



HEALTHWELL  
FOUNDATION®

When health insurance is not enough.®

## **Financial Statements**

*For the Year Ended December 31, 2015*



**and  
Report Thereon**





## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the  
HealthWell Foundation

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the HealthWell Foundation (the Foundation), which comprise the statement of financial position as of December 31, 2015, 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, 2015, 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 23, 2016

**HEALTHWELL FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2015**

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**ASSETS**

Cash and cash equivalents	\$ 7,050,805
Investments	70,808,667
Interest receivable	81,599
Pledges receivable	14,800,000
Prepaid expenses	41,305
Deposit	16,437
Property and equipment, net	<u>273,838</u>

TOTAL ASSETS \$ 93,072,651

**LIABILITIES AND NET ASSETS**

**Liabilities**

Accounts payable and accrued expenses	\$ 1,747,293
Co-payments and premium assistance payable	<u>2,308,458</u>

TOTAL LIABILITIES 4,055,751

**Net Assets**

Unrestricted 931,502

Temporarily restricted

Committed to patients	35,836,205
Uncommitted	<u>52,249,193</u>

Total Temporarily Restricted 88,085,398

TOTAL NET ASSETS 89,016,900

TOTAL LIABILITIES AND NET ASSETS \$ 93,072,651

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

**HEALTHWELL FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2015**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND SUPPORT</b>			
Contributions	\$ 353,102	\$ 66,781,652	\$ 67,134,754
Investment loss, net	(3,252,181)	-	(3,252,181)
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>65,067,584</u>	<u>(65,067,584)</u>	<u>-</u>
<b>TOTAL REVENUE AND SUPPORT</b>	<u>62,168,505</u>	<u>1,714,068</u>	<u>63,882,573</u>
<b>EXPENSES</b>			
Program Services:			
Multiple Sclerosis – Medicare Access	25,171,271	-	25,171,271
Immunosuppressive Treatment for Solid Organ Transplant Recipients	7,474,143	-	7,474,143
Cytomegalovirus Disease	4,858,911	-	4,858,911
Hepatitis C	4,145,552	-	4,145,552
Asthma	3,668,343	-	3,668,343
Chronic Myeloid Leukemia – Medicare Access	2,858,503	-	2,858,503
Systemic Lupus Erythematosus	2,710,256	-	2,710,256
Carcinoid Tumors and Associated Symptoms – Medicare Access	2,046,960	-	2,046,960
Growth Hormone Deficiency	1,554,261	-	1,554,261
Urticaria	1,190,791	-	1,190,791
Head and Neck Cancer	1,179,171	-	1,179,171
Non-Small Cell Lung Cancer	1,044,611	-	1,044,611
Chemotherapy-Induced Neutropenia – Medicare Access	980,625	-	980,625
Pulmonary Fibrosis	790,190	-	790,190
Inflammatory Bowel Disease – Medicare Access	762,147	-	762,147
Secondary Hyperparathyroidism	636,544	-	636,544
Melanoma	622,003	-	622,003
Dupuytren's Disease	586,473	-	586,473
Lung Cancer – Medicare Access	540,207	-	540,207
Peyronie's	507,964	-	507,964
ANCA – Associated Vasculitis, Wegener's and Granulomatosis with Polyangiitis	496,129	-	496,129
Cystic Fibrosis	467,217	-	467,217
Gout	452,265	-	452,265
Pediatric	154,396	-	154,396
Melanoma – Medicare Access	142,633	-	142,633
Post-Menopausal Osteoporosis – Medicare Access	78,601	-	78,601
Porphyrias	23,919	-	23,919
Renal Cell Carcinoma – Medicare Access	6,444	-	6,444
Other	4,437	-	4,437
Multiple Myeloma	<u>3,411</u>	<u>-</u>	<u>3,411</u>
<b>Total Program Services</b>	<u>65,158,378</u>	<u>-</u>	<u>65,158,378</u>

