



HEALTHWELL  
FOUNDATION®

When health insurance is not enough.®

## **Financial Statements**

*For the Year Ended December 31, 2017*



**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, 2017, 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, 2017, 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  
May 11, 2018

**HEALTHWELL FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2017**

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**ASSETS**

Cash and cash equivalents	\$ 70,958,599
Investments	162,285,202
Pledges receivable	11,788,334
Interest receivable and other assets	331,735
Property and equipment, net	<u>322,366</u>

TOTAL ASSETS \$ 245,686,236

**LIABILITIES AND NET ASSETS**

**Liabilities**

Accounts payable and accrued expenses	\$ 6,479,914
Copayments and premium assistance payable	<u>5,764,371</u>

TOTAL LIABILITIES 12,244,285

**Net Assets**

Unrestricted	<u>6,451,939</u>
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Temporarily restricted

Committed to patients	91,274,921
Uncommitted	<u>135,715,091</u>

Total Temporarily Restricted 226,990,012

TOTAL NET ASSETS 233,441,951

TOTAL LIABILITIES AND NET ASSETS \$ 245,686,236

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

**HEALTHWELL FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2017**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND SUPPORT</b>			
Contributions	\$ 545,104	\$ 349,501,075	\$ 350,046,179
Investment income, net	8,870,853	-	8,870,853
Net assets released from restrictions:			
Satisfaction of program restrictions	242,233,220	(242,233,220)	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>251,649,177</b>	<b>107,267,855</b>	<b>358,917,032</b>
<b>EXPENSES</b>			
Program Services:			
Multiple Myeloma – Medicare Access	56,354,451	-	56,354,451
Multiple Sclerosis – Medicare Access	36,950,931	-	36,950,931
Pulmonary Fibrosis	30,416,564	-	30,416,564
Hepatitis C	24,313,612	-	24,313,612
Secondary Hyperparathyroidism	18,579,046	-	18,579,046
Non-Small Cell Lung Cancer – Medicare Access	14,602,919	-	14,602,919
Breast Cancer – Medicare Access	11,348,993	-	11,348,993
Cystic Fibrosis	9,648,745	-	9,648,745
Chemotherapy-Induced Neutropenia – Medicare Access	6,718,181	-	6,718,181
Bone Metastases – Medicare Access	5,263,340	-	5,263,340
Systemic Lupus Erythematosus	3,323,933	-	3,323,933
Carcinoid Tumors and Associated Symptoms – Medicare Access	3,024,371	-	3,024,371
Urticaria	2,562,616	-	2,562,616
Chronic Myeloid Leukemia – Medicare Access	2,548,027	-	2,548,027
Cystic Fibrosis Treatments	2,027,560	-	2,027,560
Post-Menopausal Osteoporosis – Medicare Access	1,512,104	-	1,512,104
Gout	1,272,827	-	1,272,827
Peyronie's Disease	1,149,310	-	1,149,310
Dupuytren's Disease	1,046,065	-	1,046,065
Melanoma – Medicare Access	1,020,917	-	1,020,917
Acute Myeloid Leukemia – Medicare Access	860,546	-	860,546
Renal Cell Carcinoma – Medicare Access	725,310	-	725,310
Immunosuppressive Treatment for Solid Organ Transplant Recipients – Medicare Access	647,234	-	647,234
ANCA – Associated Vasculitis, Wegener's and Granulomatosis with Polyangiitis	609,037	-	609,037
Cystic Fibrosis Vitamins and Supplements	567,273	-	567,273
Macular Degeneration	564,206	-	564,206
Movement Disorders – Medicare Access	562,959	-	562,959
Diabetic Foot Ulcers	527,506	-	527,506
Pediatric Assistance	499,890	-	499,890
Colorectal Carcinoma	471,184	-	471,184
Giant Cell Arteritis or Temporal Arteritis – Medicare Access	454,640	-	454,640
Ovarian Cancer – Medicare Access	448,633	-	448,633

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

Continued

**HEALTHWELL FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2017**

(continued)

