HEALTHWELL FOUNDATION®

When health insurance is not enough.®

Financial Statements

For the Year Ended December 31, 2013

and
Report Thereon

Raffa

Certified Public Accountants

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, 2013, 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 HealthWell Foundation as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Raffa, P.C.

Raffa, P.C.

Washington, DC
June 30, 2014

HEALTHWELL FOUNDATION

STATEMENT OF FINANCIAL POSITION
December 31, 2013

ASSETS	
Cash and cash equivalents	$ 2,145,663
Investments	36,833,266
Interest receivable	10,289
Pledges receivable	2,360,000
Prepaid expenses	25,102
Deposit	101,883
Computer software and equipment, net	397,555
TOTAL ASSETS	$ 41,873,758
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable and accrued expenses	$ 800,623
Co-payments and premium assistance payable	1,273,355
Portfolio loan payable	1,005,000
TOTAL LIABILITIES	3,078,978
Net Assets	
Unrestricted	4,002,497
Temporarily restricted	
Committed to patients	19,636,995
Uncommitted	15,155,288
Total Temporarily Restricted	34,792,283
TOTAL NET ASSETS	38,794,780
TOTAL LIABILITIES AND NET ASSETS	$ 41,873,758

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

HEALTHWELL FOUNDATION

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Contributions	$ 454,616	$ 18,028,028	$ 18,482,644
Investment income, net of fees	2,020,853	-	2,020,853
Net assets released from restrictions:			
Satisfaction of program restrictions	37,650,559	(37,650,559)	-
TOTAL REVENUE AND SUPPORT	40,126,028	(19,622,531)	20,503,497
EXPENSES			
Program Services:			
Autoimmune – Medicare Access	10,185,475	-	10,185,475
Asthma, Moderate to Severe	7,749,714	-	7,749,714
Immunosuppressive Treatment for Solid Organ Transplant Recipients	3,987,216	-	3,987,216
Cytomegalovirus Disease	2,582,788	-	2,582,788
Chronic Myeloid Leukemia – Medicare Access	1,893,183	-	1,893,183
Secondary Hyperparathyroidism	1,887,432	-	1,887,432
Systemic Lupus Erythematosus	1,591,650	-	1,591,650
Carcinoid Tumors and Associated Symptoms – Medicare Access	1,527,645	-	1,527,645
Inflammatory Bowel Disease – Medicare Access	1,494,908	-	1,494,908
Head and Neck Cancer	1,202,221	-	1,202,221
Metastatic Melanoma – Medicare Access	682,350	-	682,350
Chemotherapy – Induced Neutropenia	486,074	-	486,074
Dupuytren's Disease	472,335	-	472,335
Rheumatoid Arthritis	408,827	-	408,827
Chronic Gout	320,111	-	320,111
Metastatic Melanoma	217,182	-	217,182
ANCA – Associated Vasculitis, Wegener's and Granulomatosis with Polyangiitis	185,464	-	185,464
Post Menopausal Osteoporosis	184,978	-	184,978
Carcinoid Tumors and Associated Symptoms	174,708	-	174,708
Anemia Associated with Chronic Renal Insufficiency/Failure	164,147	-	164,147
Psoriasis	121,639	-	121,639
Iron Overload due to Multiple Transfusions	121,072	-	121,072
Psoriatic Arthritis	99,084	-	99,084
Crohn's Disease	89,376	-	89,376
Bone Metastases	73,796	-	73,796
Chemotherapy – Induced Anemia/Neutropenia	61,133	-	61,133
Ankylosing Spondylitis	54,517	-	54,517
Breast Cancer	44,467	-	44,467
Other	42,556	-	42,556
Colorectal Carcinoma	28,788	-	28,788
Non-Small Cell Lung Cancer	25,249	-	25,249
Idiopathic Thrombocytopenic Purpura	10,315	-	10,315
Total Program Services	38,170,400	-	38,170,400

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

Continued

HEALTHWELL FOUNDATION

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

Continued

	Unrestricted	Temporarily Restricted	Total
Supporting Services:			
Management and general	$ 1,157,319	$ -	$ 1,157,319
Marketing and communications	472,752	-	472,752
Fundraising	347,636	-	347,636
Total Supporting Services	1,977,707	-	1,977,707
TOTAL EXPENSES	40,148,107	-	40,148,107
CHANGE IN NET ASSETS	(22,079)	(19,622,531)	(19,644,610)
NET ASSETS, BEGINNING OF YEAR	4,024,576	54,414,814	58,439,390
NET ASSETS, END OF YEAR	$ 4,002,497	$ 34,792,283	$ 38,794,780