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

Continued

**HEALTHWELL FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2015**

Continued

	Unrestricted	Temporarily Restricted	Total
Supporting Services:			
Management and general	\$ 1,016,117	\$ -	\$ 1,016,117
Marketing and communications	482,259	-	482,259
Fundraising	469,682	-	469,682
Total Supporting Services	1,968,058	-	1,968,058
TOTAL EXPENSES	67,126,436	-	67,126,436
CHANGE IN NET ASSETS	(4,957,931)	1,714,068	(3,243,863)
NET ASSETS, BEGINNING OF YEAR	5,889,433	86,371,330	92,260,763
NET ASSETS, END OF YEAR	\$ 931,502	\$ 88,085,398	\$ 89,016,900

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

**HEALTHWELL FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2015**

	Supporting Services				Total Supporting Services	Total
	Program Services	Management and General	Marketing and Communications	Fundraising		
Patient grants	\$ 57,936,644	\$ -	\$ -	\$ -	\$ -	\$ 57,936,644
Contracted services	5,660,536	211,393	121,033	-	332,426	5,992,962
Salaries and wages	291,346	368,865	218,673	228,725	816,263	1,107,609
Professional fees	450,481	97,681	-	-	97,681	548,162
Telecommunications and systems	402,599	8,250	-	-	8,250	410,849
Fringe benefits and payroll taxes	74,297	112,359	70,487	43,218	226,064	300,361
Marketing	-	-	44,093	167,022	211,115	211,115
Depreciation and amortization	166,609	19,214	-	-	19,214	185,823
Board honoraria	-	89,914	-	-	89,914	89,914
Software licenses	75,399	1,863	-	-	1,863	77,262
Printing and postage	52,332	5,870	-	-	5,870	58,202
Occupancy	10,356	16,989	12,208	5,279	34,476	44,832
Travel and meals	-	28,240	13,334	-	41,574	41,574
Interest	-	35,042	-	-	35,042	35,042
Bank charges	31,124	-	-	3,316	3,316	34,440
Miscellaneous	2,000	12,618	598	8,183	21,399	23,399
State registration fees	-	-	-	13,477	13,477	13,477
Supplies	4,655	1,516	1,833	462	3,811	8,466
Insurance	-	6,303	-	-	6,303	6,303
<b>TOTAL EXPENSES</b>	<b>\$ 65,158,378</b>	<b>\$ 1,016,117</b>	<b>\$ 482,259</b>	<b>\$ 469,682</b>	<b>\$ 1,968,058</b>	<b>\$ 67,126,436</b>

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

**HEALTHWELL FOUNDATION**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2015**  
**Increase (Decrease) in Cash and Cash Equivalents**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ (3,243,863)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	185,823
Net realized and unrealized losses on investments	4,929,947
Changes in assets and liabilities:	
Interest receivable	(77,465)
Pledges receivable	(12,450,000)
Prepaid expenses	(16,017)
Deposit	494,755
Accounts payable and accrued expenses	522,755
Co-payments and premium assistance payable	<u>688,930</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u><b>(8,965,135)</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchases of property and equipment	(112,080)
Proceeds from sales and maturities of investments	20,642,362
Purchases of investments	<u>(22,240,520)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u><b>(1,710,238)</b></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Payments made to portfolio loan	(20,000,000)
Proceeds from portfolio loan	<u>20,000,000</u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<u><b>-</b></u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(10,675,373)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u><b>17,726,178</b></u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u><b>\$ 7,050,805</b></u></u>

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



# HEALTHWELL FOUNDATION

## NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2015

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### 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 temporarily uninvested money market funds held in investment accounts.

