



HEALTHWELL
FOUNDATION®

When health insurance is not enough.®

Financial Statements

For the Year Ended December 31, 2014



**and
Report Thereon**





INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
HealthWell Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of the HealthWell Foundation (the Foundation), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the HealthWell Foundation as of December 31, 2014, 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.

Other Matter*Emphasis of Matter*

As discussed in Note 13 to the financial statements, the Foundation performed a reconciliation of the temporarily restricted net assets balance with respect to total revenue, grants, expense and allocations life-to-date. As such, board-designated unrestricted net assets and temporarily restricted net assets were restated as of December 31, 2013.

Raffa, P.C.

Raffa, P.C.

Washington, DC
July 8, 2015

HEALTHWELL FOUNDATION
STATEMENT OF FINANCIAL POSITION
December 31, 2014

ASSETS

Cash and cash equivalents	\$ 17,726,178
Investments	74,140,456
Interest receivable	4,134
Pledges receivable	2,350,000
Prepaid expenses	25,288
Deposit	511,192
Computer software and equipment, net	<u>347,581</u>

TOTAL ASSETS \$ 95,104,829

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$ 1,224,538
Co-payments and premium assistance payable	<u>1,619,528</u>

TOTAL LIABILITIES 2,844,066

Net Assets

Unrestricted

Unrestricted	3,614,433
Board designated	<u>2,275,000</u>

Total Unrestricted 5,889,433

Temporarily restricted

Committed to patients	23,986,871
Uncommitted	<u>62,384,459</u>

Total Temporarily Restricted 86,371,330

TOTAL NET ASSETS 92,260,763

TOTAL LIABILITIES AND NET ASSETS \$ 95,104,829

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

HEALTHWELL FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Contributions	\$ 327,517	\$ 86,943,913	\$ 87,271,430
Investment income, net of fees	2,556,381	-	2,556,381
Net assets released from restrictions:			
Satisfaction of program restrictions	34,565,580	(34,565,580)	-
TOTAL REVENUE AND SUPPORT	37,449,478	52,378,333	89,827,811
EXPENSES			
Program Services:			
Asthma	6,033,109	-	6,033,109
Immunosuppressive Treatment for			
Solid Organ Transplant Recipients	5,423,555	-	5,423,555
Multiple Sclerosis – Medicare Access	4,629,216	-	4,629,216
Cytomegalovirus Disease	2,897,787	-	2,897,787
Chronic Myeloid Leukemia – Medicare Access	1,984,330	-	1,984,330
Carcinoid Tumors and Associated			
Symptoms – Medicare Access	1,981,862	-	1,981,862
Systemic Lupus Erythematosus	1,890,884	-	1,890,884
Inflammatory Bowel Disease – Medicare Access	1,809,134	-	1,809,134
Chemotherapy-Induced Neutropenia – Medicare Access	1,309,616	-	1,309,616
Growth Hormone Deficiency	1,178,641	-	1,178,641
Head and Neck Cancer	1,161,345	-	1,161,345
Secondary Hyperparathyroidism	924,967	-	924,967
Dupuytren's Disease	625,494	-	625,494
Melanoma	477,862	-	477,862
Urticaria	381,833	-	381,833
Melanoma – Medicare Access	376,822	-	376,822
Autoimmune – Medicare Access	329,157	-	329,157
Gout	293,589	-	293,589
ANCA – Associated Vasculitis, Wegener's and			
Granulomatosis with Polyangiitis	263,412	-	263,412
Peyronie's	239,987	-	239,987
Pediatric	86,937	-	86,937
Post Menopausal Osteoporosis – Medicare Access	83,379	-	83,379
Non-Small Cell Lung Cancer	67,562	-	67,562
Iron Overload as a Result of Blood Transfusions	45,071	-	45,071
Bone Metastases	42,474	-	42,474
Porphyrias	13,466	-	13,466
Other	9,266	-	9,266
Breast Cancer	8,403	-	8,403
Anemia Associated with Chronic Renal Insufficiency/Failure	5,704	-	5,704
Colorectal Carcinoma	1,687	-	1,687
Total Program Services	34,576,551	-	34,576,551