	Unrestricted	Temporarily Restricted	Total
<b>EXPENSES (CONTINUED)</b>			
Inflammatory Bowel Disease – Medicare Access	\$ 403,459	\$ -	\$ 403,459
Amyotrophic Lateral Sclerosis – Medicare Access	345,598	-	345,598
Breakthrough Cancer Pain – Medicare Access	334,884	-	334,884
Bladder and Urothelial Cancer – Medicare Access	302,375	-	302,375
Fungal Infections – Aspergillosis and Candidiasis	296,800	-	296,800
Cytomegalovirus Disease – Prevention and Treatment	226,942	-	226,942
Head and Neck Cancer – Medicare Access	245,730	-	245,730
Huntington's Disease – Medicare Access	209,000	-	209,000
Melanoma	113,948	-	113,948
Chemotherapy Induced Nausea or Vomiting – Medicare Access	88,270	-	88,270
Growth Hormone Deficiency	86,794	-	86,794
HIV and AIDS Wasting Syndrome and Anorexia due to HIV or AIDS – Medicare Access	39,651	-	39,651
Porphyrias	29,517	-	29,517
Homocystinuria	13,414	-	13,414
Other	12,956	-	12,956
	<b>243,372,268</b>	<b>-</b>	<b>243,372,268</b>
<b>Supporting Services:</b>			
Management and general	1,014,586	-	1,014,586
Marketing and communications	585,684	-	585,684
Fundraising	579,726	-	579,726
	<b>2,179,996</b>	<b>-</b>	<b>2,179,996</b>
	<b>245,552,264</b>	<b>-</b>	<b>245,552,264</b>
<b>CHANGE IN NET ASSETS</b>	<b>6,096,913</b>	<b>107,267,855</b>	<b>113,364,768</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>355,026</b>	<b>119,722,157</b>	<b>120,077,183</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 6,451,939</b>	<b>\$ 226,990,012</b>	<b>\$ 233,441,951</b>

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

**HEALTHWELL FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2017**

	Supporting Services				Total Supporting Services	Total
	Program Services	Management and General	Marketing and Communications	Fundraising		
Patient grants	\$236,290,414	\$ -	\$ -	\$ -	\$ -	\$236,290,414
Contracted services	4,784,932	74,029	159,495	-	233,524	5,018,456
Salaries and wages	549,453	437,396	251,466	259,832	948,694	1,498,147
Professional fees	454,050	123,191	-	-	123,191	577,241
Bad debt expense	500,000	-	-	-	-	500,000
Fringe benefits and payroll taxes	127,077	123,633	72,117	42,523	238,273	365,350
Telecommunications and systems	286,374	45,143	-	-	45,143	331,517
Marketing	-	-	47,334	195,325	242,659	242,659
Depreciation and amortization	80,219	22,977	-	-	22,977	103,196
Software licenses	98,066	2,129	-	-	2,129	100,195
Occupancy	37,812	31,311	18,629	11,229	61,169	98,981
Printing and postage	72,089	5,726	2,257	547	8,530	80,619
Board honoraria	-	73,763	-	-	73,763	73,763
Bank charges	58,200	590	-	8,635	9,225	67,425
Travel and meals	-	19,138	14,351	33,593	67,082	67,082
Miscellaneous	11,988	12,695	15,076	11,257	39,028	51,016
Interest	-	33,592	-	-	33,592	33,592
Supplies	21,594	2,225	4,959	680	7,864	29,458
State registration fees	-	-	-	16,105	16,105	16,105
Insurance	-	7,048	-	-	7,048	7,048
<b>TOTAL EXPENSES</b>	<b><u>\$243,372,268</u></b>	<b><u>\$ 1,014,586</u></b>	<b><u>\$ 585,684</u></b>	<b><u>\$ 579,726</u></b>	<b><u>\$ 2,179,996</u></b>	<b><u>\$245,552,264</u></b>

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

**HEALTHWELL FOUNDATION**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2017**  
**Increase (Decrease) in Cash and Cash Equivalents**

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<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 113,364,768
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	103,196
Net realized and unrealized gains on investments	(6,106,114)
Changes in assets and liabilities:	
Pledges receivable	8,704,754
Interest receivable and other assets	(67,016)
Accounts payable and accrued expenses	3,286,169
Copayments and premium assistance payable	<u>1,444,542</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>120,730,299</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchases of property and equipment	(91,130)
Proceeds from sales and maturities of investments	29,131,353
Purchases of investments	<u>(107,815,265)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(78,775,042)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Payments made to portfolio loan	(20,500,000)
Proceeds from portfolio loan	<u>20,500,000</u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<u>-</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	41,955,257
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>29,003,342</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 70,958,599</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, 2017

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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 money market funds held in investment accounts.