#### **Investments**

Investments consist of common stock, corporate bonds, exchange-traded funds, mutual funds, government securities, certificates of deposit, municipal bonds and certain cash and money market funds. 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, 2015

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#### 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 Measurements**

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, 2015, 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, 2015

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#### 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, 2015

3. Investments

The Foundation's investments as of December 31, 2015, are summarized as follows:

Exchange-traded funds – closed-end funds	\$ 37,240,382
Mutual funds	10,270,294
Government securities	13,456,182
Corporate bonds	6,012,008
Cash and money market funds	3,468,409
Certificates of deposit	201,514
Municipal bonds	158,337
Common stock	<u>1,541</u>
Total Investments	<u>\$ 70,808,667</u>

Investment loss, including interest earned on cash and cash equivalents, was as follows for the year ended December 31, 2015:

Interest and dividends	\$ 2,004,638
Unrealized losses	(3,782,541)
Realized losses	(1,147,406)
Investment fees	<u>(326,872)</u>
Total Investment Loss, Net	<u>\$ (3,252,181)</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 100% of pledges receivable were due from two contributors as of December 31, 2015.

5. Property and Equipment

Property and equipment consisted of the following at December 31, 2015:

Computer software	\$ 1,079,305
Computer equipment	137,470
Furniture	<u>37,864</u>
Total Property and Equipment	1,254,639
Less: Accumulated Depreciation and Amortization	<u>(980,801)</u>
Property and Equipment, Net	<u>\$ 273,838</u>

Depreciation and amortization expense totaled \$185,823 for the year ended December 31, 2015.

## HEALTHWELL FOUNDATION

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2015

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#### 6. Temporarily Restricted Net Assets

As of December 31, 2015, temporarily restricted net assets were available for the following disease funds:

Multiple Sclerosis – Medicare Access	\$ 26,449,748
Hepatitis C	18,854,448
Non-Small Cell Lung Cancer – Medicare Access	8,559,794
Pulmonary Fibrosis	4,709,810
Urticaria	4,687,376
Cystic Fibrosis	3,407,285
Carcinoid Tumors and Associated Symptoms – Medicare Access	2,886,614
Immunosuppressive Treatment for Solid Organ Transplant Recipients	2,714,221
Non-Small Cell Lung Cancer	2,594,737
Chronic Myeloid Leukemia – Medicare Access	1,895,015
Systemic Lupus Erythematosus	1,729,015
Melanoma	1,659,189
Cytomegalovirus Disease	1,601,672
Gout	770,107
Head and Neck Cancer	722,642
Growth Hormone Deficiency	697,099
Autoimmune – Medicare Access	534,148
Secondary Hyperparathyroidism	498,901
Peyronie's	448,478
Dupuytren's Disease	388,022
ANCA – Associated Vasculitis, Wegener's and Granulomatosis with Polyangiitis	344,662
Chemotherapy-Induced Neutropenia – Medicare Access	318,065
Multiple Myeloma	246,839
Renal Cell Carcinoma	243,556
Inflammatory Bowel Disease – Medicare Access	241,068
Melanoma – Medicare Access	202,493
Iron Overload as a Result of Blood Transfusions	102,766
Rheumatoid Arthritis	94,888
Emergency Cancer Relief	86,306
Porphyrias	29,347
Asthma	49,425
Urea Cycles Disorder	44,938
Carcinoid Tumors and Associated Symptoms	41,278
Post-Menopausal Osteoporosis – Medicare Access	37,802
Breast Cancer	37,580
Psoriasis	28,869
Psoriatic Arthritis	23,827
Colorectal Carcinoma	22,391
Anemia Associated with Chronic Renal Insufficiency/Failure	20,765
Crohn's Disease – Medicare Access	20,638
Bone Metastases	16,357
Ankylosing Spondylitis	12,916

Continued

**HEALTHWELL FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2015**

6. Temporarily Restricted Net Assets (continued)

Wilm's Tumor	\$ 4,743
Idiopathic Thrombocytopenic Purpura	2,965
Macular Degeneration	1,379
Non-Hodgkin's Lymphoma	1,109
Chemotherapy-Induced Anemia	<u>105</u>
Total	<u>\$ 88,085,398</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 2015. 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 \$57,411 for the year ended December 31, 2015.

