



HEALTHWELL  
FOUNDATION®

When health insurance is not enough.®

## **HEALTHWELL FOUNDATION AND AFFILIATE**

### **Consolidated Financial Statements**

*For the Year Ended December 31, 2021*



**and  
Report Thereon**



**HEALTHWELL FOUNDATION AND AFFILIATE**

**TABLE OF CONTENTS**  
**For the Year Ended December 31, 2021**

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	<b>Page</b>
Independent Auditors' Report.....	1-2
Consolidated Financial Statements	
Consolidated Statement of Financial Position .....	3
Consolidated Statement of Activities .....	4-5
Consolidated Statement of Functional Expenses .....	6
Consolidated Statement of Cash Flows.....	7
Notes to Consolidated Financial Statements.....	8-20

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
**HealthWell Foundation and Affiliate**

### ***Opinion***

We have audited the 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, 2021, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Foundation as of December 31, 2021, 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.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Marcum LLP*

Washington, DC  
August 2, 2022

**HEALTHWELL FOUNDATION AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**December 31, 2021**

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<b>ASSETS</b>	
Cash and cash equivalents	\$ 105,746,465
Investments	392,476,920
Contributions receivable	29,995,974
Prepays and other assets	702,521
Property and equipment, net	<u>632,237</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 529,554,117</u></u></b>
<b>LIABILITIES AND NET ASSETS</b>	
<b>Liabilities</b>	
Accounts payable and accrued expenses	\$ 17,901,541
Copayments and premium assistance payable	7,178,295
Deferred rent	<u>158,574</u>
<b>TOTAL LIABILITIES</b>	<b><u>25,238,410</u></b>
<b>Net Assets</b>	
Without donor restrictions	<u>59,689,288</u>
With donor restrictions	
Committed to patients	195,896,817
Uncommitted	<u>248,729,602</u>
<b>Total With Donor Restrictions</b>	<b><u>444,626,419</u></b>
<b>TOTAL NET ASSETS</b>	<b><u>504,315,707</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u><u>\$ 529,554,117</u></u></b>

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, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING REVENUE AND SUPPORT</b>			
Contributions	\$ 1,996,355	\$ 536,188,453	\$ 538,184,808
Net assets released from restrictions:			
Satisfaction of program restrictions	621,634,294	(621,634,294)	-
<b>TOTAL OPERATING REVENUE AND SUPPORT</b>	<b>623,630,649</b>	<b>(85,445,841)</b>	<b>538,184,808</b>
<b>EXPENSES</b>			
Program Services:			
Multiple Myeloma – Medicare Access	168,135,449	-	168,135,449
Prostate Cancer – Medicare Access	44,379,122	-	44,379,122
Pulmonary Fibrosis	43,948,488	-	43,948,488
Multiple Sclerosis – Medicare Access	43,006,616	-	43,006,616
Hypercholesterolemia - Medicare Access	39,732,005	-	39,732,005
Hepatitis C	36,563,752	-	36,563,752
Pulmonary Hypertension – Medicare Access	36,147,726	-	36,147,726
Renal Cell Carcinoma – Medicare Access	34,731,653	-	34,731,653
Chronic Lymphocytic Leukemia	22,357,875	-	22,357,875
Tardive Dyskinesia – Medicare Access	19,642,593	-	19,642,593
Acute Myeloid Leukemia	19,079,067	-	19,079,067
Post Menopausal Osteoporosis – Medicare Access	16,564,927	-	16,564,927
Cystic Fibrosis Treatments	15,274,243	-	15,274,243
Breast Cancer – Medicare Access	14,336,306	-	14,336,306
Myelodysplastic Syndromes	9,668,607	-	9,668,607
Mantle Cell Lymphoma	6,183,039	-	6,183,039
Cystic Fibrosis Vitamins and Supplements	5,279,724	-	5,279,724
Systemic Lupus Erythematosus	4,260,272	-	4,260,272
Peyronie's Disease	3,985,951	-	3,985,951
Dupuytren's Disease	3,380,137	-	3,380,137
Amyotrophic Lateral Sclerosis	3,245,743	-	3,245,743
Amyloidosis	3,165,815	-	3,165,815
Small Cell Lung Cancer – Medicare Access	3,156,367	-	3,156,367
Colorectal Carcinoma – Medicare Access	2,749,419	-	2,749,419
Non-Small Cell Lung Cancer – Medicare Access	2,533,376	-	2,533,376
Congenital Sucrase-Isomaltase Deficiency	2,437,036	-	2,437,036
Bone Metastases – Medicare Access	2,399,475	-	2,399,475
Melanoma – Medicare Access	2,309,016	-	2,309,016
Gout – Medicare Access	2,145,568	-	2,145,568
Pediatric Assistance	2,087,848	-	2,087,848
Ovarian Cancer – Medicare Access	2,051,630	-	2,051,630
COVID-19 Insurance Premium	1,766,408	-	1,766,408
Macular Degeneration (Wet and Dry)	1,374,621	-	1,374,621
Secondary Hyperparathyroidism	813,748	-	813,748
Head and Neck Cancer – Medicare Access	787,226	-	787,226
Urticaria	773,673	-	773,673
Lambert-Eaton Myasthenic Syndrome	765,142	-	765,142
Sickle Cell Disease	568,416	-	568,416
Chronic Myeloid Leukemia – Medicare Access	424,143	-	424,143
Chemotherapy-Induced Neutropenia – Medicare Access	400,561	-	400,561
Asthma	400,497	-	400,497
Giant Cell Arteritis or Temporal Arteritis – Medicare Access	381,414	-	381,414
Pancreatic Cancer - Medicare Access	320,780	-	320,780
Neurocognitive Disease with Psychosis - Medicare Access	286,344	-	286,344

