



HEALTHWELL
FOUNDATION[®]

When health insurance is not enough.[®]

Financial Statements

For the Year Ended December 31, 2016



and
Report Thereon





Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
HealthWell Foundation

We have audited the accompanying financial statements of the HealthWell Foundation (the Foundation), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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 from 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 HealthWell Foundation as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Raffa, P.C.

Raffa, P.C.

Washington, DC
June 21, 2017

HEALTHWELL FOUNDATION

STATEMENT OF FINANCIAL POSITION
December 31, 2016

ASSETS	
Cash and cash equivalents	\$ 29,003,342
Investments	77,495,177
Interest receivable	200,260
Pledges receivable	20,493,088
Prepaid expenses	56,241
Deposit	8,218
Property and equipment, net	<u>334,431</u>
TOTAL ASSETS	<u>\$ 127,590,757</u>
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable and accrued expenses	\$ 3,154,252
Copayments and premium assistance payable	4,319,829
Deferred rent	<u>39,493</u>
TOTAL LIABILITIES	<u>7,513,574</u>
Net Assets	
Unrestricted	<u>355,026</u>
Temporarily restricted	
Committed to patients	57,878,248
Uncommitted	<u>61,843,909</u>
Total Temporarily Restricted	<u>119,722,157</u>
TOTAL NET ASSETS	<u>120,077,183</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 127,590,757</u>

The accompanying notes are an integral part of these financial statements.

HEALTHWELL FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Contributions	\$ 426,739	\$ 138,664,368	\$ 139,091,107
Investment income, net	1,809,218	-	1,809,218
Net assets released from restrictions:			
Satisfaction of program restrictions	107,027,609	(107,027,609)	-
TOTAL REVENUE AND SUPPORT	109,263,566	31,636,759	140,900,325
EXPENSES			
Program Services:			
Multiple Sclerosis – Medicare Access	38,387,298	-	38,387,298
Hepatitis C	15,101,168	-	15,101,168
Non-Small Cell Lung Cancer – Medicare Access	11,137,570	-	11,137,570
Pulmonary Fibrosis	8,241,400	-	8,241,400
Cystic Fibrosis	7,390,083	-	7,390,083
Immunosuppressive Treatment for Solid Organ Transplant Recipients – Medicare Access	4,188,239	-	4,188,239
Chronic Myeloid Leukemia – Medicare Access	3,448,377	-	3,448,377
Systemic Lupus Erythematosus	3,029,778	-	3,029,778
Carcinoid Tumors and Associated Symptoms – Medicare Access	2,179,205	-	2,179,205
Urticaria	1,775,907	-	1,775,907
Multiple Myeloma – Medicare Access	1,688,893	-	1,688,893
Breast Cancer – Medicare Access	1,659,982	-	1,659,982
Cytomegalovirus Disease – Prevention and Treatment	1,352,517	-	1,352,517
Growth Hormone Deficiency	1,138,875	-	1,138,875
Melanoma	1,038,458	-	1,038,458
Renal Cell Carcinoma – Medicare Access	902,878	-	902,878
Melanoma – Medicare Access	770,892	-	770,892
Gout	704,691	-	704,691
Dupuytren's Disease	696,466	-	696,466
Peyronie's Disease	579,638	-	579,638
Head and Neck Cancer – Medicare Access	506,536	-	506,536
ANCA – Associated Vasculitis, Wegener's and Granulomatosis with Polyangiitis	486,066	-	486,066
Pediatric Assistance	319,959	-	319,959
Secondary Hyperparathyroidism	253,582	-	253,582
Diabetic Foot Ulcers	231,748	-	231,748
Asthma	199,761	-	199,761
Non-Small Cell Lung Cancer	151,706	-	151,706
Fungal Infections – Aspergillosis and Candidiasis	80,975	-	80,975
Porphyrias	28,246	-	28,246
Post-Menopausal Osteoporosis – Medicare Access	22,253	-	22,253
Other	20,334	-	20,334
Chemotherapy-Induced Neutropenia – Medicare Access	17,854	-	17,854
Bone Metastases – Medicare Access	12,978	-	12,978
Inflammatory Bowel Disease – Medicare Access	412	-	412
Wilms' Tumor	342	-	342
Gout Travel Fund	275	-	275
Urea Cycle Disorders	75	-	75
Total Program Services	107,745,417	-	107,745,417

The accompanying notes are an integral part of these financial statements.

