



HEALTHWELL
FOUNDATION®

When health insurance is not enough.®

HEALTHWELL FOUNDATION AND AFFILIATE

Consolidated Financial Statements

For the Year Ended December 31, 2020



and
Report Thereon



HEALTHWELL FOUNDATION AND AFFILIATE

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For the Year Ended December 31, 2020

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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, 2020, 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.

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, 2020, 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
July 8, 2021

HEALTHWELL FOUNDATION AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2020

ASSETS	
Cash and cash equivalents	\$ 141,745,676
Investments	391,847,684
Pledges receivable	70,378,438
Interest receivable and other assets	452,697
Property and equipment, net	<u>488,837</u>
TOTAL ASSETS	<u>\$ 604,913,332</u>
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable and accrued expenses	\$ 15,320,049
Copayments and premium assistance payable	6,082,699
Loans payable	1,198,512
Deferred rent	<u>192,876</u>
TOTAL LIABILITIES	<u>22,794,136</u>
Net Assets	
Without donor restrictions	<u>52,046,936</u>
With donor restrictions	
Committed to patients	197,663,358
Uncommitted	<u>332,408,902</u>
Total With Donor Restrictions	<u>530,072,260</u>
TOTAL NET ASSETS	<u>582,119,196</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 604,913,332</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, 2020

(continued)

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE AND SUPPORT			
Contributions	\$ 1,574,730	\$ 544,682,253	\$ 546,256,983
Net assets released from restrictions:			
Satisfaction of program restrictions	445,226,292	(445,226,292)	-
TOTAL OPERATING REVENUE AND SUPPORT	446,801,022	99,455,961	546,256,983
EXPENSES			
Program Services:			
Multiple Myeloma – Medicare Access	143,338,737	-	143,338,737
Multiple Sclerosis – Medicare Access	42,252,983	-	42,252,983
Pulmonary Fibrosis	35,174,660	-	35,174,660
Hepatitis C	26,681,611	-	26,681,611
Chronic Lymphocytic Leukemia	17,219,479	-	17,219,479
Post-Menopausal Osteoporosis – Medicare Access	16,965,893	-	16,965,893
Breast Cancer – Medicare Access	16,645,128	-	16,645,128
Hypercholesterolemia - Medicare Access	16,457,834	-	16,457,834
Acute Myeloid Leukemia	16,038,019	-	16,038,019
Tardive Dyskinesia – Medicare Access	15,837,092	-	15,837,092
Cystic Fibrosis Treatments	14,115,955	-	14,115,955
Secondary Hyperparathyroidism	8,734,699	-	8,734,699
Renal Cell Carcinoma – Medicare Access	7,945,702	-	7,945,702
Bone Metastases – Medicare Access	6,799,536	-	6,799,536
Systemic Lupus Erythematosus	5,572,856	-	5,572,856
Cystic Fibrosis Vitamins and Supplements	4,609,444	-	4,609,444
Non-Small Cell Lung Cancer – Medicare Access	3,661,554	-	3,661,554
Chemotherapy-Induced Neutropenia – Medicare Access	3,617,507	-	3,617,507
Mantle Cell Lymphoma	3,468,547	-	3,468,547
Melanoma – Medicare Access	3,314,352	-	3,314,352
COVID-19	3,201,160	-	3,201,160
Macular Degeneration (Wet and Dry)	3,035,527	-	3,035,527
Peyronie's Disease	3,013,375	-	3,013,375
Small Cell Lung Cancer – Medicare Access	2,853,468	-	2,853,468
Ovarian Cancer – Medicare Access	2,721,167	-	2,721,167
Amyotrophic Lateral Sclerosis	2,546,755	-	2,546,755
Colorectal Carcinoma – Medicare Access	2,467,142	-	2,467,142
Dupuytren's Disease	2,425,615	-	2,425,615
Urticaria	2,042,648	-	2,042,648
Gout – Medicare Access	1,989,581	-	1,989,581
Congenital Sucrase-Isomaltase Deficiency	1,744,644	-	1,744,644
Huntington's Disease – Medicare Access	1,675,595	-	1,675,595
Pediatric Assistance	1,405,684	-	1,405,684
Chronic Heart Failure – Medicare Access	1,180,352	-	1,180,352
Acromegaly	809,387	-	809,387
Giant Cell Arteritis or Temporal Arteritis – Medicare Access	729,091	-	729,091
Amyloidosis	701,943	-	701,943
Bladder and Urothelial Cancer – Medicare Access	626,076	-	626,076
Head and Neck Cancer – Medicare Access	524,469	-	524,469
Asthma	484,225	-	484,225
Prostate Cancer – Medicare Access	462,039	-	462,039