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

Continued

HEALTHWELL FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014

Continued

	Unrestricted	Temporarily Restricted	Total
Supporting Services:			
Management and general	\$ 914,143	\$ -	\$ 914,143
Marketing and communications	513,739	-	513,739
Fundraising	357,395	-	357,395
Total Supporting Services	1,785,277	-	1,785,277
TOTAL EXPENSES	36,361,828	-	36,361,828
CHANGE IN NET ASSETS	1,087,650	52,378,333	53,465,983
NET ASSETS, BEGINNING OF YEAR (AS RESTATED)	4,801,783	33,992,997	38,794,780
NET ASSETS, END OF YEAR	\$ 5,889,433	\$ 86,371,330	\$ 92,260,763

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

HEALTHWELL FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2014

	Supporting Services				Total Supporting Services	Total
	Program Services	Management and General	Marketing and Communications	Fundraising		
Patient grants	\$ 29,039,150	\$ -	\$ -	\$ -	\$ -	\$ 29,039,150
Contracted services	4,156,468	198,378	131,102	-	329,480	4,485,948
Salaries and wages	240,755	363,695	242,272	120,014	725,981	966,736
Telecommunications and systems	422,746	430	-	-	430	423,176
Professional fees	336,071	86,515	183	-	86,698	422,769
Fringe benefits and payroll taxes	65,456	118,858	86,456	22,622	227,936	293,392
Marketing	-	-	41,303	187,931	229,234	229,234
Depreciation and amortization	154,446	23,023	-	-	23,023	177,469
Software licenses	72,645	1,525	-	-	1,525	74,170
Board honoraria	-	70,289	-	-	70,289	70,289
Printing and postage	57,287	634	-	-	634	57,921
Occupancy	10,055	16,497	8,221	5,126	29,844	39,899
Travel and meals	-	19,072	3,161	1,881	24,114	24,114
Bank charges	18,895	315	-	3,134	3,449	22,344
Miscellaneous	-	12,075	-	2,919	14,994	14,994
State registration fees	-	-	-	13,119	13,119	13,119
Supplies	2,577	2,078	1,041	649	3,768	6,345
Interest	-	759	-	-	759	759
TOTAL EXPENSES	\$ 34,576,551	\$ 914,143	\$ 513,739	\$ 357,395	\$ 1,785,277	\$ 36,361,828

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

HEALTHWELL FOUNDATION
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2014
Increase (Decrease) in Cash and Cash Equivalents

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 53,465,983
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	177,469
Net realized and unrealized gains on investments	(1,020,386)
Changes in assets and liabilities:	
Interest receivable	6,155
Pledges receivable	10,000
Prepaid expenses	(186)
Deposit	(409,309)
Accounts payable and accrued expenses	423,915
Co-payments and premium assistance payable	<u>346,173</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>52,999,814</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of computer software and equipment	(127,495)
Proceeds from sales and maturities of investments	2,645,521
Purchases of investments	<u>(38,932,325)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(36,414,299)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments made to the portfolio loan	<u>(1,005,000)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(1,005,000)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	15,580,515
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,145,663</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 17,726,178</u></u>

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

HEALTHWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2014

1. Organization and Nature of Activities

Organization

The HealthWell Foundation (the Foundation) is an independent, nonprofit organization that provides financial assistance to underinsured adults and children living with chronic or life-altering diseases, such as cancer, asthma and autoimmune disorders. The Foundation helps eligible individuals afford out-of-pocket costs for prescription drug copayments, coinsurance, deductibles, premiums, and other select out-of-pocket costs. The Foundation's primary source of revenue is contributions from corporations and individuals.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Foundation's financial statements have been prepared on the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recorded as the obligations are incurred.