Continued

HEALTHWELL FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

(Continued)

	Unrestricted	Temporarily Restricted	Total
EXPENSES (CONTINUED)			
Supporting Services:			
Management and general	\$ 1,014,154	\$ -	\$ 1,014,154
Marketing and communications	545,793	-	545,793
Fundraising	534,678	-	534,678
Total Supporting Services	2,094,625	-	2,094,625
TOTAL EXPENSES	109,840,042	-	109,840,042
CHANGE IN NET ASSETS	(576,476)	31,636,759	31,060,283
NET ASSETS, BEGINNING OF YEAR	931,502	88,085,398	89,016,900
NET ASSETS, END OF YEAR	\$ 355,026	\$ 119,722,157	\$ 120,077,183

The accompanying notes are an integral part of these financial statements.

HEALTHWELL FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016

	Supporting Services					
	Program Services	Management and General	Education and Outreach	Fundraising	Total Supporting Services	Total
Patient grants	\$ 102,016,067	\$ -	\$ -	\$ -	\$ -	\$ 102,016,067
Contracted services	4,280,178	124,076	131,715	-	255,791	4,535,969
Salaries and wages	401,485	394,319	253,846	228,455	876,620	1,278,105
Professional fees	333,159	140,585	-	-	140,585	473,744
Fringe benefits and payroll taxes	101,664	117,745	72,500	35,367	225,612	327,276
Telecommunications and systems	313,325	3,709	-	-	3,709	317,034
Marketing	-	-	44,729	206,189	250,918	250,918
Depreciation and amortization	78,933	30,785	-	-	30,785	109,718
Occupancy	35,103	31,907	20,486	10,558	62,951	98,054
Software licenses	82,959	5,650	-	-	5,650	88,609
Board honoraria	-	77,888	-	-	77,888	77,888
Miscellaneous	6,183	12,547	5,953	35,165	53,665	59,848
Printing and postage	43,742	7,798	-	-	7,798	51,540
Bank charges	38,171	1,004	-	4,010	5,014	43,185
Interest	-	38,500	-	-	38,500	38,500
Travel and meals	-	17,412	14,765	-	32,177	32,177
Supplies	12,864	1,629	1,068	626	3,323	16,187
State registration fees	-	-	-	13,897	13,897	13,897
Insurance	1,584	8,600	731	411	9,742	11,326
TOTAL EXPENSES	\$ 107,745,417	\$ 1,014,154	\$ 545,793	\$ 534,678	\$ 2,094,625	\$ 109,840,042

The accompanying notes are an integral part of these financial statements.

HEALTHWELL FOUNDATION

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2016

Increase (Decrease) in Cash and Cash Equivalents

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 31,060,283
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	109,718
Net realized and unrealized losses on investments	(200,558)
Changes in assets and liabilities:	
Interest receivable	(118,661)
Pledges receivable	(5,693,088)
Prepaid expenses	(14,936)
Deposit	8,219
Accounts payable and accrued expenses	1,406,959
Copayments and premium assistance payable	2,011,371
Deferred rent	39,493
	<u>28,608,800</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(170,093)
Proceeds from sales and maturities of investments	8,000,000
Purchases of investments	(14,486,170)
	<u>(6,656,263)</u>
NET CASH USED IN INVESTING ACTIVITIES	
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments made to portfolio loan	(13,000,000)
Proceeds from portfolio loan	13,000,000
	<u>-</u>
NET CASH USED IN FINANCING ACTIVITIES	
NET INCREASE IN CASH AND CASH EQUIVALENTS	21,952,537
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>7,050,805</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 29,003,342</u>

The accompanying notes are an integral part of these financial statements.

HEALTHWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2016

1. Organization and Nature of Activities

Organization

The HealthWell Foundation (the Foundation) is an independent, nonprofit organization that provides financial assistance to underinsured adults and children living with chronic or life-altering diseases, such as cancer, asthma and autoimmune disorders. The Foundation helps eligible individuals afford out-of-pocket costs for prescription drug copayments, coinsurance, deductibles, premiums and other select out-of-pocket costs. The Foundation's primary source of revenue is contributions from corporations and individuals.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Foundation's financial statements have been prepared on the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recorded as the obligations are incurred.

Cash and Cash Equivalents

For financial statement reporting purposes, cash and cash equivalents include demand deposits and money market funds, excluding money market funds held in investment accounts.