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, 2020

(continued)

	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES (CONTINUED)			
Program Services (continued):			
ANCA – Associated Vasculitis, Wegener's and Granulomatosis with Polyangiitis	\$ 316,231	\$ -	\$ 316,231
Lambert-Eaton Myasthenic Syndrome	314,247	-	314,247
Movement Disorders – Medicare Access	311,841	-	311,841
Immunosuppressive Treatment for Solid Organ Transplant Recipients – Medicare Access	298,847	-	298,847
Chronic Myeloid Leukemia – Medicare Access	285,740	-	285,740
Migraine	230,629	-	230,629
Other	225,066	-	225,066
Sickle Cell Disease	205,127	-	205,127
Gastric Cancer – Medicare Access	184,506	-	184,506
Cytomegalovirus Disease – Prevention and Treatment	170,574	-	170,574
B-Cell Lymphoma – Medicare Access	168,547	-	168,547
Non Hodgkins Lymphoma- Medicare Access	150,266	-	150,266
Diabetic Foot Ulcers	117,137	-	117,137
Glioblastoma Multiforme/Anaplastic Astrocytoma	105,711	-	105,711
Health Access	89,916	-	89,916
Nontuberculous Mycobacterium – Medicare Access	77,374	-	77,374
Cancer – Related Behavioral Health	75,492	-	75,492
Homocystinuria	64,772	-	64,772
	448,483,554	-	448,483,554
Total Program Services			
Supporting Services:			
Management and general	1,726,199	-	1,726,199
Marketing and communications	778,401	-	778,401
Fundraising	948,149	-	948,149
	3,452,749	-	3,452,749
Total Supporting Services			
	451,936,303	-	451,936,303
TOTAL EXPENSES			
Change in Net Assets From Operations	(5,135,281)	99,455,961	94,320,680
Nonoperating Activities:			
Investment income, net	24,670,842	-	24,670,842
Interest income	7,417,028	-	7,417,028
	32,087,870	-	32,087,870
TOTAL NONOPERATING REVENUE			
CHANGE IN NET ASSETS	26,952,589	99,455,961	126,408,550
NET ASSETS, BEGINNING OF YEAR	25,094,347	430,616,299	455,710,646
NET ASSETS, END OF YEAR	\$ 52,046,936	\$ 530,072,260	\$ 582,119,196

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, 2020

	Supporting Services					
	Program Services	Management and General	Marketing and Communications	Fundraising	Total Supporting Services	Total
Patient grants	\$ 437,532,753	\$ -	\$ -	\$ -	\$ -	\$ 437,532,753
Salaries and wages	5,645,696	572,730	432,392	403,870	1,408,992	7,054,688
Fringe benefits and payroll taxes	1,555,906	198,141	112,036	84,182	394,359	1,950,265
Contracted services	1,124,721	150,244	33,350	337,771	521,365	1,646,086
Professional fees	1,134,650	478,336	4,837	4,132	487,305	1,621,955
Telecommunications and systems	647,776	19,984	-	-	19,984	667,760
Occupancy	312,011	47,960	37,760	31,467	117,187	429,198
Taxes and license	208,914	46,550	-	-	46,550	255,464
Printing and postage	160,129	7,331	-	-	7,331	167,460
Miscellaneous	25,397	32,278	78,942	7,814	119,034	144,431
Board honoraria	-	120,638	-	-	120,638	120,638
Dues and publications	4,919	27,677	46,696	24,117	98,490	103,409
Depreciation and amortization	65,140	15,234	11,994	9,995	37,223	102,363
Bank charges	42,570	891	-	13,333	14,224	56,794
Supplies	22,972	2,916	2,296	1,913	7,125	30,097
Conference and meeting	-	-	18,047	9,295	27,342	27,342
State registration fees	-	-	-	16,613	16,613	16,613
Travel and meals	-	5,290	51	3,647	8,988	8,988
TOTAL EXPENSES	\$ 448,483,554	\$ 1,726,199	\$ 778,401	\$ 948,149	\$ 3,452,749	\$ 451,936,303