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, 2021

(continued)

	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES (CONTINUED)			
Program Services (continued):			
ANCA – Associated Vasculitis, Wegener's and Granulomatosis with Polyangiitis	\$ 206,112	\$ -	\$ 206,112
Health Access	205,940	-	205,940
Adrenal Insufficiency	192,514	-	192,514
Other	191,394	-	191,394
Acromegaly	185,547	-	185,547
Movement Disorders – Medicare Access	127,983	-	127,983
COVID-19 Ancillary Costs	109,927	-	109,927
Cancer – Related Behavioral Health	109,244	-	109,244
Immunosuppressive Treatment for Solid Organ Transplant Recipients – Medicare Access	106,274	-	106,274
Cytomegalovirus Disease – Prevention and Treatment	102,871	-	102,871
Nontuberculous Mycobacterium – Medicare Access	81,529	-	81,529
Homocystinuria	77,350	-	77,350
COVID-19 Frontline Health Care Worker	69,588	-	69,588
Chronic Heart Failure – Medicare Access	63,774	-	63,774
Bladder and Urothelial Cancer – Medicare Access	55,824	-	55,824
	<u>625,887,689</u>	<u>-</u>	<u>625,887,689</u>
Total Program Services			
Supporting Services:			
Management and general	2,096,177	-	2,096,177
Fundraising	871,663	-	871,663
Marketing and communications	846,959	-	846,959
	<u>3,814,799</u>	<u>-</u>	<u>3,814,799</u>
Total Supporting Services			
	<u>629,702,488</u>	<u>-</u>	<u>629,702,488</u>
TOTAL EXPENSES			
Change in Net Assets From Operations	<u>(6,071,839)</u>	<u>(85,445,841)</u>	<u>(91,517,680)</u>
Nonoperating Activities:			
Interest income	9,540,057	-	9,540,057
Investment income, net	4,174,134	-	4,174,134
	<u>13,714,191</u>	<u>-</u>	<u>13,714,191</u>
TOTAL NONOPERATING REVENUE			
CHANGE IN NET ASSETS	7,642,352	(85,445,841)	(77,803,489)
NET ASSETS, BEGINNING OF YEAR	<u>52,046,936</u>	<u>530,072,260</u>	<u>582,119,196</u>
NET ASSETS, END OF YEAR	<u>\$ 59,689,288</u>	<u>\$ 444,626,419</u>	<u>\$ 504,315,707</u>