Investments

Investments consist of exchange-traded funds, corporate bonds, government securities, money market funds, mutual funds, municipal bonds and certificates of deposit. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized gains and losses are recognized upon the sale or disposal of the investment. Interest and dividend income is recorded as earned. Unrealized gains and losses due to market fluctuations during the year are recognized as unrestricted revenue and support in the accompanying statement of activities.

Property and Equipment

Property and equipment are recorded at cost and are depreciated or amortized using the straight-line method over the estimated useful lives of the assets, which are five years. It is the Foundation's policy to capitalize purchases of property and equipment that cost \$5,000 or more. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance are expensed as incurred. Upon the disposal of an asset, the appropriate property accounts are reduced by the related costs and accumulated depreciation or amortization. The resulting gains or losses are reflected in the accompanying statement of activities.

HEALTHWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2016

2. Summary of Significant Accounting Policies (continued)

Net Assets

The Foundation's net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Foundation's net assets are classified and reported as follows:

- *Unrestricted net assets* – Net assets not subject to any donor-imposed stipulations or other legal limitations.
- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may be met by the Foundation's actions and/or the passage of time. Grants awarded to patients that have not yet been expended by the patients are reported as temporarily restricted net assets committed to patients.

Fair Value Measurement

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement* defines fair value and establishes a framework for measuring fair value for assets and liabilities that are measured at fair value on a recurring basis. In accordance with the accounting standards for fair value measurements for those assets and liabilities that are measured at fair value on a recurring basis, the Foundation has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the fair value hierarchy, the categorization is based on the lowest-level input that is significant to the fair value measurement of the instrument. Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

Level 3 – Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

As of and for the year ended December 31, 2016, only the Foundation's investments, as described in Notes 3 and 8, were measured at fair value on a recurring basis.

HEALTHWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2016

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

In accordance with FASB ASC Topic *Not-for-Profit Organizations*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted revenue and support depending on the existence and/or nature of any donor restrictions. Donor-restricted revenue is reported as an increase in temporarily restricted net assets, depending on the nature of the restriction. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Program Services

The Foundation awards financial assistance to underinsured patients living with chronic or life-altering diseases. The Foundation records this financial assistance as program service expense when the services are provided, rather than when the assistance is awarded, as payments are contingent upon the patients obtaining the approved medications and/or services.

The Foundation has instituted a process for withdrawing and adjusting the original patient assistance committed to, but not subsequently used by, the patient so that the funds are available for new awards. Funds awarded to patients that have not yet been expended by the patients are recorded as temporarily restricted net assets committed to patients on the accompanying statement of financial position.

Copayments and Premium Assistance Payable

An estimated liability for unpaid copayments and premium claims incurred, but not reported, as of year-end, based upon actual subsequent claims payments, is recorded in the accompanying statement of financial position.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the accompanying statement of functional expenses. Expenses that are not directly charged to a program or supporting service are allocated among the programs and supporting services based on patient grant expenses.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

HEALTHWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

3. Investments

The Foundation's investments as of December 31, 2016, are summarized as follows:

Exchange-traded funds – closed-end funds	\$ 22,169,744
Mutual funds	7,120,898
Money market funds	10,506,945
Certificates of deposit	203,280
Corporate bonds	21,779,592
Municipal bonds	586,264
Government securities	<u>15,128,454</u>
Total Investments	<u>\$ 77,495,177</u>

Investment income, including interest earned on cash and cash equivalents, was as follows for the year ended December 31, 2016:

Interest and dividends	\$ 1,866,191
Realized gains	266,048
Unrealized losses	(65,490)
Investment fees	<u>(257,531)</u>
Investment Income, Net	<u>\$ 1,809,218</u>

4. Pledges Receivable

Pledges receivable represent grants and contributions from corporations that are due within one year. Pledges receivable are deemed to be fully collectible. Approximately 89% of pledges receivable were due from three contributors as of December 31, 2016.

5. Property and Equipment

Property and equipment consisted of the following at December 31, 2016:

Computer software	\$ 1,170,403
Computer equipment	137,470
Furniture	<u>116,858</u>
Total Property and Equipment	1,424,731
Less: Accumulated Depreciation and Amortization	<u>(1,090,300)</u>
Property and Equipment, Net	<u>\$ 334,431</u>

Depreciation and amortization expense totaled \$109,718 for the year ended December 31, 2016.

