



HEALTHWELL
FOUNDATION[®]

When health insurance is not enough.[®]

HEALTHWELL FOUNDATION AND AFFILIATE
Consolidated Financial Statements

For the Year Ended December 31, 2019



and
Report Thereon



HEALTHWELL FOUNDATION AND AFFILIATE

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For the Year Ended December 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
HealthWell Foundation and Affiliate

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of HealthWell Foundation (HealthWell) and Affiliate (collectively referred to as the Foundation), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Continued

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of HealthWell Foundation and Affiliate as of December 31, 2019, 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.

Marcum LLP

Washington, DC
June 29, 2020

HEALTHWELL FOUNDATION AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2019

ASSETS	
Cash and cash equivalents	\$ 119,307,416
Investments	310,215,051
Pledges receivable	43,125,000
Interest receivable and other assets	125,528
Property and equipment, net	<u>387,000</u>
TOTAL ASSETS	<u>\$ 473,159,995</u>
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable and accrued expenses	\$ 11,186,267
Copayments and premium assistance payable	<u>6,263,082</u>
TOTAL LIABILITIES	<u>17,449,349</u>
Net Assets	
Without donor restrictions	<u>25,094,347</u>
With donor restrictions	
Committed to patients	177,846,041
Uncommitted	<u>252,770,258</u>
Total With Donor Restrictions	<u>430,616,299</u>
TOTAL NET ASSETS	<u>455,710,646</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 473,159,995</u>

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

HEALTHWELL FOUNDATION AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING REVENUE AND SUPPORT			
Contributions	\$ 1,063,781	\$ 480,360,372	\$ 481,424,153
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>379,597,534</u>	<u>(379,597,534)</u>	<u>-</u>
TOTAL OPERATING REVENUE AND SUPPORT	<u>380,661,315</u>	<u>100,762,838</u>	<u>481,424,153</u>
EXPENSES			
Program Services:			
Multiple Myeloma – Medicare Access	107,773,797	-	107,773,797
Pulmonary Fibrosis	39,253,289	-	39,253,289
Hepatitis C	24,558,919	-	24,558,919
Multiple Sclerosis – Medicare Access	38,682,462	-	38,682,462
Breast Cancer – Medicare Access	20,121,585	-	20,121,585
Post-Menopausal Osteoporosis – Medicare Access	17,592,784	-	17,592,784
Renal Cell Carcinoma – Medicare Access	13,486,556	-	13,486,556
Cystic Fibrosis Treatments	11,656,013	-	11,656,013
Acute Myeloid Leukemia – Medicare Access	10,460,359	-	10,460,359
Tardive Dyskinesia – Medicare Access	9,852,028	-	9,852,028
Chemotherapy-Induced Neutropenia – Medicare Access	9,945,172	-	9,945,172
Bone Metastases – Medicare Access	9,152,026	-	9,152,026
Secondary Hyperparathyroidism	7,908,977	-	7,908,977
Non-Small Cell Lung Cancer – Medicare Access	5,249,782	-	5,249,782
Systemic Lupus Erythematosus	5,149,664	-	5,149,664
Ovarian Cancer – Medicare Access	4,793,352	-	4,793,352
Melanoma – Medicare Access	4,481,700	-	4,481,700
Cystic Fibrosis Vitamins and Supplements	4,183,202	-	4,183,202
Huntington's Disease – Medicare Access	3,043,399	-	3,043,399
Idiopathic Thrombocytopenic Purpura	2,595,394	-	2,595,394
Amyotrophic Lateral Sclerosis – Medicare Access	2,478,959	-	2,478,959
Chronic Lymphocytic Leukemia – Medicare Access	2,397,778	-	2,397,778
Dupuytren's Disease	2,318,774	-	2,318,774
Macular Degeneration	2,529,333	-	2,529,333
Urticaria	2,183,763	-	2,183,763
Peyronie's Disease	2,132,039	-	2,132,039
Gout – Medicare Access	2,020,537	-	2,020,537
Hepatocellular Carcinoma – Medicare Access	1,748,026	-	1,748,026
Non Hodgkins Lymphoma	1,770,787	-	1,770,787
Colorectal Carcinoma – Medicare Access	1,598,628	-	1,598,628
Giant Cell Arteritis or Temporal Arteritis – Medicare Access	884,797	-	884,797
Congenital Sucrase-Isomaltase Deficiency	854,601	-	854,601
Pediatric Assistance	998,462	-	998,462
Migraine	689,506	-	689,506
Asthma	669,065	-	669,065
Movement Disorders – Medicare Access	574,123	-	574,123
ANCA – Associated Vasculitis, Wegener's and Granulomatosis with Polyangiitis	613,954	-	613,954
Amyloidosis	508,312	-	508,312
Glioblastoma Multiforme/Anaplastic Astrocytoma	478,807	-	478,807