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, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 126,408,550
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	102,363
Net realized and unrealized gains on investments	(24,670,842)
Changes in assets and liabilities:	
Pledges receivable	(27,253,438)
Interest receivable and other assets	(327,169)
Accounts payable and accrued expenses	4,153,036
Copayments and premium assistance payable	(180,383)
Deferred rent	<u>173,622</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>78,405,739</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(71,966,562)
Proceeds from sales and maturities of investments	16,177,260
Purchases of property and equipment	<u>(204,200)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(55,993,502)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from loans payable	<u>1,198,512</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>1,198,512</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	23,610,749
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>119,307,416</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 142,918,165</u></u>
CASH REPORTED ON THE STATEMENT OF FINANCIAL POSITION	
Cash and cash equivalents	\$ 141,745,676
Cash and cash equivalents within investments	<u>1,172,489</u>
TOTAL CASH	<u><u>\$ 142,918,165</u></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, 2020

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. 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 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 highly liquid money market funds.

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 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.

Pledges Receivable

Pledges receivable are recorded at 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.

HEALTHWELL FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

2. Summary of Significant Accounting Policies (continued)

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 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 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.

HEALTHWELL FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurement (continued)

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, 2020, only the Foundation's investments, as described in Notes 3 and 4, 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.

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.

HEALTHWELL FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

2. Summary of Significant Accounting Policies (continued)

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 November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Foundation adopted the standard retrospectively and has adjusted the presentation of these statements accordingly.

New Accounting Pronouncements to be Adopted

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires lessees to put most leases on their statement of financial position. ASU 2016-02 states that a lessee would recognize a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. The new standard is effective for the fiscal years beginning after December 15, 2021, and early adoption is permitted. The Foundation expects the impact of this new guidance to be material to its consolidated financial statements, which will be assessed prior to the adoption of the standard.

In June 2016, the FASB issued ASU 2016-13 *Financial Instruments – Credit Losses – (Topic 326)*. This ASU replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The guidance applies to loans, accounts receivable, trade receivables and other financial assets measured at amortized costs, loan commitments, debt securities and beneficial interests in securitized financial assets, but the effect on the Foundation is projected to be limited to pledges receivable. The guidance will be effective for the fiscal year beginning after December 15, 2022, including interim periods within that year. The Foundation is evaluating the impact this ASU will have on its consolidated financial statements.

HEALTHWELL FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

3. Investments

The Foundation's investments as of December 31, 2020, are summarized as follows:

Mutual funds	\$ 249,994,406
Stock	78,331,730
Fixed-income securities	61,043,854
Alternative investments	1,305,205
Money market funds	<u>1,172,489</u>
Total Investments	<u>\$ 391,847,684</u>

Investment income, including interest earned on cash and cash equivalents, is as follows for the year ended December 31, 2020:

Unrealized gains	\$ 19,819,336
Interest and dividends	7,417,028
Realized gains	5,073,748
Investment fees	<u>(222,242)</u>
Investment Income, Net	<u>\$ 32,087,870</u>

4. Fair Value Measurement

The following table summarizes the Foundation's assets measured at fair value on a recurring basis as of December 31, 2020:

	<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>
Investments measured in fair value hierarchy:				
Mutual funds:				
Nontraditional bond funds	\$ 137,254,459	\$ 137,254,459	\$ -	\$ -
Short and intermediate term bond funds	96,835,726	96,835,726	-	-
Domestic equity	14,706,200	14,706,200	-	-
International equity	<u>1,198,021</u>	<u>1,198,021</u>	<u>-</u>	<u>-</u>
Total Mutual Funds	249,994,406	249,994,406	-	-
Stock:				
Domestic stock	46,914,683	46,914,683	-	-
International stock	<u>31,417,047</u>	<u>31,417,047</u>	<u>-</u>	<u>-</u>
Total Stock	78,331,730	78,331,730	-	-

HEALTHWELL FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

4. Fair Value Measurement (continued)

	<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>
Investments measured in fair value hierarchy (continued):				
Fixed-income securities:				
Government obligations	\$ 23,991,828	\$ -	\$ 23,991,828	\$ -
Corporate obligations	19,752,385	-	19,752,385	-
Domestic funds	11,849,716	-	11,849,716	-
Mortgage backed securities	3,962,622	-	3,962,622	-
Municipal bonds	1,315,360	-	1,315,360	-
Specialty fixed income	<u>171,943</u>	<u>-</u>	<u>171,943</u>	<u>-</u>
Total Fixed-Income Securities	<u>61,043,854</u>	<u>-</u>	<u>61,043,854</u>	<u>-</u>
Total Investments Measured in Fair Value Hierarchy	389,369,990	<u>\$ 328,326,136</u>	<u>\$ 61,043,854</u>	<u>\$ -</u>
Cash and cash equivalents	1,172,489			
Investments measured using NAV as a practical expedient:				
Alternative investments	<u>1,305,205</u>			
Total Investments	<u>\$ 391,847,684</u>			

As of December 31, 2020, the Foundation used the following methods and significant assumptions to estimate fair value for assets recorded at fair value:

Mutual funds and stock – 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.