Cash and Cash Equivalents

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

Investments

Investments consist of common stock, corporate bonds, exchange traded funds, mutual funds, and certain cash and money market funds. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized gains and losses are recognized upon the sale or disposal of the investment. Interest and dividend income is recorded as earned. Unrealized gains and losses due to market fluctuations during the year are recognized as unrestricted revenue and support in the accompanying statement of activities.

Computer Software and Equipment

Computer equipment and software 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 computer equipment and software that cost \$5,000 or more. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance are expensed as incurred. Upon the disposal of an asset, the appropriate property accounts are reduced by the related costs and accumulated depreciation or amortization. The resulting gains or losses are reflected in the accompanying statement of activities.

HEALTHWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2014

2. Summary of Significant Accounting Policies (continued)

Net Assets

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

- *Unrestricted net assets* – Net assets not subject to any donor-imposed stipulations or other legal limitations. A portion of the unrestricted net assets has been designated by the Board of Directors for specific disease funds which is further described in Note 6.
- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may be met either by the Foundation's actions and/or the passage of time. Grants awarded to patients that have not yet been expended by the patients are reported as temporarily restricted net assets committed to patients.

Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic *Fair Value Measurements and Disclosures* defines fair value and establishes a framework for measuring fair value for assets and liabilities that are measured at fair value on a recurring basis. In accordance with the accounting standards for fair value measurements for those assets and liabilities that are measured at fair value on a recurring basis, the Foundation has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the fair value hierarchy, the categorization is based on the lowest-level input that is significant to the fair value measurement of the instrument. Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

Level 3 – Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

As of and for the year ended December 31, 2014, only the Foundation's investments, as described in Notes 3 and 9, were measured at fair value on a recurring basis.

HEALTHWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2014

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

In accordance with FASB ASC Topic *Not-for-Profit Organizations*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted revenue and support depending on the existence and/or nature of any donor restrictions. Donor-restricted revenue is reported as an increase in temporarily restricted net assets, depending on the nature of the restriction. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Program Services

The Foundation awards financial assistance to underinsured patients living with chronic or life-altering diseases. The Foundation records this financial assistance as program service expense when the services are provided, rather than when the assistance is awarded, as payments are contingent upon the patients obtaining the approved medications and/or services.

The Foundation has instituted a process for withdrawing and adjusting the original patient assistance committed to, but not subsequently used by, the patient so that the funds are available for new awards. Funds awarded to patients that have not yet been expended by the patients are recorded as temporarily restricted net assets committed to patients on the accompanying statement of financial position.

Copayments and Premium Assistance Payable

An estimated liability for unpaid copayments and premium claims incurred, but not reported, as of year-end, based upon actual subsequent claims payments, is recorded in the accompanying statement of financial position.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the accompanying statement of functional expenses. Expenses that are not directly charged to a program or supporting service are allocated among the programs and supporting services based on patient grant expenses.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

HEALTHWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

3. Investments

As of December 31, 2014, the Foundation's investments are summarized as follows:

Exchange traded funds – closed-end funds	\$ 47,048,587
Mutual funds	17,298,027
Cash and money market funds	3,635,330
Common stock	5,412,183
Corporate bonds	<u>746,329</u>
Total Investments	<u>\$ 74,140,456</u>

Investment income, including interest earned on cash and cash equivalents, is as follows for the year ended December 31, 2014:

Interest and dividends	\$ 1,729,915
Unrealized gains	778,425
Realized gains	241,961
Investment fees	<u>(193,920)</u>
Total Investment Income	<u>\$ 2,556,381</u>

4. Pledges Receivable

Pledges receivable represent grants and contributions from corporations that are due within one year. Pledges receivable are deemed to be fully collectible. Approximately 98% of pledges receivable are due from two contributors as of December 31, 2014.