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

Continued

HEALTHWELL FOUNDATION AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

(continued)

	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES (CONTINUED)			
Program Services (continued):			
Bladder and Urothelial Cancer – Medicare Access	\$ 524,185	\$ -	\$ 524,185
Acromegaly – Medicare Access	391,318	-	391,318
Mantle Cell Lymphoma	386,446	-	386,446
Chronic Myeloid Leukemia – Medicare Access	283,985	-	283,985
Diabetic Foot Ulcers	276,490	-	276,490
Carcinoid Tumors and Associated Symptoms – Medicare Access	212,520	-	212,520
Cytomegalovirus Disease – Prevention and Treatment	197,622	-	197,622
Fungal Infections – Aspergillosis and Candidiasis	192,181	-	192,181
Gastric Cancer – Medicare Access	163,434	-	163,434
Hypercholesterolemia	135,879	-	135,879
Inflammatory Bowel Disease – Medicare Access	124,642	-	124,642
Head and Neck Cancer – Medicare Access	79,359	-	79,359
ANCA – Associated Vasculitis, Wegener's and Immunosuppressive Treatment for Solid Organ Transplant Recipients – Medicare Access	62,136	-	62,136
Homocystinuria	45,702	-	45,702
Autoimmune – Medicare Access	44,970	-	44,970
Other	122,061	-	122,061
Chronic Heart Failure	44,592	-	44,592
Cancer – Related Behavioral Health	38,837	-	38,837
Chemotherapy Induced Nausea or Vomiting – Medicare Access	29,533	-	29,533
Total Program Services	380,746,603	-	380,746,603
Supporting Services:			
Management and general	1,331,802	-	1,331,802
Marketing and communications	694,945	-	694,945
Fundraising	847,122	-	847,122
Total Supporting Services	2,873,869	-	2,873,869
TOTAL EXPENSES	383,620,472	-	383,620,472
Change in Net Assets From Operations	(2,959,157)	100,762,838	97,803,681
Nonoperating Activities:			
Investment gains, net	21,857,801	-	21,857,801
Interest income	6,951,837	-	6,951,837
TOTAL NONOPERATING REVENUE	28,809,638	-	28,809,638
CHANGE IN NET ASSETS	25,850,481	100,762,838	126,613,319
NET ASSETS (DEFICIT), BEGINNING OF YEAR	(756,134)	329,853,461	329,097,327
NET ASSETS, END OF YEAR	\$ 25,094,347	\$ 430,616,299	\$ 455,710,646

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

HEALTHWELL FOUNDATION AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	Supporting Services					
	Program Services	Management and General	Marketing and Communications	Fundraising	Total Supporting Services	Total
Patient grants	\$ 371,896,580	\$ -	\$ -	\$ -	\$ -	\$ 371,896,580
Salaries and wages	3,765,654	536,504	364,751	369,017	1,270,272	5,035,926
Fringe benefits and payroll taxes	1,290,451	153,033	102,136	59,547	314,716	1,605,167
Professional fees	918,864	261,728	15,895	11,507	289,130	1,207,994
Contracted services	1,172,893	9,665	18,038	276,525	304,228	1,477,121
Telecommunications and systems	637,955	-	-	-	-	637,955
Miscellaneous	222,081	146,119	79,480	207	225,806	447,887
Occupancy	235,624	29,868	18,405	13,554	61,827	297,451
Depreciation and amortization	190,160	26,563	-	-	26,563	216,723
Printing and postage	160,712	6,622	488	-	7,110	167,822
Taxes and license	156,313	4,772	-	-	4,772	161,085
Travel and meals	-	23,970	30,270	66,393	120,633	120,633
Board honoraria	-	120,113	-	-	120,113	120,113
Conference and meeting	-	-	50,456	24,857	75,313	75,313
Bad debt	42,500	-	-	-	-	42,500
Supplies	32,566	3,015	1,510	1,093	5,618	38,184
Bank charges	24,250	1,303	-	5,078	6,381	30,631
Dues and publications	-	8,527	13,516	-	22,043	22,043
State registration fees	-	-	-	19,344	19,344	19,344
	\$ 380,746,603	\$ 1,331,802	\$ 694,945	\$ 847,122	\$ 2,873,869	\$ 383,620,472

