



Consolidated Financial Statements

For the Year Ended December 31, 2021

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Independent Auditor's Report

To the Board of Directors
The Max Foundation
Seattle, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of The Max Foundation and subsidiaries (collectively, the Organization), 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 financial position of the Organization 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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.

Report on Summarized Comparative Information

We have previously audited the Organization's December 31, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 3, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.



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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 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 Organization'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Clark Nuber PS

Certified Public Accountants
June 13, 2022

THE MAX FOUNDATION AND SUBSIDIARIES

Consolidated Statement of Financial Position
December 31, 2021
(With Comparative Totals for 2020)

	2021	2020
Assets		
Current Assets:		
Cash and cash equivalents	\$ 3,153,386	\$ 2,286,968
Grants receivable	1,037,543	1,531,245
Pledges receivable		90,000
Prepaid expenses	145,021	338,469
Accrued shipping costs receivable	314,267	713,034
Pharmaceuticals inventory	173,870,312	189,941,050
Total Current Assets	178,520,529	194,900,766
Noncurrent Assets:		
Deposits	15,048	15,048
Property and equipment, net	204,170	287,022
Total Noncurrent Assets	219,218	302,070
Total Assets	\$ 178,739,747	\$ 195,202,836
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 324,660	\$ 765,696
Accrued expenses and other current liabilities	131,425	118,817
Advances received	2,075	265,917
Paycheck Protection Program loan		296,372
Total Current Liabilities	458,160	1,446,802
Deferred rent	35,167	66,897
Total Liabilities	493,327	1,513,699
Net Assets:		
Without donor restriction	2,463,751	2,182,193
With donor restriction	175,782,669	191,506,944
Total Net Assets	178,246,420	193,689,137
Total Liabilities and Net Assets	\$ 178,739,747	\$ 195,202,836

See accompanying notes.

THE MAX FOUNDATION AND SUBSIDIARIES

**Consolidated Statement of Activities
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)**

	Without Donor Restriction	With Donor Restriction	2021 Total	2020 Total
Support and Revenue:				
In-kind pharmaceutical contributions	\$ -	\$ 445,775,299	\$ 445,775,299	\$ 518,207,911
Contributions, grants and sponsorships including in-kind of \$0 (\$15,200 - 2020)	8,340,906	1,999,239	10,340,145	10,013,610
Diagnostics program revenue including in-kind of \$211,010 (\$113,960 - 2020)	247,835		247,835	166,070
Paycheck Protection Program funding	296,372		296,372	
Other income	39,934		39,934	77,600
Net assets released from restrictions	463,498,813	(463,498,813)		
Total Support and Revenue	472,423,860	(15,724,275)	456,699,585	528,465,191
Expenses:				
Program services-				
Program expenses	7,819,902		7,819,902	7,461,190
In-kind program expenses	462,057,047		462,057,047	453,669,461
Total program services	469,876,949		469,876,949	461,130,651
Supporting services-				
Management and general	1,630,073		1,630,073	1,266,031
Fundraising	634,172		634,172	568,631
Total supporting services	2,264,245		2,264,245	1,834,662
Total Expenses	472,141,194		472,141,194	462,965,313
Change in Net Assets From Operations	282,666	(15,724,275)	(15,441,609)	65,499,878
Nonoperating Expenses:				
Loss on disposal of assets	1,108		1,108	396
Total Nonoperating Expenses	1,108		1,108	396
Change in Net Assets	281,558	(15,724,275)	(15,442,717)	65,499,482
Net assets, beginning of year	2,182,193	191,506,944	193,689,137	128,189,655
Net Assets, End of Year	\$ 2,463,751	\$ 175,782,669	\$ 178,246,420	\$ 193,689,137

See accompanying notes.