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, 2021**

	Supporting Services					
	Program Services	Management and General	Marketing and Communications	Fundraising	Total Supporting Services	Total
Patient grants	\$ 610,136,981	\$ -	\$ -	\$ -	\$ -	\$ 610,136,981
Salaries and wages	8,902,147	761,939	429,254	291,797	1,482,990	10,385,137
Fringe benefits and payroll taxes	2,481,892	241,601	115,197	77,911	434,709	2,916,601
Professional fees	2,075,236	199,370	12	-	199,382	2,274,618
Contracted services	487,442	281,378	44,758	386,661	712,797	1,200,239
Occupancy	509,291	38,297	25,839	17,422	81,558	590,849
Telecommunications and systems	535,383	36,342	-	-	36,342	571,725
Miscellaneous	32,466	268,392	165,440	2,023	435,855	468,321
Taxes and license	265,131	30,642	417	-	31,059	296,190
Printing and postage	236,538	5,924	112	-	6,036	242,574
Bank charges	142,302	822	-	21,839	22,661	164,963
Board honoraria	-	150,294	-	-	150,294	150,294
Depreciation and amortization	51,081	42,891	5,245	3,482	51,618	102,699
Dues and publications	9,928	22,872	4,653	19,706	47,231	57,159
Conference and meeting	1,696	-	42,510	6,295	48,805	50,501
Travel and meals	1,428	55	13,522	29,418	42,995	44,423
Supplies	12,040	9,837	-	-	9,837	21,877
State registration fees	-	-	-	15,109	15,109	15,109
Interest	6,707	5,521	-	-	5,521	12,228
<b>TOTAL EXPENSES</b>	<b>\$ 625,887,689</b>	<b>\$ 2,096,177</b>	<b>\$ 846,959</b>	<b>\$ 871,663</b>	<b>\$ 3,814,799</b>	<b>\$ 629,702,488</b>

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, 2021**

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<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ (77,803,489)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	102,699
Net realized and unrealized gains on investments	(4,415,312)
Changes in assets and liabilities:	
Contributions receivable	40,382,464
Prepays and other assets	(249,824)
Accounts payable and accrued expenses	2,581,492
Copayments and premium assistance payable	1,095,596
Deferred rent	<u>(34,302)</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>(38,340,676)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchases of investments	(22,993,797)
Proceeds from sales and maturities of investments	49,796,271
Purchases of property and equipment	<u>(246,099)</u>
<b>NET CASH PROVIDED BY IN INVESTING ACTIVITIES</b>	<u>26,556,375</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Payments on loans payable	<u>(1,198,512)</u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<u>(1,198,512)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(12,982,813)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>142,918,165</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 129,935,352</u></u>
<b>CASH REPORTED ON THE STATEMENT OF FINANCIAL POSITION</b>	
Cash and cash equivalents	\$ 105,746,465
Cash and cash equivalents within investments	<u>24,188,887</u>
<b>TOTAL CASH</b>	<u><u>\$ 129,935,352</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, 2021**

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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.

**Contributions Receivable**

Contributions 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 contributions receivable balance.

**HEALTHWELL FOUNDATION AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2021**

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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, 2021**

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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, 2021, 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, 2021**

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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, and income 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 to be Adopted**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 contributions 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.

3. Investments

The Foundation's investments as of December 31, 2021, are summarized as follows:

Mutual funds	\$ 238,461,511
Stock	76,759,342
Fixed-income securities	51,839,910
Money market funds	24,188,887
Alternative investments	<u>1,227,270</u>
Total Investments	<u>\$ 392,476,920</u>

**HEALTHWELL FOUNDATION AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2021**

3. Investments (continued)

Investment income, including interest earned on cash and cash equivalents, is as follows for the year ended December 31, 2021:

Interest and dividends	\$ 9,540,057
Realized gains	6,536,414
Unrealized loss	(2,121,102)
Investment fees	<u>(241,178)</u>
Investment Income, Net	<u>\$ 13,714,191</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, 2021:

	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	\$129,819,780	\$129,819,780	\$ -	\$ -
Short and intermediate term bond funds	91,795,627	91,795,627	-	-
Domestic equity	15,561,922	15,561,922	-	-
International equity	<u>1,284,182</u>	<u>1,284,182</u>	-	-
Total Mutual Funds	238,461,511	238,461,511	-	-
Stock:				
Domestic stock	47,279,172	47,279,172	-	-
International stock	<u>29,480,170</u>	<u>29,480,170</u>	-	-
Total Stock	76,759,342	76,759,342	-	-