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

HEALTHWELL FOUNDATION AND AFFILIATE
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 126,613,319
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	216,723
Net realized and unrealized gains on investments	(21,857,801)
Changes in assets and liabilities:	
Pledges receivable	(25,082,500)
Interest receivable and other assets	432,326
Accounts payable and accrued expenses	1,258,844
Copayments and premium assistance payable	<u>(542,753)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>81,038,158</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(138,589,174)
Purchases of property and equipment	(226,281)
Proceeds from sales and maturities of investments	<u>57,682,832</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(81,132,623)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(94,465)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>119,401,881</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 119,307,416</u>

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

HEALTHWELL FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

1. Organization and Nature of Activities

Organization

The HealthWell Foundation (HealthWell) 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 HealthWell 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.

HWF – Direct, LLC (HWF) an affiliate of HealthWell, was organized on October 10, 2018, as a single-member limited liability corporation (LLC) to administer the Foundation's call-center functions. HealthWell is the sole member of HWF and funds its operations through intercompany service charges.

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.

Principles of Consolidation

The consolidated financial statements of HealthWell and HWF (collectively referred to as the Foundation) have been prepared on the accrual basis of accounting and include the accounts of HealthWell and its affiliate. All material intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

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

Pledges Receivable

Pledges receivable are recorded at their net realizable value. The Foundation utilizes the allowance method to account for potentially uncollectible accounts receivable. The allowance for doubtful accounts is based on management's evaluation of the outstanding pledges receivable balance.

Investments

Investments are carried at fair value in the financial statements and include cash and cash equivalents held in investment accounts. 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

HEALTHWELL FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

2. Summary of Significant Accounting Policies (continued)

Investments (continued)

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 nonoperating activities in the accompanying consolidated 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 is five years. It is the Foundation's policy to capitalize purchases of property and equipment that cost \$5,000 or more and have an economic life in excess of one year.

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 consolidated statement of activities.

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 consolidated statement of financial position.

Net Assets

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

- *Without donor restrictions* – Net assets not subject to any donor-imposed stipulations or other legal limitations.
- *With donor restrictions* – Net assets subject to donor-imposed stipulations that may be met by the Foundation's actions and/or the passage of time. Unconditional grants awarded to patients that have not yet been expended by the patients are reported as net assets with donor restrictions committed to patients.

Fair Value Measurement

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

HEALTHWELL FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurement (continued)

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 on the basis of 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, 2019, only the Foundation's investments, as described in Notes 3 and 8, were measured at fair value on a recurring basis.

Revenue Recognition

Unconditional contributions received are recorded as revenue and support without donor restrictions and with donor restrictions depending on the existence and/or nature of any donor restrictions. Donor-restricted revenue is reported as an increase in net assets with donor restrictions, 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), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated 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 net assets with donor restrictions committed to patients on the accompanying consolidated 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 consolidated statement of functional expenses. Expenses directly attributed to specific functional areas are reported as expenses of those functional areas.

HEALTHWELL FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses (continued)

Indirect expenses, which include costs related to occupancy, depreciation and amortization, and various consultants, are allocated among the programs and supporting services based on patient activities conducted under each grant. Salaries, including those related to the executive, finance, human resources, marketing and technology functions, are allocated first on the basis of an annually prepared estimation of hours worked by employee in each function and then by patient grant expense.

Measure of Operations

The consolidated statement of activities separately reports changes in net assets from operations as well as nonoperating activities. Operating activities consist primarily of contributions and expenses related to the financial assistance awarding process. Nonoperating activities include gains, losses, income and expenses related to the Foundation's investments.

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.

New Accounting Pronouncements

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This ASU provides additional guidance to be used to determine whether a contribution is conditional and when a transaction should be accounted for as a contribution versus an exchange. The Foundation adopted ASU 2018-08 as of January 1, 2019, and has applied the amendments of this standard on a modified prospective basis and elected to apply the standard only to agreements that were entered into after the effective date. This standard did not result in a material change to the consolidated financial statements or the timing of revenue recognition for the Foundation's contributions.