THE MAX FOUNDATION AND SUBSIDIARIES

**Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)**

	Program Services	Management and General	Fundraising	2021 Total	2020 Total
In-kind grant expense - pharmaceutical distribution	\$ 461,846,037	\$ -	\$ -	\$ 461,846,037	\$ 453,555,501
Distribution and shipping fees	5,289,671			5,289,671	5,077,203
Salaries, benefits and taxes	1,271,290	864,510	491,875	2,627,675	2,521,484
Max country representatives	741,389			741,389	655,811
Occupancy, office and information technology	146,047	452,581	89,347	687,975	485,703
Grants to patients, partners and other institutions	395,117			395,117	350,633
Professional fees	111,709	201,768	32,655	346,132	148,551
Depreciation, insurance and other	34,734	96,667	18,656	150,057	133,332
Travel and related expenses	40,955	14,547	1,639	57,141	37,095
Total Expenses	\$ 469,876,949	\$ 1,630,073	\$ 634,172	\$ 472,141,194	\$ 462,965,313

See accompanying notes.

THE MAX FOUNDATION AND SUBSIDIARIES

Consolidated Statement of Cash Flows For the Year Ended December 31, 2021 (With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (15,442,717)	\$ 65,499,482
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities-		
Noncash activity:		
Depreciation	86,746	82,730
In-kind pharmaceutical revenue	(445,775,299)	(518,207,911)
In-kind pharmaceutical expense	461,846,037	453,555,501
Loss on disposal of assets	1,108	396
Paycheck Protection Program loan forgiveness	(296,372)	
Changes in assets and liabilities:		
Grants and pledges receivable	583,702	(843,478)
Prepaid expenses	193,448	(26,684)
Accrued shipping costs receivable	398,767	(652,209)
Deposits		
Accounts payable	(441,036)	439,850
Accrued expenses and other current liabilities	12,608	(28,616)
Advances received	(263,842)	20,470
Deferred rent	(31,730)	(18,928)
Net Cash Provided by (Used in) Operating Activities	871,420	(179,397)
Cash Flows From Investing Activities:		
Purchases of equipment	(5,002)	(54,298)
Net Cash Used in Investing Activities	(5,002)	(54,298)
Cash Flows From Financing Activities:		
Proceeds from Paycheck Protection Program loan		296,372
Net Cash Provided by Financing Activities		296,372
Net Change in Cash and Cash Equivalents	866,418	62,677
Cash and cash equivalents balance, beginning of year	2,286,968	2,223,324
Cash and Cash Equivalents Balance, End of Year	\$ 3,153,386	\$ 2,286,001

See accompanying notes.

THE MAX FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2021

Note 1 - Nature of Operations

Nature of Operations - The Max Foundation was incorporated in 1997 as a nonprofit corporation in the State of Washington. The Organization was established to deliver services to disadvantaged populations of patients with cancer, and their families. The Max Foundation's mission is to accelerate health equity. The organization fulfills its mission by delivering medication, technology and services to patients facing cancer and other critical illnesses, with focus on those who no one else is helping. The Max Foundation has its global headquarters in Seattle, Washington.

MaxAid is a Type I supporting organization as described under Internal Revenue Code (IRC) 509(a)(3). MaxAid aims to support the efforts of The Max Foundation and increase its impact. MaxAid was incorporated in the State of Washington and granted Type I supporting organization status by the Internal Revenue Service in December 2016.

Programs and services in India are delivered through a liaison office located in Mumbai, India. The Max India Liaison office also functions as the South Asia Regional office, coordinating activities in South Asia. In Malaysia, programs and services are delivered through a local subsidiary, MaxStation Malaysia based in Kuala Lumpur. MaxStation Malaysia also functions as the Asia Pacific, Central Asia, and Eastern Europe Regional office, coordinating activities in the region. The Max Foundation coordinates its activities in the Africa and Middle East regions through a South Africa-based entity, The Max Foundation South Africa Trust (the Trust). The Trust operates from Pretoria, South Africa. Programs and services in Thailand are delivered through The Max Foundation Thailand based in Bangkok. In seventeen countries, including six countries in Latin America, four countries in Asia, two in Central Asia and Eastern Europe and five countries in Africa, The Max Foundation sponsors program coordinators through contracts with local professionals.

The Max Foundation partners with cancer hospitals in low and middle-income countries, receive referrals from an approved network of leading physicians on behalf of individual patients, and source and deliver the specific treatment each patient needs, at no cost to the patients. The Organization's first priority is to secure and deliver the medication for each patient to the hospital where they are treated. However, there are other factors that often prevent patients from being able to access these medicines such as availability of diagnostic tests, or socio-economic factors including stigma, affordability of transportation, and understanding how to navigate the healthcare system. The Max Foundation provides one-on-one patient support and other individualized services to help overcome these barriers.