5. Computer Software and Equipment

Computer software and equipment consisted of the following at December 31, 2014:

Computer software	\$ 1,013,231
Computer equipment	<u>129,328</u>
Total Computer Software and Equipment	1,142,559
Less: Accumulated Depreciation and Amortization	<u>(794,978)</u>
Computer Software and Equipment, Net	<u>\$ 347,581</u>

Depreciation and amortization expense totaled \$177,469 for the year ended December 31, 2014.

HEALTHWELL FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014**

6. Board Designated Net Assets

The Board of Directors has designated unrestricted net assets for the disease funds as follows:

Immunosuppressive Treatment for Solid Organ Transplant Recipients	\$ 1,900,000
Head and Neck Cancer	<u>375,000</u>
Total	<u>\$ 2,275,000</u>

7. Temporarily Restricted Net Assets

As of December 31, 2014, temporarily restricted net assets were available for the following disease funds:

Multiple Sclerosis – Medicare Access	\$ 37,370,794
Non-Small Cell Lung Cancer	8,639,348
Immunosuppressive Treatment for Solid Organ Transplant Recipients	6,188,065
Urticaria	6,078,167
Cytomegalovirus Disease	4,860,583
Asthma	3,717,569
Chronic Myeloid Leukemia – Medicare Access	2,503,519
Growth Hormone Deficiency	2,251,359
Carcinoid Tumors and Associated Symptoms – Medicare Access	1,833,574
Melanoma – Medicare Access	1,811,822
Systemic Lupus Erythematosus	1,739,201
Head and Neck Cancer	1,526,813
Chemotherapy-Induced Neutropenia – Medicare Access	1,298,690
Secondary Hyperparathyroidism	1,135,445
Inflammatory Bowel Disease – Medicare Access	1,003,215
Gout	822,372
Dupuytren's Disease	689,495
Peyronie's	656,442
ANCA – Associated Vasculitis, Wegener's and Granulomatosis with Polyangiitis	540,791
Autoimmune – Medicare Access	531,676
Melanoma	486,992
Post-Menopausal Osteoporosis – Medicare Access	116,404
Iron Overload as a Result of Blood Transfusions	102,596
Rheumatoid Arthritis	94,808
Emergency Cancer Relief	85,591
Porphyrias	53,266
Carcinoid Tumors and Associated Symptoms	41,276
Breast Cancer	36,450
Psoriasis	28,869
Psoriatic Arthritis	22,958
Colorectal Carcinoma	22,288

Continued

HEALTHWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

7. Temporarily Restricted Net Assets (continued)

Anemia Associated with Chronic Renal Insufficiency/Failure	\$	20,774
Crohn's Disease – Medicare Access		20,638
Bone Metastases		16,955
Ankylosing Spondylitis		12,759
Wilm's Tumor		4,786
Idiopathic Thrombocytopenic Purpura		2,965
Macular Degeneration		1,304
Non-Hodgkin's Lymphoma		356
Multiple Myeloma		250
Chemotherapy-Induced Anemia		<u>105</u>
Total		<u><u>\$86,371,330</u></u>

8. Pension Plan

The Foundation maintains a defined-contribution plan under Section 401(k) of the Internal Revenue Code (IRC). Under the 401(k) plan, participants may elect to contribute annually to the plan amounts up to the federal tax limit, which was \$17,500 for 2014. 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 \$51,447 for the year ended December 31, 2014.

9. Fair Value Measurements

The following table summarizes the Foundation's assets measured at fair value on a recurring basis as of December 31, 2014:

	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Exchange traded funds:				
Closed-end funds:				
Equity allocation	\$ 37,198,234	\$ 37,198,234	\$ -	\$ -
Municipal bond allocation	9,750,186	9,750,186	-	-
Taxable bond allocation	<u>100,167</u>	<u>100,167</u>	<u>-</u>	<u>-</u>
Total Closed- End Funds	<u><u>47,048,587</u></u>	<u><u>47,048,587</u></u>	<u>-</u>	<u>-</u>