8. Fair Value Measurements

The following table summarizes the Foundation's assets measured at fair value on a recurring basis as of December 31, 2015:

	<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	\$ 34,491,222	\$ 34,491,222	\$ -	\$ -
Taxable bond allocation	<u>2,749,161</u>	<u>2,749,161</u>	<u>-</u>	<u>-</u>
Total Exchange- traded Funds	<u>37,240,382</u>	<u>37,240,382</u>	<u>-</u>	<u>-</u>

Continued

**HEALTHWELL FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2015**

8. Fair Value Measurements (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	\$ 3,132,359	\$ 3,132,359	\$ -	\$ -
Term bond funds			-	-
Allocation funds	2,439,430	2,439,430	-	-
Large blend	2,061,072	2,061,072	-	-
Market neutral	1,592,612	1,592,612	-	-
Real estate funds	525,559	525,559	-	-
Large growth	<u>519,262</u>	<u>519,262</u>	-	-
Total Mutual Funds	<u>10,270,294</u>	<u>10,270,294</u>	-	-
Cash and money market funds	3,468,409	3,468,409	-	-
Common stock:				
Biotech	1,541	1,541	-	-
Certificates of deposit	201,514	-	201,514	-
Government securities	13,456,182	-	13,456,182	-
Municipal bonds	158,337	-	158,337	-
Corporate bonds	<u>6,012,008</u>	-	<u>6,012,008</u>	-
Total Assets	<u>\$70,808,667</u>	<u>\$50,980,626</u>	<u>\$19,828,041</u>	<u>\$ -</u>

As of December 31, 2015, 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; common stock* – 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

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## HEALTHWELL FOUNDATION

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2015

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#### 8. Fair Value Measurements (continued)

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.

#### 9. Portfolio Loan Payable

The Foundation has a portfolio loan facility with a limit of \$30,013,000, 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, 2015, no amount was outstanding on the portfolio loan, and the interest rate was 2.18%. Interest in specific investments totaling \$45,759,354 as of December 31, 2015, was held as collateral to secure the balance of the portfolio loan. For the year ended December 31, 2015, the Foundation incurred interest and other charges on the portfolio loan of \$35,042.

#### 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, 2015, the Foundation had approximately \$7,117,000 in demand deposits which exceeded the maximum limit insured by the FDIC.

##### **Concentration of Revenue Risk**

During the year ended December 31, 2015, the Foundation received approximately 78% of its total revenue and support from four donors.

##### **Operating Lease**

The Foundation leases commercial office space and certain equipment under an agreement with Covance Market Access (CMA) which expired in August 2015 and went to a month-to-month basis until January 2016. The Foundation also has a services agreement with CMA, which includes hotline support, which expires in January 2016. The lease and services agreement includes an annual 3% increase. Expenses under the services agreement totaled \$111,855 for the year ended December 31, 2015.



## HEALTHWELL FOUNDATION

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2015

#### 11. Risks and Commitments (continued)

##### **Operating Lease (continued)**

In September 2015, the Foundation signed an operating lease for office space beginning 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 base rent of \$8,218. The lease also contains a fixed 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 September 30, 2015:

<u>For the Year Ending December 31,</u>	
2016	\$ 41,092
2017	101,352
2018	104,127
2019	106,988
2020	109,936
Thereafter	<u>56,485</u>
Total	<u>\$ 519,980</u>

##### **Patient Commitments**

At December 31, 2015, the Foundation had outstanding commitments to patients totaling \$38,836,205. 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, 2015. 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, 2015, 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

## HEALTHWELL FOUNDATION

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2015

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11. Income Tax Status (continued)

Foundation performed an evaluation of uncertain tax positions for the year ended December 31, 2015, 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, 2015, the statute of limitations for tax years 2012 through 2014 remains open 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, 2015, 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 23, 2016, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.