During the years ended December 31, 2021 and 2020, the Organization provided aid to fulfill new and on-going treatment to 34,235 and 33,542 patients in 75 and 73 countries, respectively (unaudited).

Principles of Consolidation - The consolidated financial statements include the accounts of The Max Foundation (which include the Max India Liaison office and The Max Foundation Thailand), its subsidiary in Malaysia, the South Africa Trust and MaxAid (collectively, the Organization).

Impacts of the COVID-19 Pandemic - In March 2020, the World Health Organization categorized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, wide-sweeping quarantines, and stay-at-home orders. As a result of the spread of COVID-19 and at the government's direction, the Organization moved immediately to a work from home setting and paused all non-essential travel plans for their teams around the world. The Organization cancelled all in-person events. While no sites had to be closed or discontinued in 2021, programmatic challenges included delays in shipping and importation of medicines due to border closings and lack of commercial flights, and disruptions in health care delivery in all countries where the Organization's programs operate.

THE MAX FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2021

Note 1 - Continued

Nevertheless, as of the date of issuance of these financial statements, all programs continue to operate despite the impact of the COVID-19 and country-level restrictions. The full financial impact and duration of the impacts of the COVID-19 pandemic cannot be reasonably estimated as of the date of issuance of these financial statements.

To mitigate the effects of the pandemic in 2020, the Organization applied for and received a Paycheck Protection Program loan in the amount of \$296,372 (Note 7). Full debt-forgiveness approval was received from the Small Business Administration in January 2021.

Note 2 - Significant Accounting Policies

Basis of Presentation - The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting under accounting principles generally accepted in the United States of America (U.S. GAAP). All inter-entity transactions have been eliminated in consolidation. All amounts relating to the foreign subsidiaries have been converted to United States dollars for the accompanying financial presentation.

Net Assets - Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restriction - Net assets that are not subject to externally-imposed restrictions.

Net Assts With Donor Restriction - Net assets subject to externally-imposed restrictions that will be met either by action of the Organization or the passage of time, or net assets subject to externally-imposed restrictions that stipulate the resources be maintained in perpetuity. There were no net assets subject to donor restriction to be maintained in perpetuity at December 31, 2021 and 2020.

Support and revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation. Expirations of time or purpose restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. It is the Organization's policy to recognize restricted contributions in the net assets without donor restriction class if the restrictions have been met in the same year the contributions were recognized, except for donated pharmaceuticals, which are reported as contributions with donor restrictions and are shown as releases from restriction upon use.

Cash and Cash Equivalents - For purposes of the consolidated statement of cash flows, the Organization considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. The Organization closely monitors its cash and cash equivalents. Therefore, management believes the Organization is not exposed to any significant credit risk on cash and equivalents.

THE MAX FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2021

Note 2 - Continued

Pledges Receivable - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value including an allowance for doubtful accounts. Unconditional promises to give that are expected to be collected in future years are recorded at the net present value of their estimated future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Conditional promises to give are recognized when the conditions on which they depend are met. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Management has determined that an allowance for doubtful accounts was unnecessary as of December 31, 2021 and 2020.

Inventory - The Organization recognizes in-kind contributions (GIK) consisting of pharmaceuticals, medical devices and related products (Note 3). These goods are recorded as inventory and revenue at fair value at the time received and as a reduction to inventory and program expense when the goods are distributed. Pharmaceutical inventory is released using a specific identification method based on expiration date and is reviewed at least annually for impairment. Pharmaceutical inventory is disposed and written off as obsolete when it is determined the pharmaceutical cannot be imported into a specific country of destination with shelf-life sufficient to comply with local importation regulations and the Organization's own guidelines. These adjustments are recorded as a reduction of inventory and to current year in-kind pharmaceutical contributions in order to reflect the value of donated revenue that is ultimately used in the Organization's Max Access Solutions program.