**HEALTHWELL FOUNDATION AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2021**

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	\$ 17,770,569	\$ -	\$ 17,770,569	\$ -
Corporate obligations	25,225,290	-	25,225,290	-
Domestic funds	3,359,610	-	3,359,610	-
Mortgage backed securities	4,147,592	-	4,147,592	-
Municipal bonds	1,265,035	-	1,265,035	-
Specialty fixed income	<u>71,814</u>	<u>-</u>	<u>71,814</u>	<u>-</u>
Total Fixed-Income Securities	<u>51,839,910</u>	<u>-</u>	<u>51,839,910</u>	<u>-</u>
Total Investments Measured in Fair Value Hierarchy	367,060,763	<u>\$315,220,853</u>	<u>\$51,839,910</u>	<u>\$ -</u>
Cash and cash equivalents	24,188,887			
Investments measured using NAV as a practical expedient:				
Alternative investments	<u>1,227,270</u>			
Total Investments	<u>\$392,476,920</u>			

As of December 31, 2021, 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, 2021**

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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:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency If Currently Eligible</u>	<u>Redemption Notice Period</u>
Alternative mutual funds	\$ 1,227,270	\$ -	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. Contributions Receivable

Contributions receivable represent unconditional grants and contributions from corporations that are due within one year. Contributions receivable are deemed to be fully collectible. Approximately 98% of contributions receivable were due from five contributors as of December 31, 2021.

6. Property and Equipment

Property and equipment consisted of the following at December 31, 2021:

Computer software	\$ 1,324,214
Furniture	467,288
Computer equipment	435,187
Leasehold improvements	121,560
Total Property and Equipment	2,348,249
Less: Accumulated Depreciation and Amortization	(1,716,012)
Property and Equipment, Net	\$ 632,237

Depreciation and amortization expense totaled \$102,699 for the year ended December 31, 2021 and is included in miscellaneous expense in the accompanying statement of functional expenses.



**HEALTHWELL FOUNDATION AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2021**

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7. Net Assets With Donor Restrictions

As of December 31, 2021, net assets with donor restrictions were available for the following disease funds:

Hepatitis C	\$ 80,220,238
Multiple Myeloma – Medicare Access	67,383,602
Hypercholesterolemia – Medicare Access	47,874,327
Pulmonary Fibrosis	33,186,121
Cystic Fibrosis Treatments	26,521,328
Renal Cell Carcinoma – Medicare Access	20,091,845
Multiple Sclerosis – Medicare Access	15,361,840
Pulmonary Hypertension – Medicare Access	14,341,784
Chronic Lymphocytic Leukemia	13,951,202
Prostate Cancer – Medicare Access	12,733,739
Acute Myeloid Leukemia	11,788,388
Peyronie’s Disease	9,720,901
Gout – Medicare Access	8,505,803
Brest Cancer – Medicare Access	7,342,199
Mantle Cell Lymphoma	6,782,317
Cystic Fibrosis Vitamins and Supplements	6,096,551
Dupuytren’s Disease	6,083,820
Tardive Dyskinesia – Medicare Access	5,530,022
Amyotrophic Lateral Sclerosis	5,507,113
Myelodysplastic Syndromes - Medicare Access	5,331,893
Non-Small Cell Lung Cancer – Medicare Access	4,766,721
Amyloidosis	4,665,880
Post-Menopausal Osteoporosis – Medicare Access	4,192,981
Melanoma – Medicare Access	4,092,217
Colorectal Carcinoma – Medical Access	2,604,060
Systemic Lupus Erythematosus	2,405,588
Small Cell Lung Cancer – Medicare Access	2,369,061
Bone Metastases – Medicare Access	1,397,108
Congenital Sucrase-Isomaltase Deficiency	1,190,972
Porphyria	862,650
Urticaria	779,558
Neurocognitive Disease with Psychosis - Medicare Access	713,656
Head and Neck Cancer – Medicare Access	688,305
Giant Cell Arteritis or Temporal Arteritis – Medicare Access	604,748
Lambert-Eaton Myasthenic Syndrome	590,736
Non-Hodgkin’s Lymphoma – Medicare Access	573,794
Carcinoid Tumors and Associated Symptoms – Medicare Access	559,470
Chronic Myeloid Leukemia - Medicare Access	548,908
Sickle Cell Disease	527,357
Ovarian Cancer – Medicare Access	445,474