HEALTHWELL FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

4. Fair Value Measurement (continued)

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:

	Fair Value	Unfunded Commitments	Redemption Frequency If Currently Eligible	Redemption Notice Period
Alternative mutual funds	\$ <u>1,305,205</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.

5. 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 87% of pledges receivable were due from six contributors as of December 31, 2020.

6. Property and Equipment

Property and equipment consisted of the following at December 31, 2020:

Computer software	\$ 1,328,688
Furniture	449,941
Computer equipment	217,893
Leasehold improvements	<u>121,560</u>
Total Property and Equipment	2,118,082
Less: Accumulated Depreciation and Amortization	<u>(1,629,245)</u>
Property and Equipment, Net	<u>\$ 488,837</u>

Depreciation and amortization expense totaled \$102,363 for the year ended December 31, 2020.

HEALTHWELL FOUNDATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2020

7. Net Assets With Donor Restrictions

As of December 31, 2020, net assets with donor restrictions were available for the following disease funds:

Multiple Myeloma – Medicare Access	\$100,509,695
Hepatitis C	89,782,594
Multiple Sclerosis – Medicare Access	42,865,205
Pulmonary Fibrosis	40,926,265
Hypercholesterolemia – Medicare Access	39,906,312
Cystic Fibrosis Treatments	27,664,096
Acute Myeloid Leukemia – Medicare Access	25,602,079
Prostate Cancer – Medicare Access	24,087,986
Post-Menopausal Osteoporosis – Medicare Access	20,756,702
Pulmonary Hypertension – Medicare Access	15,486,905
Chronic Lymphocytic Leukemia – Medicare Access	14,108,306
Renal Cell Carcinoma – Medicare Access	8,472,337
Brest Cancer – Medicare Access	7,662,060
Gout – Medicare Access	7,151,371
Tardive Dyskinesia – Medicare Access	5,921,065
Cystic Fibrosis Vitamins and Supplements	5,479,175
Systemic Lupus Erythematosus	5,364,510
Peyronie's Disease	4,356,852
Mantle Cell Lymphoma – Medicare Access	4,265,007
Amyotrophic Lateral Sclerosis	4,110,196
Bone Metastases – Medicare Access	3,796,083
Small Cell Lung Cancer – Medicare Access	3,724,423
Dupuytren's Disease	3,313,717
Colorectal Carcinoma – Medical Access	3,053,479
Amyloidosis	2,614,745
Ovarian Cancer – Medicare Access	2,496,704
Non-Small Cell Lung Cancer – Medicare Access	1,617,952
Macular Degeneration	1,575,917
Secondary Hyperparathyroidism	1,140,992
Melanoma – Medicare Access	1,003,487
Urticaria	953,231
Chemotherapy-Induced Neutropenia – Medicare Access	840,897
Lambert-Eaton Myasthenic Syndrome	755,753
Porphyria	695,641
Congenital Sucrose – Isomaltase Deficiency	628,007
Non-Hodgkin's Lymphoma – Medicare Access	566,725
Carcinoid Tumors and Associated Symptoms – Medicare Access	556,722
Giant Cell Arteritis or Temporal Arteritis – Medicare Access	486,162
Head and Neck Cancer – Medicare Access	475,531
Hyperoxaluria	394,194
Movement Disorders – Medicare Access	356,460
Nontuberculous Mycobacterium – Medicare Access	354,835