Continued

HEALTHWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2016

6. Temporarily Restricted Net Assets

As of December 31, 2016, temporarily restricted net assets were available for the following disease funds:

Multiple Sclerosis – Medicare Access	\$ 11,587,955
Hepatitis C	21,853,279
Pulmonary Fibrosis	21,770,230
Multiple Myeloma – Medicare Access	14,557,977
Non-Small Cell Lung Cancer – Medicare Access	10,877,474
Cystic Fibrosis	8,868,427
Secondary Hyperparathyroidism	6,245,318
Systemic Lupus Erythematosus	2,999,482
Urticaria	2,761,468
Bone Metastases – Medicare Access	2,733,378
Chemotherapy-Induced Neutropenia – Medicare Access	2,416,276
Breast Cancer	2,378,097
Gout – Medicare Access	1,565,416
Carcinoid Tumors and Associated Symptoms – Medicare Access	1,457,331
Chronic Myeloid Leukemia – Medicare Access	1,136,638
Inflammatory Bowel Disease – Medicare Access	823,372
Melanoma – Medicare Access	833,142
Peyronie's Disease	712,890
Melanoma	620,731
Dupuytren's Disease	562,436
Cytomegalovirus Disease	549,155
Non-Small Cell Lung Cancer	518,031
Head and Neck Cancer	466,106
ANCA – Associated Vasculitis, Wegener's and Granulomatosis with Polyangiitis	408,596
Fungal Infections-Aspergillosis and Candidiasis	169,025
Growth Hormone Deficiency	158,224
Diabetic Foot Ulcers	118,252
Iron Overload as a Result of Blood Transfusions	102,766
Autoimmune – Medicare Access	97,124
Emergency Cancer Relief	87,484
Porphyrias	51,101
Urea Cycle Disorders	44,863
Carcinoid Tumors and Associated Symptoms	41,604
Gout Travel Fund	24,725
Colorectal Carcinoma	24,253
Anemia Associated with Chronic Renal Insufficiency/Failure	22,675
Crohn's Disease – Medicare Access	20,638
Post-Menopausal Osteoporosis – Medicare Access	15,550
Wilms' Tumor	14,401
Ankylosing Spondylitis	12,923

Continued

HEALTHWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

6. Temporarily Restricted Net Assets (continued)

Psoriasis	\$ 3,869
Idiopathic Thrombocytopenic Purpura	3,721
Non-Hodgkin's Lymphoma	2,140
Rheumatoid Arthritis	1,882
Macular Degeneration	1,379
Psoriatic Arthritis	<u>353</u>
Total	<u>\$119,722,157</u>

7. Pension Plan

The Foundation maintains a defined-contribution plan under Section 401(k) of the Internal Revenue Code (the IRC). Under the 401(k) plan, participants may elect to contribute annually to the plan amounts up to the federal tax limit, which was \$18,000 for 2016. The Foundation matches 100% of an employee's contributions, up to 6% of the employee's salary. Employees are vested in their own contributions and employer matching contributions at the time the contributions are made. The Foundation's pension expense totaled \$62,722 for the year ended December 31, 2016.

8. Fair Value Measurement

The following table summarizes the Foundation's assets measured at fair value on a recurring basis as of December 31, 2016:

	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Exchange-traded funds:				
Closed-end funds:				
Equity allocation	\$ 20,176,455	\$ 20,176,455	\$ -	\$ -
Taxable bond allocation	<u>1,993,289</u>	<u>1,993,289</u>	<u>-</u>	<u>-</u>
Total Exchange- Traded Funds	<u>22,169,744</u>	<u>22,169,744</u>	<u>-</u>	<u>-</u>

Continued

HEALTHWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

8. Fair Value Measurement (continued)

<i>(Continued)</i>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual funds:				
Nontraditional bond funds	\$ 2,846,895	\$ 2,846,895	\$ -	\$ -
Allocation funds	2,263,107	2,263,107	-	-
Market neutral	<u>2,010,896</u>	<u>2,010,896</u>	-	-
Total Mutual Funds	<u>7,120,898</u>	<u>7,120,898</u>	-	-
Money market funds	10,506,945	10,506,945	-	-
Certificates of deposit	203,280	-	203,280	-
Government securities	15,128,454	-	15,128,454	-
Municipal bonds	586,264	-	586,264	-
Corporate bonds	<u>21,779,592</u>	<u>-</u>	<u>21,779,592</u>	<u>-</u>
Total Assets	<u>\$77,495,177</u>	<u>\$39,797,587</u>	<u>\$37,697,590</u>	<u>\$ -</u>

As of December 31, 2016, the Foundation used the following methods and significant assumptions to estimate fair value for assets recorded at fair value:

Money market funds; exchange-traded funds – closed-end; – Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include common stock and money market funds.