**HEALTHWELL FOUNDATION AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2021**

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7. Net Assets With Donor Restrictions (continued)

Hyperoxaluria	\$	442,844
Chemotherapy-Induced Neutropenia – Medicare Access		440,336
Pancreatic Cancer - Medicare Access		429,320
Other Funds		374,679
ANCA-Associate Vasculitis, and Granulomatosis with Polyangiitis		335,570
Secondary Hyperparathyroidism		327,444
Nontuberculous Mycobacterium - Medicare Access		273,306
Hepatocellular Carcinoma – Medicare Access		242,743
Cystic Fibrosis		241,158
Movement Disorders - Medicare Access		228,537
Inflammatory Bowel Disease – Medicare Access		212,956
Macular Degeneration (Wet and Dry)		201,991
Idiopathic Thrombocytopenic Purpura		179,583
Glioblastoma Multiforme/Anaplastic Astrocytoma		162,044
AutoImmune – Medicare Access		155,649
Huntington's Disease - Medicare Access		155,418
Bladder and Urothelial Cancer – Medicare Access		146,861
Fungal Infections-Aspergillosis and Candidiasis		146,144
Melanoma		137,828
Cytomegalovirus Disease - Prevention and Treatment		110,222
Breakthrough Cancer Pain – Medicare Access		107,111
Adrenal Insufficiency		91,213
Acromegaly		90,079
Homocystinuria		82,931
Growth Hormone Deficiency		78,995
Iron Overload as a Result of Blood Transfusions		66,533
Migraine		64,501
Chronic Heart Failure – Medicare Access		61,382
Cushing's Disease		52,682
Gout Travel Fund		52,082
Total		<u>\$444,626,419</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 2021. 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 \$346,561 for the year ended December 31, 2021.

**HEALTHWELL FOUNDATION AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2021**

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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 was to mature on May 3, 2022, and bore a fixed interest rate of 1% per annum. Monthly payments of principal and interest were to commence ten months after the end of the forgiveness covered period. The loan amount, or some portion thereof, was 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 was to mature on June 5, 2022, and bore a fixed interest rate of 1% per annum. Monthly payments of principal and interest were to commence ten months after the end of the forgiveness covered period. The loan amount, or some portion thereof, was 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, 2021, 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, 2021, the Foundation received approximately 82% of its total revenue and support from nine donors.

**Operating Lease**

The Foundation has entered into an operating lease for office space through August 31, 2026. The lease requires 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, 2021**

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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. On February 28, 2022, the Foundation, on behalf of HWF Direct, LLC, signed a new ten-year operating lease commencing on the later of July 1, 2022, or the date the Landlord tenders possession of the premises. The monthly base rent is \$54,326 with a fixed escalation clause for increases in the annual minimum rent at a rate of 3%. 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, 2021:

For the Year Ending December 31,		
2022	\$	487,837
2023		185,702
2024		190,323
2025		195,067
2026		132,757
Total	\$	1,191,686

**Patient Commitments**

At December 31, 2021, the Foundation had outstanding commitments to patients totaling \$195,896,817. 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, 2021. 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, 2021**

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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, 2021, were as follows:

Cash and cash equivalents	\$ 105,746,465
Investments	392,476,920
Contributions receivable	<u>29,995,974</u>
Total Financial Assets Available Within One Year	528,219,359
Less:	
Amounts unavailable for general expenditures within one year due to donors' restriction with purpose restriction	<u>(444,626,419)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 83,592,940</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, 2021, 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, 2021**

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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, 2021, 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, 2021, 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 August 2, 2022, the date the financial statements were available to be issued. Except as disclosed at Note 10 regarding the new lease agreement, there were no subsequent events that require recognition or disclosure in these financial statements.