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

HEALTHWELL FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2013

		Supporting Services				
	Program Services	Management and General	Marketing and Communications	Fundraising	Total Supporting Services	Total
Patient grants	$ 31,029,668	$ -	$ -	$ -	$ -	$ 31,029,668
Contracted services	5,512,879	241,119	142,430	-	383,549	5,896,428
Salaries and wages	322,361	424,218	222,081	93,298	739,597	1,061,958
Professional fees	460,457	103,077	420	-	103,497	563,954
Telecommunications and systems	463,584	4,569	-	-	4,569	468,153
Fringe benefits and payroll taxes	79,209	129,719	77,644	18,449	225,812	305,021
Marketing	-	-	18,824	199,155	217,979	217,979
Depreciation and amortization	135,503	8,683	-	-	8,683	144,186
Interest	-	82,344	-	-	82,344	82,344
Software licenses	71,329	2,333	-	-	2,333	73,662
Board honoraria	-	69,472	-	-	69,472	69,472
Printing and postage	50,553	4,985	-	-	4,985	55,538
Bank charges	44,172	-	-	3,187	3,187	47,359
Miscellaneous	-	17,266	8,592	19,707	45,565	45,565
Occupancy	-	38,748	-	-	38,748	38,748
Travel and meals	685	21,934	2,761	32	24,727	25,412
State registration fees	-	-	-	13,808	13,808	13,808
Donations	-	6,840	-	-	6,840	6,840
Supplies	-	2,012	-	-	2,012	2,012
TOTAL EXPENSES	$ 38,170,400	$ 1,157,319	$ 472,752	$ 347,636	$ 1,977,707	$ 40,148,107

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

HEALTHWELL FOUNDATION

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2013
Increase (Decrease) in Cash and Cash Equivalents

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (19,644,610)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	144,186
Net realized and unrealized gains on investments	(815,278)
Changes in assets and liabilities:	
Interest receivable	129,890
Pledges receivable	10,640,000
Prepaid expenses	2,307
Deposit	(101,883)
Accounts payable and accrued expenses	(466,869)
Co-payments and premium assistance payable	(32,359)
NET CASH USED IN OPERATING ACTIVITIES	(10,144,616)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of computer software and equipment	(123,456)
Proceeds from sales and maturities of investments	18,280,009
Purchases of investments	(4,620,468)
NET CASH PROVIDED BY INVESTING ACTIVITIES	13,536,085
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments made to the portfolio loan	(19,995,000)
Proceeds from portfolio loan	18,000,000
NET CASH USED IN FINANCING ACTIVITIES	(1,995,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,396,469
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	749,194
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,145,663
SUPPLEMENTAL CASH FLOW INFORMATION	
Interest paid	$ 78,288

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

1. Organization and Nature of Activities

Organization

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

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 government and corporate bonds, exchange traded funds, mutual funds, mortgage- and asset-backed securities, and certain 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 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 software and equipment that cost $5,000 or more. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance are expensed as incurred. Upon the disposal of an asset, the appropriate property accounts are reduced by the related costs and accumulated depreciation or amortization. The resulting gains or losses are reflected in the accompanying statement of activities.

Continued

2. Summary of Significant Accounting Policies (continued)

Net Assets

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

- *Unrestricted net assets* – Net assets not subject to any donor-imposed stipulations or other legal limitations.
- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may be met 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, 2013, only the Foundation's investments, as described in Notes 4 and 8, were measured at fair value on a recurring basis.

Continued

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-threatening diseases. The Foundation records this financial assistance as a 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.

Co-Payments and Premium Assistance Payable

An estimated liability for unpaid co-payments 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.

Continued

3. Investments

As of December 31, 2013, the Foundation's investments are summarized as follows:

Exchange traded funds – closed-end funds	$ 14,959,494
Mutual funds	13,043,918
Cash and money market funds	5,859,154
Mortgage- and asset-backed securities	1,388,583
Corporate bonds	1,348,906
Government bonds	233,211
Total Investments	$ 36,833,266

Investment income, including interest earned on cash and cash equivalents, are as follows for the year ended December 31, 2013:

Interest and dividends	$ 1,397,564
Unrealized gains	1,216,570
Realized loss	(401,292)
Investment fees	(191,989)
Total Investment Income	$ 2,020,853

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 95% of pledges receivable are due from two contributors as of December 31, 2013.

5. Computer Software and Equipment

Computer software and equipment consisted of the following at December 31, 2013:

Computer software	$ 895,683
Computer equipment	119,381
Total Computer Software and Equipment	1,015,064
Less: Accumulated Depreciation and Amortization	(617,509)
Computer Software and Equipment, Net	$ 397,555

Depreciation and amortization expense totaled $144,186 for the year ended December 31, 2013.