HEALTHWELL FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

7. Net Assets With Donor Restrictions (continued)

Chronic Myeloid Leukemia – Medicare Access	\$ 349,051
ANCA-Associate Vasculitis, and Granulomatosis with Polyangiitis	341,583
Other Funds	295,782
Hepatocellular Carcinoma – Medicare Access	240,026
Cystic Fibrosis	236,153
Cytomegalovirus Disease – Prevention and Treatment	213,093
Inflammatory Bowel Disease – Medicare Access	212,956
Bladder and Urothelial Cancer – Medicare Access	202,684
Idiopathic Thrombocytopenic Purpura	181,022
Acromegaly	175,626
Glioblastoma Multiforme/Anaplastic Astrocytoma	163,252
Huntington’s Disease – Medicare Access	159,271
AutoImmune – Medicare Access	156,220
Fungal Infections-Aspergillosis and Candidiasis	147,475
Melanoma	134,509
Asthma	113,252
Breakthrough Cancer Pain – Medicare Access	107,111
Sickle Cell Disease	95,373
Homocystinuria	85,280
Adrenal Insufficiency	83,667
B-Cell Lymphoma – Medicare Access	81,453
Migraine	79,396
Chronic Heart Failure – Medicare Access	75,156
Growth Hormone Deficiency	73,995
Gout Travel Fund	71,582
Iron Overload as a Result of Blood Transfusions	66,533
Urea Cycle Disorders	50,384
Total	<u>\$530,072,260</u>

8. 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 \$19,500 for 2020. 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 \$246,005 for the year ended December 31, 2020.

HEALTHWELL FOUNDATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2020

9. Loans Payable

On May 3, 2020, the HealthWell Foundation entered into a Small Business Administration (SBA) 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, and bears a fixed interest rate of 1% per annum. Monthly payments of principal and interest will commence ten months after the end of the forgiveness covered period. The loan amount, or some portion thereof, may be eligible for forgiveness pursuant to the grant provisions of the PPP. The loan was paid in full on March 24, 2021.

On June 5, 2020, HWF – Direct, LLC also entered into a SBA loan with its financial institution under the PPP for the amount of \$852,934. The loan will mature on June 5, 2022, and bears a fixed interest rate of 1% per annum. Monthly payments of principal and interest will commence ten months after the end of the forgiveness covered period. The loan amount, or some portion thereof, may be eligible for forgiveness pursuant to the grant provisions of the PPP. The loan was paid in full on March 29, 2021.

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, 2020, the aggregate balances were in excess of the insurance and therefore bear some risk. The Foundation monitors the creditworthiness of these institutions and has not experienced any credit losses on this cash and cash equivalents.

Concentration of Revenue Risk

During the year ended December 31, 2020, the Foundation received approximately 84% of its total revenue and support from four donors.

Operating Lease

The Foundation has entered into an operating lease for office space through August 31, 2026. The lease required the Foundation to pay a rental deposit equivalent to one month's base rent and calls for base monthly rental payments of \$14,134, which is subject to annual escalation of 3%. The lease also included 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%

HEALTHWELL FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

10. Risks and Commitments (continued)

Operating Lease (continued)

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, 2020:

For the Year Ending December 31,		
2021	\$	398,008
2022		295,837
2023		185,702
2024		190,323
2025		195,067
Thereafter		132,757
Total	\$	1,397,694

Patient Commitments

At December 31, 2020, the Foundation had outstanding commitments to patients totaling \$197,663,358. 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, 2020. 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.

COVID-19

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 operations virtually; however, at this point, the extent to which COVID-19 will impact the Foundation's financial condition or results of operations is uncertain. Management and the Board are continuously engaged in strategic and generative discussion to develop methods of providing the Foundation's programs under alternative operating scenarios.

HEALTHWELL FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

11. 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, 2020, were as follows:

Cash and cash equivalents	\$ 141,745,676
Investments	391,847,684
Pledges receivable	70,378,438
Interest receivable and other assets	<u>452,697</u>
Total Financial Assets Available Within One Year	604,424,495
Less:	
Amounts unavailable for general expenditures within one year due to donors' restriction with purpose restriction	(530,072,260)
Alternative investments	<u>(1,305,205)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 73,047,030</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.

12. Income Tax Status

HealthWell 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. HWF is a single-member limited liability corporation, considering as a disregarded entity under IRC, which is taxed with HealthWell. No provision for income taxes was required for the year ended December 31, 2020, 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

HEALTHWELL FOUNDATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2020

12. Income Tax Status (continued)

recognized in an entity's consolidated financial statements. The Foundation evaluated its uncertainty in income taxes for the year ended December 31, 2020, and determined that there were no matters that would require recognition in the consolidated financial statements or that 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, 2020, the Foundation had no accruals for interest and/or penalties.

13. Subsequent Events

In preparing the financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through July 8, 2021, the date the financial statements were available to be issued. Except as disclosed in Note 9 regarding the payoff of PPP loans, there were no subsequent events that require recognition or disclosure in these financial statements.