Continued

HEALTHWELL FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014**

9. Fair Value Measurements (continued)

<i>(Continued)</i>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual funds:				
Nontraditional bond funds	\$ 10,549,570	\$ 10,549,570	\$ -	\$ -
Term bond funds			-	-
Allocation funds	3,767,413	3,767,413	-	-
Real estate funds	2,227,936	2,227,936	-	-
Bank loan fund	341,580	341,580	-	-
Energy limited Partnership	287,083	287,083	-	-
Foreign large blend	<u>124,445</u>	<u>124,445</u>	<u>-</u>	<u>-</u>
Total Mutual Funds	<u>17,298,027</u>	<u>17,298,027</u>	<u>-</u>	<u>-</u>
Cash and money market funds	3,635,330	3,635,330	-	-
Common stock:				
Energy	5,412,183	5,412,183	-	-
Corporate bonds	<u>746,329</u>	<u>746,329</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$74,140,456</u>	<u>\$74,140,456</u>	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2014, the Foundation used the following methods and significant assumptions to estimate fair value for assets recorded at fair value:

Money market funds; exchange traded funds – closed-end; mutual funds; corporate bonds; common stock – Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include common stock, bonds, mutual funds, and money market funds. If quoted market prices are not available, then fair values are estimated using the most recent bid prices in the over-the-counter market in which the individual securities are traded and adjusted for other factors, such as interest rates, credit, etc., as determined by the broker and/or custodian. These instruments would generally be classified within Level 2 of the valuation hierarchy.

HEALTHWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2014

10. Portfolio Loan Payable

The Foundation has a portfolio loan facility with a limit of \$30,013,000, with interest rate tiers based on the amount of the portfolio loan. The limit is determined by the overall size and composition of the portfolio and varies accordingly. As of December 31, 2014, no amount was outstanding on the portfolio loan and the interest rate was 1.93%. Interest in specific investments totaling \$68,712,449 as of December 31, 2014, is held as collateral to secure the balance of the portfolio loan. For the year ended December 31, 2014, the Foundation incurred interest and other charges on the portfolio loan of \$759.

11. 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, 2014, the Foundation had approximately \$17,725,000 demand deposits which exceeded the maximum limit insured by the FDIC.

Concentration of Revenue Risk

During the year ended December 31, 2014, the Foundation received approximately 86% of its total revenue and support from two donors.

Operating Lease

The Foundation leases commercial office space and certain equipment under an agreement with Covance Market Access (CMA) which expires in August 2015. The Foundation also has a services agreement with CMA which includes hotline support which expires in January 2016. The lease and services agreement includes an annual 3% increase. Expenses under the services agreement totaled \$80,734 for the year ended December 31, 2014. As of December 31, 2014, the future minimum lease payments under the agreement total \$27,400 are all due in 2015.

Patient Commitments

At December 31, 2014, the Foundation had outstanding commitments to patients totaling \$23,986,871. 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, 2014. As patients submit claims for approved medication and services, amounts committed to patients are transferred to copayments and premium assistance payable in the accompanying statement of financial position until the obligation is paid.

HEALTHWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2014

12. 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 is required for the year ended December 31, 2014, as the Foundation had no taxable unrelated business income.

The Foundation follows the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB ASC Topic *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Foundation performed an evaluation of uncertain tax positions for the year ended December 31, 2014, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2014, the statute of limitations for tax years 2010 through 2013 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Foundation files tax returns. It is the Foundation's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of December 31, 2014, the Foundation had no accrual for interest and/or penalties.

13. Prior Period Adjustment

During the year ended December 31, 2014, the Foundation reconciled inception-to-date revenue and the related grant expense as stated in the general ledger and the grants management system. As a result, the Foundation recorded an adjustment to decrease temporarily restricted net assets by \$799,287, increase board designated unrestricted net assets by \$2,280,988, and decrease unrestricted net assets by \$1,481,701 as of December 31, 2013.

14. Subsequent Events

In preparing the financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through July 8, 2015, the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, the financial statements.