#### **Investments**

Investments consist of exchange-traded funds, corporate bonds, government securities, money market funds, mutual funds and certificates of deposit, as well as cash held for longer term investment. 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, 2017

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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 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, 2017, only the Foundation's investments, as described in Notes 3 and 8, were measured at fair value on a recurring basis.

##### **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

## HEALTHWELL FOUNDATION

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2017

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#### 2. Summary of Significant Accounting Policies (continued)

##### **Revenue Recognition (continued)**

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, 2017

3. Investments

The Foundation's investments as of December 31, 2017, are summarized as follows:

Mutual funds	\$ 85,210,147
Government securities	27,644,292
Exchange-traded funds – closed-end funds	24,094,972
Corporate bonds	22,114,273
Money market funds	2,445,397
Cash and cash equivalents	575,563
Certificates of deposit	<u>200,558</u>
Total Investments	<u>\$162,285,202</u>

Investment income, including interest earned on cash and cash equivalents, was as follows for the year ended December 31, 2017:

Unrealized gains	\$ 5,252,480
Interest and dividends	3,017,353
Realized gains	853,634
Investment fees	<u>(252,614)</u>
Investment Income, Net	<u>\$ 8,870,853</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 79% of pledges receivable were due from three contributors as of December 31, 2017.

5. Property and Equipment

Property and equipment consisted of the following at December 31, 2017:

Computer software	\$ 1,240,033
Computer equipment	137,689
Furniture	<u>138,358</u>
Total Property and Equipment	1,516,080
Less: Accumulated Depreciation and Amortization	<u>(1,193,714)</u>
Property and Equipment, Net	<u>\$ 322,366</u>

Depreciation and amortization expense totaled \$103,196 for the year ended December 31, 2017.

# HEALTHWELL FOUNDATION

## NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2017

### 6. Temporarily Restricted Net Assets

As of December 31, 2017, temporarily restricted net assets were available for the following disease funds:

Hepatitis C	\$ 40,540,018
Multiple Myeloma – Medicare Access	34,094,381
Pulmonary Fibrosis	25,158,111
Multiple Sclerosis – Medicare Access	20,506,780
Secondary Hyperparathyroidism	14,166,322
Cystic Fibrosis Treatments	12,472,595
Systemic Lupus Erythematosus	8,975,569
Bone Metastases – Medicare Access	7,660,038
Macular Degeneration	6,637,273
Non-Small Cell Lung Cancer – Medicare Access	6,412,937
Amyotrophic Lateral Sclerosis – Medicare Access	5,654,402
Breast Cancer – Medicare Access	5,029,104
Renal Cell Carcinoma – Medicare Access	4,524,690
Chemotherapy-Induced Neutropenia – Medicare Access	3,498,095
Cystic Fibrosis	2,969,682
Post-Menopausal Osteoporosis – Medicare Access	2,883,447
Urticaria	2,873,852
Acute Myeloid Leukemia – Medicare Access	2,639,454
Colorectal Carcinoma	2,153,069
Carcinoid Tumors and Associated Symptoms – Medicare Access	2,108,460
Ovarian Cancer – Medicare Access	1,751,367
Melanoma – Medicare Access	1,615,675
Bladder and Urothelial Cancer – Medicare Access	1,497,625
Gout	1,392,589
Movement Disorders – Medicare Access	1,337,041
Chronic Myeloid Leukemia – Medicare Access	1,088,636
Cystic Fibrosis Vitamins and Supplements	1,039,703
Giant Cell Arteritis or Temporal Arteritis – Medicare Access	845,360
Peyronie’s Disease	763,580
ANCA – Associated Vasculitis, Wegener’s and Granulomatosis with Polyangiitis	709,584
Other funds	548,611
Inflammatory Bowel Disease – Medicare Access	449,187
Dupuytren’s Disease	416,421
Cytomegalovirus Disease – Prevention and Treatment	322,238
Autoimmune	318,199
Melanoma	316,783
Huntington’s Disease – Medicare Access	291,000
Diabetic Foot Ulcers	290,746
Head and Neck Cancer – Medicare Access	288,376
Breakthrough Cancer Pain – Medicare Access	265,116
Acromegaly – Medicare Access	249,941
Fungal Infections-Aspergillosis and Candidiasis	122,225
Chemotherapy Induced Nausea or Vomiting – Medicare Access	111,730
Total	<u>\$226,990,012</u>

Continued

## HEALTHWELL FOUNDATION

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2017

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 2017. 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 \$76,207 for the year ended December 31, 2017.