Mutual funds – Valued at the quoted market price of the fund, which represents the net asset value of the share held by the fund at year-end.

Certificates of deposit – Certificates of deposit have original maturity dates in excess of 90 days. A yield-based matrix system was used to arrive at an estimated market value for these instruments which are classified within Level 2 of the valuation hierarchy.

Corporate bonds – Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable characteristics, as provided by a third party using a computerized valuation formula. If quoted market prices are not available, then fair values are estimated using the most recent bid prices in the over-the-counter market in which the individual securities are traded and adjusted for other factors, such as interest rates, credit, etc., as determined by the broker and/or custodian.

Government securities and municipal bonds – Represent securities that are generally not traded on a daily basis. The fair value estimates of such investments are based on observable market information, rather than market quotes. Accordingly, the estimates of fair value for such investments, as provided by the pricing service, are included in Level 2.

Continued

HEALTHWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2016

9. Portfolio Loan Payable

The Foundation has a portfolio loan facility with a maximum limit of \$30,013,000 as of December 31, 2016, with interest rate tiers based on the amount of the portfolio loan. The limit is determined by the overall size and composition of the portfolio and varies accordingly. As of December 31, 2016, no amount was outstanding on the portfolio loan, and the facility carried an interest rate of 2.52%. Interest in specific investments totaling \$77,495,177 as of December 31, 2016, was held as collateral to secure the balance of the portfolio loan. For the year ended December 31, 2016, the Foundation incurred interest and other charges on the portfolio loan of \$38,500.

10. Risks and Commitments

Cash

The Foundation maintains its cash with certain commercial financial institutions, which aggregate balances may exceed, at times, the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of December 31, 2016, the Foundation had approximately \$29,300,000 million in demand deposits which exceeded the maximum limit insured by the FDIC.

Concentration of Revenue Risk

During the year ended December 31, 2016, the Foundation received approximately 85% of its total revenue and support from five donors.

Operating Lease

The Foundation leased commercial office space and certain equipment under an agreement with Covance Market Access (CMA) which expired in August 2015 and continued on a month-to-month basis through January 2016. The Foundation also had a services agreement with CMA, which included hotline support, which expired in January 2016. The lease and services agreement included an annual 3% increase. Expenses under the services agreement totaled approximately \$2,700,000 for the year ended December 31, 2016.

In September 2015, the Foundation signed a new operating lease for office space commencing February 2016 and continuing through June 30, 2021. Monthly base rent began at \$8,218, plus a prorated share of basic property operating costs. The Foundation paid a rental deposit equivalent to one month's base rent of \$8,218. The lease also contains a fixed

HEALTHWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

10. Risks and Commitments (continued)

Operating Lease (continued)

escalation clause for increases in the annual minimum rent at a rate of 2.7% per year and there is a rent abatement for the first 180 days of the operating lease. Under GAAP, all rental payments, including rent increases, are recognized on a straight-line basis over the term of the lease.

The following is a schedule of future minimum lease payments as of December 31, 2016:

<u>For the Year Ending December 31,</u>	
2017	\$ 101,352
2018	104,127
2019	106,988
2020	109,936
2021	<u>56,485</u>
Total	<u>\$ 478,888</u>

Patient Commitments

At December 31, 2016, the Foundation had outstanding commitments to patients totaling \$57,878,248. These commitments are based upon amounts awarded by the Foundation for, but not yet expended on, copayments and premium assistance claims of patients as of December 31, 2016. As patients submit claims for approved medication and services, amounts committed to patients are transferred to copayments and premium assistance payable in the accompanying statement of financial position until the obligation is paid.

11. Income Tax Status

The Foundation is exempt from federal income taxation, except for unrelated business income, under Section 501(c)(3) of the IRC and is classified by the Internal Revenue Service as other than a private foundation. No provision for income taxes was required for the year ended December 31, 2016, as the Foundation had no taxable unrelated business income.

The Foundation follows the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB ASC Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Foundation performed an evaluation of uncertain tax positions for the year ended December 31, 2016, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2016, the statute of limitations for tax years 2013 through 2015 remains open

HEALTHWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2016

11. Income Tax Status (continued)

with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Foundation files tax returns. It is the Foundation's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of December 31, 2016, the Foundation had no accrual for interest and/or penalties.

12. Subsequent Events

In preparing the financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through June 21, 2017, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in these financial statements.