Statement of Financial Accounting Standard 157, and is required to determine a "fair market value" with respect to the relevant commercial market for the donated product. In doing so, NCC is conservative in its approach and is mindful of the need for transparency, openness, and fairness in the values that it assigns to the product donations. In certain instances, NCC obtains highly valuable specialty medicines that would command a very high retail value, yet in all cases NCC uses a lower wholesale value. The vast majority (typically over 98% by value) of the donated product that NCC receives consists of U.S. Food and Drug Administration (FDA) approved pharmaceuticals that have an

assigned NDC number for which the exact product (drug name, concentration, size, and quantity) is listed on various independent price lists to verify prices. Donated medical product must have sufficient dating such that it can be properly processed, shipped and used prior to expiration or NCC will not accept the donation.

NCC uses the following methodology in determining the fair market value of its medical product donations:

FDA Approved Pharmaceuticals – For both branded and generic medicines, the valuation basis that NCC utilizes is the Wholesale Acquisition Cost (WAC) price as published in the *Thomson Reuters RedBook*®, an industry-recognized drug and pricing reference guide for pharmaceuticals in the United States. WAC is a wholesale price. WAC is used by many states to determine the Federal Upper Limit pricing for drugs purchased under the Medicaid program and it has a statutory definition. Importantly, NCC applies WAC to each specific product's NDC or National Drug Code (of which all FDA drugs are assigned), which often reflects a lower price for generics when compared to branded pharmaceuticals. In cases in which WAC is not available for FDA approved pharmaceuticals, wholesale value is estimated using price lists and other sources.

Non-FDA Manufactured Pharmaceuticals – Typically, 1% or less (by value) of NCC's donated product consists of Non-FDA manufactured pharmaceuticals that include brand name and generic medicines. For such products, NCC uses independent pricing guides in the particular country of manufacture to determine the fair market value of the particular manufacturer's specific formulation. For example, if a medicine received by NCC is manufactured in the United Kingdom and ships to our overseas program from there, the relevant published British prices for the product would be used to determine its value. NCC would not use a USA WAC price in such a case.

Medical Equipment, Supplies, and Technology – Typically, 1% or less (by value) of NCC's donated product consists of medical equipment, diagnostic technology or supplies. For such product, NCC determines fair market value by determining the wholesale value by reviewing the pricing information on the specific item listed for sale in manufacturer's wholesale price lists, through online pricing, and other sources. When possible, NCC also requests fair market values from the donating manufacturer. In the few cases where NCC has purchased equipment or technology, we conservatively count the purchase price as the fair market value for those products.

NCC's internal processes ensure that our financial reporting is accurate and precise in our reporting of fair market value for the donated product that we receive. NCC receives a large amount of chemotherapy and specialty medicines for which the wholesale values we report may be conservative, but overall we make every effort to be conservative in our reporting, which we feel is proper given our organization's donations model. We also monitor healthcare industry developments and if we identify facts or trends that can improve value measurement, we will adapt accordingly.

Our goal is to get it right. Our ability to obtain life saving medicines without substantial transaction costs incurred through purchases greatly enhances our ability to impact underserved patients. Our donors benefit in that the financial resources that they provide to NCC are significantly leveraged to provide medical resources to patients who would otherwise go without.