6. Temporarily Restricted Net Assets

As of December 31, 2013, temporarily restricted net assets were available for the following disease funds:

Asthma, Moderate to Severe	$ 8,569,625
Immunosuppressive Treatment for Solid Organ Transplant Recipients	5,774,211
Chemotherapy – Induced Neutropenia	3,112,323
Systemic Lupus Erythematosus	2,477,567
Chronic Myeloid Leukemia – Medicare Access	2,447,368
Inflammatory Bowel Disease – Medicare Access	2,252,674
Secondary Hyperparathyroidism	1,972,804
Autoimmune – Medicare Access	1,339,335
Carcinoid Tumors and Associated Symptoms – Medicare Access	1,263,320
Head and Neck Cancer	883,211
Metastatic Melanoma	832,818
ANCA – Associated Vasculitis, Wegener's and Granulomatosis with Polyangiitis	791,148
Chronic Gout	725,410
Chemotherapy – Induced Anemia/Neutropenia	444,512
Cytomegalovirus Disease	422,689
Metastatic Melanoma – Medicare Access	390,958
Dupuytren's Disease	299,415
Post-Menopausal Osteoporosis	195,421
Psoriasis	139,752
Pediatric Fund	107,885
Peyronie's	96,429
Acute Porphyrias	63,953
Bone Metastases	42,392
Carcinoid Tumors and Associated Symptoms	41,645
Emergency Cancer Relief	27,353
Crohn's Disease	20,678
Psoriatic Arthritis	17,800
Age–Related Macular Degeneration	17,593
Breast Cancer	6,863
Chemotherapy – Induced Anemia	5,276
Wilm's Tumor	4,805
Idiopathic Thrombocytopenic Purpura	3,059
Glioblastoma Multiforme and Anaplastic Astrocytoma	1,646
Hepatitis	345
Total	$ 34,792,283

Continued

7. Pension Plan

The Foundation maintains a defined-contribution plan under Section 401(k) of the Internal Revenue Code. 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 2013. 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 $61,616 for the year ended December 31, 2013.

8. Fair Value Measurements

The following table summarizes the Foundation's assets measured at fair value on a recurring basis as of December 31, 2013:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Exchange traded funds:				
Equity allocation	$ 13,077,322	$ 13,077,322	$ -	$ -
Taxable bond allocation	1,882,172	1,882,172	-	-
Total Exchange traded funds	14,959,494	14,959,494	-	-
Mutual funds:				
Nontraditional bond funds	8,738,631	8,738,631	-	-
Term bond funds	1,039,262	1,039,262	-	-
Allocation funds	2,709,493	2,709,493	-	-
Bank loan fund	206,712	206,712	-	-
Foreign large blend	349,820	349,820	-	-
Total Mutual funds	13,043,918	13,043,918	-	-
Cash and money market funds	5,859,154	5,859,154	-	-
Mortgage- and asset-backed securities	1,388,583	-	1,388,583	-
Corporate bonds	1,348,906	1,348,906	-	-
Government bonds	233,211	233,211	-	-
Total Assets	$ 36,833,266	$ 35,444,683	$ 1,388,583	$ -

8. Fair Value Measurements (continued)

As of December 31, 2013, 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; government and corporate bonds; mortgage- and asset-backed securities* – Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include 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, which would generally be classified within Level 2 of the valuation hierarchy, include mortgage- and asset-backed securities.

9. Portfolio Loan Payable

The Foundation has a portfolio loan facility with a limit of $15,489,800, 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, 2013, $1,005,000 was outstanding on the portfolio loan and the interest rate was 1.92%. Interests in specific investments, totaling $31,697,533, as of December 31, 2013, are held as collateral to secure the balance of the portfolio loan. For the year ended December 31, 2013, the Foundation incurred interest and other charges on the portfolio loan of $82,344.

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, 2013, the Foundation had no demand deposits which exceeded the maximum limit insured by the FDIC.

Concentration of Revenue Risk

During the year ended December 31, 2013, the Foundation received approximately 82% of its total revenue and support from four donors.

Operating Lease

The Foundation leases commercial office space and certain equipment under a services agreement which expires on August 30, 2015. The services agreement also includes information technology support and an annual 3% increase. Expenses under the services agreement totaled $60,325 for the year ended December 31, 2013. As of December 31, 2013, the future minimum lease payments under the agreement are as follows:

Continued

10. Risks and Commitments (continued)

Operating Lease (continued)

For the Year Ending December 31,	
2014	$ 39,900
2015	27,400
Total	$ 67,300

Patient Commitments

At December 31, 2013, the Foundation had outstanding commitments to patients totaling $19,636,995. These commitments are based upon amounts awarded by the Foundation for, but not yet expended on, co-payments and premium assistance claims of patients as of December 31, 2013. As patients submit claims for approved medication and services, amounts committed to patients are transferred to co-payments and premium assistance payable in the accompanying statement of financial position until the obligation is paid.

11. Income Tax Status

The Foundation is exempt from federal income taxation, except for unrelated business income, under Section 501(c)(3) of the Internal Revenue Code 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, 2013, 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, 2013, 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, 2013, the statute of limitations for tax years 2009 through 2012 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, 2013, the Foundation had no accrual for interest and/or penalties.

Continued

12. Subsequent Events

In preparing the financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through June 30, 2014, 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.