Property and Equipment - Property and equipment consists of tenant improvements, computers, software, and office equipment and furniture which are stated at cost on the date purchased or at fair value on the date contributed. The Organization capitalizes assets with a cost greater than \$3,000 and an estimated useful life of one or more years. The costs of repairs and maintenance are expensed as incurred. Depreciation is computed utilizing the straight-line method using the estimated useful lives noted below.

Computers, software, office equipment and furniture
Tenant improvements

5 years
The length of the lease term

Revenue Recognition - Contributions, grants and sponsorships are recognized in the period received. Conditional promises to give are recognized as revenue when the conditions on which they depend are met. There were no conditional promises to give outstanding at December 31, 2021 and 2020. Corporate service revenue is recognized as the services are provided as other income on the statement of activities.

Diagnostics program revenue is recognized when the medical kits are ordered. U.S. GAAP requires revenue to be recognized at the time of delivery, however as medical kits are ordered and delivered in the same year, management has determined the difference in accounting treatment would not result in a material difference. Payments received in advance of services provided are recorded as deferred revenue.

GIK are recognized in accordance with U.S. GAAP upon receipt and in consideration of Accord Interagency GIK Standards. The industry standards are subject to review and adjustment; therefore, estimates of fair value of GIK may vary in the future. GIK are recorded at their fair value using wholesale market price based on data obtained from a reliable third-party source, which are considered level 1 inputs in the fair value hierarchy.

THE MAX FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2021

Note 2 - Continued

The Organization receives free medical services from partner hematologists and their affiliations with many cancer treating institutions. These services have not been reflected in the consolidated financial statements, as an objective basis to measure the value of such services is not available. In addition, the Organization is supported by a substantial number of volunteers who have donated significant amounts of time to the Organization's programs. The value of the volunteer services is not reflected in the consolidated financial statements, as they do not meet specific criteria defined by U.S. GAAP.

Allocation of Functional Expenses - Expenses are classified in the consolidated statement of functional expenses according to whether they relate to a specific program or to supporting service classifications on the basis of estimates made by management. Management and general expenses include those expenses that are not directly identifiable with any specific program but provide overall support and direction of the Organization. Fundraising costs represent costs incurred by personnel related to raising funds to provide additional financial support for the Organization and soliciting pharmaceutical donations. Generally, expenses are charged directly to program, management and general or fundraising based on the fundamental nature of the expense. Those that are not clearly related to just one function are allocated across functions and consist of occupancy, information technology services and depreciation. These expenses are allocated based on the percentage of staff members working in each function.

Special Event - The Organization held various virtual events in 2021. Revenue related to events in 2021 totaled \$11,430 and is included in contributions and sponsorships on the consolidated statement of activities. Related expenses for 2021 totaling \$6,785 are included as fundraising in the consolidated statement of activities and consolidated statement of functional expenses. Due to COVID-19, the Organization did not hold special events in 2020.

Tax Exempt Status - The Max Foundation is exempt from income taxes under the provisions of Section 501(c)(3) of the IRC, and is not classified as a private foundation. MaxAid is a Type I supporting organization as described under Internal Revenue Code (IRC) 509(a)(3). Accordingly, the consolidated Organization has not made any provision for income tax expense in the accompanying consolidated financial statements.

Concentrations - Financial instruments that potentially subject the Organization to concentrations of credit and market risk consist primarily of cash and cash equivalents. The Organization places its cash and cash equivalents with FDIC insured financial institutions. At December 31, 2021 and 2020, the Organization had cash on deposit in excess of the federally insured limits.

For the years ended December 31, 2021 and 2020, 90% and 95%, respectively, of the Organization's total support and revenues were received from one entity. Approximately 96% of the Organization's grants receivable were due from one entity at December 31, 2021. Approximately 90% of the Organization's grants receivable were due from three entities at December 31, 2020.

The Organization is funded in large part through Collaboration Agreements with several pharmaceutical manufacturers that include in-kind gifts of pharmaceutical products. The current Collaboration Agreement with one particular (the Company) resulted in contributions, grant, and sponsorship revenue of approximately \$10.1 million and \$7.1 million during the years ended December 31, 2021 and 2020, respectively. For the years ended December 31, 2021 and 2020, the Company donated pharmaceuticals valued at approximately \$403 million and \$545 million, respectively. These donations represented 90% of total donated pharmaceuticals for the years ended December 31, 2021 and 2020.