8. Fair Value Measurement

The following table summarizes the Foundation's assets measured at fair value on a recurring basis as of December 31, 2017:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured in fair value hierarchy:				
Mutual funds:				
Nontraditional bond funds	\$ 33,525,245	\$ 33,525,245	\$ -	\$ -
Short and intermediate term bond funds	24,027,912	24,027,912	-	-
Domestic equity	14,814,340	14,814,340	-	-
International equity	9,993,003	9,993,003	-	-
Allocation funds	1,572,053	1,572,053	-	-
Market neutral	1,277,594	1,277,594	-	-
Total Mutual Funds	85,210,147	85,210,147	-	-
Government securities	27,644,292	-	27,644,292	-
Exchange-traded funds:				
Closed-end funds:				
Equity allocation	23,854,032	23,854,032	-	-
Taxable bond allocation	240,940	240,940	-	-
Total Exchange- Traded Funds	24,094,972	24,094,972	-	-
Corporate bonds	22,114,273	-	22,114,273	-

Continued

**HEALTHWELL FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2017**

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>
Money market funds	\$ 2,445,397	\$ 2,445,397	\$ -	\$ -
Certificates of deposit	<u>200,558</u>	<u>-</u>	<u>200,558</u>	<u>-</u>
Total Investments Measured in Fair Value Hierarchy	161,709,639	<u>\$111,750,516</u>	<u>\$ 49,959,123</u>	<u>\$ -</u>
Cash	<u>575,563</u>			
Total Investments	<u>\$162,285,202</u>			

As of December 31, 2017, the Foundation used the following methods and significant assumptions to estimate fair value for assets recorded at fair value:

*Mutual funds* – Mutual funds are 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.

*Government securities* – Government securities 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.

*Exchange-traded funds; money market funds* – 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.

*Corporate bonds* – Corporate bonds are 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.

*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.

9. Portfolio Loan Payable

The Foundation has a portfolio loan facility with a maximum limit of \$30,013,000 as of December 31, 2017, 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.

## HEALTHWELL FOUNDATION

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2017

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9. Portfolio Loan Payable (continued)

As of December 31, 2017, no amount was outstanding on the portfolio loan, and the facility carried an interest rate of 3.31%. Interest in specific investments totaling \$79,617,287 as of December 31, 2017, was held as collateral to secure the balance of the portfolio loan. For the year ended December 31, 2017, the Foundation incurred interest and other charges on the portfolio loan of \$33,592.

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, 2017, the Foundation had approximately \$71,800,000 in demand deposits which exceeded the maximum limit insured by the FDIC.

**Concentration of Revenue Risk**

During the year ended December 31, 2017, the Foundation received approximately 76% of its total revenue and support from four donors.

**Operating Lease**

The Foundation has signed an operating lease for office space through June 30, 2021. The lease provides for monthly base rent beginning at \$8,218, plus a prorated share of basic property operating costs, and a fixed escalation clause for increases in the annual minimum rent at a rate of 2.7% per year. The lease also required the Foundation to pay a rental deposit equivalent to one month's base rent of \$8,218 and allowed for 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, 2017:

<u>For the Year Ending December 31,</u>	
2018	\$ 104,127
2019	106,988
2020	109,936
2021	<u>56,485</u>
Total	<u>\$ 377,536</u>

## HEALTHWELL FOUNDATION

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2017

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

##### **Patient Commitments**

At December 31, 2017, the Foundation had outstanding commitments to patients totaling \$91,274,921. 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, 2017. 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, 2017, 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, 2017, 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, 2017, the statute of limitations for tax years 2013 through 2015 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 uncertainty in income taxes, if any, in income tax expense. As of December 31, 2017, 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 May 11, 2018, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in these financial statements.