3. Investments

The Foundation's investments as of December 31, 2019, are summarized as follows:

Mutual funds	\$ 190,929,740
Stock	76,655,439
Fixed-income securities	37,012,409
Money market funds	2,551,910
Alternative investments	1,597,434
Cash and cash equivalents	<u>1,468,119</u>
Total Investments	<u>\$ 310,215,051</u>

Continued

HEALTHWELL FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

3. Investments (continued)

Investment loss, including interest earned on cash and cash equivalents, is as follows for the year ended December 31, 2019:

Unrealized gains	\$ 22,084,992
Interest and dividends	7,173,067
Realized losses	(227,191)
Investment fees	<u>(221,230)</u>
Investment Gain, Net	<u><u>\$ 28,809,638</u></u>

4. Pledges Receivable

Pledges receivable represent unconditional grants and contributions from corporations that are due within one year. Pledges receivable are deemed to be fully collectible. Approximately 97% of pledges receivable were due from three contributors as of December 31, 2019.

5. Property and Equipment

Property and equipment consisted of the following at December 31, 2019:

Computer software	\$ 1,280,033
Furniture	421,982
Computer equipment	<u>200,816</u>
Total Property and Equipment	1,902,831
Less: Accumulated Depreciation and Amortization	<u>(1,515,831)</u>
Property and Equipment, Net	<u><u>\$ 387,000</u></u>

Depreciation and amortization expense totaled \$216,723 for the year ended December 31, 2019.

6. Net Assets With Donor Restrictions

As of December 31, 2019, net assets with donor restrictions were available for the following disease funds:

Hepatitis C	\$ 93,463,155
Multiple Myeloma – Medicare Access	76,841,002
Multiple Sclerosis – Medicare Access	35,564,397
Cystic Fibrosis Treatments	25,779,451
Pulmonary Fibrosis	22,883,409
Chronic Lymphocytic Leukemia – Medicare Access	21,727,684

HEALTHWELL FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

6. Net Assets With Donor Restrictions (continued)

Acute Myeloid Leukemia – Medicare Access	\$ 19,999,298
Post-Menopausal Osteoporosis – Medicare Access	13,722,120
Brest Cancer – Medicare Access	12,740,040
Bone Metastases – Medicare Access	10,595,618
Secondary Hyperparathyroidism	9,875,666
Hypercholesterolemia – Medicare Access	9,864,120
Systemic Lupus Erythematosus	8,187,141
Tardive Dyskinesia – Medicare Access	6,258,057
Cystic Fibrosis Vitamins and Supplements	4,904,603
Mantle Cell Lymphoma – Medicare Access	4,733,554
Renal Cell Carcinoma – Medicare Access	4,476,020
Chemotherapy-Induced Neutropenia – Medicare Access	4,458,404
Non-Small Cell Lung Cancer – Medicare Access	4,279,431
Macular Degeneration	4,111,444
Melanoma – Medicare Access	3,067,833
Colorectal Carcinoma – Medical Access	3,020,371
Gout – Medicare Access	2,955,952
Amyotrophic Lateral Sclerosis	2,656,750
Congenital Sucrose – Isomaltase Deficiency	2,372,651
Urticaria	1,994,698
Ovarian Cancer – Medicare Access	1,967,871
Huntington’s Disease – Medicare Access	1,834,616
Peyronie’s Disease	1,570,227
Small Cell Lung Cander – Medicare Access	1,477,891
Chronic Health Failure – Medicare Access	1,155,408
Dupuytren’s Disease	1,039,192
Bladder and Urothelial Cancer – Medicare Access	828,660
Giant Cell Arteritis or Temporal Arteritis – Medicare Access	815,253
Acromegaly	801,363
Non-Hodgkin’s Lymphoma – Medicare Access	716,891
Movement Disorders – Medicare Access	668,301
Amyloidosis	641,688
Carcinoid Tumors and Associated Symptoms – Medicare Access	599,791
Porphyria	530,407
Chronic Myeloid Leukemia – Medicare Access	471,990
ANCA-Associate Vasculitis, and Granulomatosis with Polyangiitis	457,814
Lambert-Eaton Myasthenic Syndrome	450,000
Nontuberculous Mycobacterium – Medicare Access	432,209
Cytomegalovirus Disease – Prevention and Treatment	383,667
Migraine	310,025
Asthma	297,227
Glioblastoma Multiforme/Anaplastic Astrocytoma	268,964
Hepatocellular Carcinoma – Medicare Access	251,975
Cystic Fibrosis	234,077
Inflammatory Bowel Disease – Medicare Access	230,773

Continued

HEALTHWELL FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

6. Net Assets With Donor Restrictions (continued)

Idiopathic Thrombocytopenic Purpura	\$	200,369
Other Funds		208,246
Gastric Cancer – Medicare Access		174,278
AutoImmune – Medicare Access		166,732
Fungal Infections-Aspergillosis and Candidiasis		163,075
Diabetic Foot Ulcers		161,718
Melanoma		134,509
Breakthrough Cancer Pain – Medicare Access		107,111
Homocystinuria		85,053
Iron Overload as a Result of Blood Transfusions		71,444
Growth Hormone Deficiency		68,995
Gout Travel Fund		53,352
Urea Cycle Disorders		<u>52,268</u>
Total		<u>\$430,616,299</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 \$19,000 for 2019. 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 \$166,796 for the year ended December 31, 2019.

8. Fair Value Measurement

The following table summarizes the Foundation's assets measured at fair value on a recurring basis as of December 31, 2019:

	<u>Total</u> <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)
Investments measured in fair value hierarchy:				
Mutual funds:				
Nontraditional bond funds	\$ 101,981,458	\$ 101,981,458	\$ -	\$ -
Short and intermediate term bond funds	74,046,145	74,046,145	-	-

HEALTHWELL FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

8. Fair Value Measurement (continued)

(continued)	<u>Total 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>
Investments measured in fair value hierarchy (continued):				
Mutual funds (continued):				
Domestic equity	\$ 12,633,327	\$ 12,633,327	\$ -	\$ -
International equity	<u>2,268,810</u>	<u>2,268,810</u>	<u>-</u>	<u>-</u>
Total Mutual Funds	190,929,740	190,929,740	-	-
Stock:				
Domestic stock	46,003,251	46,003,251	-	-
International stock	<u>30,652,188</u>	<u>30,652,188</u>	<u>-</u>	<u>-</u>
Total Stock	76,655,439	76,655,439	-	-
Fixed-income securities:				
Corporate obligations	15,408,891	-	15,408,891	-
Government obligations	11,871,595	-	11,871,595	-
Mortgage backed securities	7,266,985	-	7,266,985	-
Domestic funds	1,824,269	-	1,824,269	-
Municipal bonds	345,660	-	345,660	-
Specialty fixed income	<u>295,009</u>	<u>-</u>	<u>295,009</u>	<u>-</u>
Total Fixed-Income Securities	37,012,409	-	37,012,409	-
Money market funds	<u>2,551,910</u>	<u>2,551,910</u>	<u>-</u>	<u>-</u>
Total Investments Measured in Fair Value Hierarchy	307,149,498	<u>\$ 270,137,089</u>	<u>\$ 37,012,409</u>	<u>\$ -</u>
Cash and cash equivalents	1,468,119			
Investments measured using NAV as a practical expedient:				
Alternative investments	<u>1,597,434</u>			
Total Investments	<u>\$ 310,215,051</u>			

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8. Fair Value Measurement (continued)

As of December 31, 2019, the Foundation used the following methods and significant assumptions to estimate fair value for assets recorded at fair value:

Mutual funds, stock, and money market funds – These securities are valued using a quoted per-share price or net asset value for identical assets in active markets, generally obtained from the relevant exchange or dealer market.

Fixed-income securities – 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. These are classified within Level 2 of the valuation hierarchy.

Alternative investments – Consist of investments in alternative mutual funds. Fair value is determined based on the fund's NAV as provided by the fund management.

The Foundation invests in alternative investments measured at NAV, or its equivalent, as a practical expedient and has not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amount presented in the consolidated statement of financial position.

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency If Currently Eligible</u>	<u>Redemption Notice Period</u>
Alternative mutual funds	<u>\$ 1,597,434</u>	<u>\$ -</u>	None	None

Alternative investments include asset classes, strategies, and structures that can help diversify a traditional portfolio through the types of investments owned or the techniques employed. The Foundation's alternative investments are alternative mutual funds. The objective of the funds is to seek absolute total return over a complete market cycle. These underlying investments are subject to certain restrictions and, generally, have no active established trading market.

9. 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, 2019, the Foundation had approximately \$120,000,000 in demand deposits which exceeded the maximum limit insured by the FDIC.

Concentration of Revenue Risk

During the year ended December 31, 2019, the Foundation received approximately 84% of its total revenue and support from four donors.

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9. Risks and Commitments (continued)

Operating Lease

The Foundation has entered into 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.

In August 23, 2018, the operating lease was amended to include an additional 3,039 rentable square feet to the existing space. The amended lease started on May 1, 2019, when the buildout of the expansion space was completed by the landlord, and expires on August 31, 2026. The lease contains a base monthly rental payment of \$14,134, which is subject to annual escalation of 3%. The lease also includes a 6-month rate reduction incentive to reduce the monthly payment to \$8,309 and a leasehold improvement allowance incentive \$121,560. Under GAAP, all lease incentives and fixed rent increases are recognized on a straight-line basis over the term of the lease. Under GAAP, all rental payments, including rent increases, are recognized on a straight-line basis over the term of the lease.

In December 2018, the Foundation, on behalf of HWF Direct, LLC, signed an operating lease for office space through June 30, 2022. The lease provides for monthly base rent beginning at \$16,992 and a fixed escalation clause for increases in the annual minimum rent at a rate of 4% per year. The lease also required the Foundation to pay a rental deposit equivalent to two months' base rent of \$33,986. 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, 2019:

For the Year Ending December 31,		
2020	\$	385,220
2021		398,008
2022		295,837
2023		185,702
2024		190,323
Thereafter		327,824
Total	\$	1,782,914

Patient Commitments

At December 31, 2019, the Foundation had outstanding commitments to patients totaling \$177,846,041. 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, 2019. As patients submit claims for approved medication and services, amounts committed to patients are transferred to copayments and premium assistance payable in the accompanying consolidated statement of financial position until the obligation is paid.

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10. Availability and Liquidity

The Foundation regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investments of its funds. The Foundation's financial assets available within one year of the consolidated statement of financial position date for general expenditures at December 31, 2019, were as follows:

Cash and cash equivalents		\$ 119,307,416
Investments		308,617,617
Pledges receivable		43,125,000
Interest receivable and other assets		<u>125,528</u>
Total Financial Assets Available Within One Year		471,175,561
 Less:		
Amounts unavailable for general expenditures within one year due to donor's restriction with purpose restriction		<u>(430,616,299)</u>
Financial Assets Available to Meet General Expenditures Within One Year		<u>\$ 40,559,262</u>

The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents and investments, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of the Foundation throughout the year. This is done through monitoring and reviewing the Foundation's cash flow needs on a daily basis. As a result, management is aware of the cyclical nature of the organization's cash flow related to the Foundation's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. As part of the Foundation's liquidity plan, excess cash is invested in publicly traded investments vehicles, including mutual funds and equity securities, to support organizational initiatives. The Foundation can liquidate its investments anytime, and therefore the investments are available to meet current cash flow needs.

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, 2019, 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 Accounting Standards Codification Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's consolidated financial statements. The Foundation evaluated its uncertainty in income taxes for the year ended December 31, 2019, and determined that there were no matters that would require recognition in the consolidated financial statements or that

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11. Income Tax Status (continued)

may have any effect on its tax-exempt status. U.S federal jurisdiction and/or the various states and local jurisdictions in which the Foundation files tax returns are open for examination; however, there are currently no examinations pending or in progress. It is the Foundation's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expense. As of December 31, 2019, the Foundation had no accruals 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 29, 2020, the date the financial statements were available to be issued. Except as disclosed below, there were no subsequent events that require recognition or disclosure in these financial statements.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses across the country for non-essential services. While the disruption is currently expected to be temporary, there is considerable uncertainty about the duration of closings. The Foundation has been able to continue most of its operations in a remote environment; however, at this point, the extent to which COVID-19 may impact the Foundation's financial condition or results of operations is uncertain.

On May 3, 2020, the HealthWell Foundation entered into a Small Business Administration loan with its financial institution under the Paycheck Protection Program (PPP) for the amount of \$345,578. The loan will mature on May 3, 2022, with a fixed interest rate of 1% per annum. Monthly payments of principal and interest of \$14,549 will commence on November 1, 2020, and continue through the maturity date. The loan amount, or some portion thereof, may be eligible for forgiveness pursuant to the grant provisions of the PPP.

On June 5, 2020, HWF – Direct, LLC entered into a Small Business Administration loan with its financial institution under the Paycheck Protection Program (PPP) for the amount of \$852,934. The loan will mature on June 5, 2022, with a fixed interest rate of 1% per annum. Monthly payments of principal and interest of \$35,910 will commence on December 4, 2020, and continue through the maturity date. The loan amount, or some portion thereof, may be eligible for forgiveness pursuant to the grant provisions of the PPP.