THE MAX FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2021

Note 2 - Continued

Use of Estimates - The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Foreign Operations and Foreign Currency Translation - The Organization operates in several foreign countries. At December 31, 2021 and 2020, the Organization held approximately \$40,000 and \$62,000 in foreign countries, respectively, all of which was in foreign currencies. Repatriation of funds restrictions may exist in a small number of foreign currency accounts. Therefore, management limits the cash balances in these countries.

The Organization has entered into contracts with individuals in certain countries to support its programs. These contracts are typically denominated in U.S. dollars although some are denominated in local currency. The Organization accounts for payments in foreign currency at the exchange rate prevailing at the time payment is made. These payments are reflected in the consolidated financial statements at their equivalent amounts in U.S. dollars. Gains and losses from foreign currency translation are recognized in the consolidated statement of activities and consolidated statement of functional expenses. Foreign currency translation losses totaled \$10,100 and \$8,555, respectively, for the years ended December 31, 2021 and 2020.

Summarized Comparative Information for 2020 - For comparative purposes, the consolidated financial statements include certain prior-year summarized information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Subsequent Events - The Organization has evaluated subsequent events with respect to the consolidated financial statements for the year ended December 31, 2021 through June 13, 2022, the date the consolidated financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying consolidated financial statements, nor have any events occurred, the nature of which would require disclosure.

Note 3 - In-Kind Contributions

In-kind contributions (GIK) consisted of the following for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Pharmaceuticals	\$ 445,775,299	\$ 518,207,911
Diagnostic kits	211,010	113,960
In-kind other		<u>15,200</u>
Total In-Kind Contributions	<u>\$ 445,986,309</u>	<u>\$ 518,337,071</u>

THE MAX FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2021

Note 3 - Continued

In accordance with U.S. GAAP, the Organization values its in-kind pharmaceuticals using inputs from the principal market, defined as the market with the greatest volume and activity. During the years ended December 31, 2021 and 2020, the Organization obtained from a third-party source, IQVIA, fair value data which reflects wholesale prices available in multiple geographic sub-regional markets. The GIK are recorded, by drug, based on the estimated fair value in the international geographic sub-regional market of highest volume, excluding the United States and Western Europe.

In-kind pharmaceutical GIK activity by units for the years ended December 31:

	2021		2020	
	Units	Dollars	Units	Dollars
Beginning pharmaceutical GIK in inventory	171,119	\$189,941,050	79,315	\$125,288,640
Donated pharmaceutical GIK	385,098	445,140,356	501,957	595,227,280
Inventory adjustment	40,689	634,943	(57,377)	(77,019,369)
Expensed pharmaceutical GIK	(385,667)	(461,846,037)	(352,776)	(453,555,501)
Ending Pharmaceutical GIK in Inventory	211,239	\$ 173,870,312	171,119	\$ 189,941,050

A unit is defined as a product package which contains tablets or capsules of various strengths and quantities, as opposed to a daily dosage.

Note 4 - Diagnostics Program Revenue and Expense

The Organization has a robust health system strengthening strategy with specific focus on increasing access to molecular diagnostic tools in low- and middle-income countries (LMICs). During the years ended December 31, 2021 and 2020 the Organization supported molecular diagnostics in 30 and 25 countries facilitating access to 6,161 and 5,144 molecular tests as well as diagnostics devices and maintenance support.

The Organization has a long-standing relationship with a diagnostic manufacturer with a preferential pricing agreement that facilitates purchase of diagnostic instruments and kits based on a nonprofit pricing list. During the years ended December 31, 2021 and 2020, the Organization purchased diagnostic kits and devices at the preferential prices and donated them to selected qualified institutions.

In-kind donations of products have been received by the Organization from the manufacturer for distribution to LMICs through the Organization's diagnostics program. The recorded value of donated diagnostic instruments and kits is based on the nonprofit pricing list and is recorded as revenue and expense when a purchase order is issued for distribution to a qualified medical institution.

Additionally, as part of the Organization's diagnostic strategy, qualified medical institutions were able to purchase discounted medical kits and diagnostic devices through the Organization. The recorded value of purchased diagnostic instruments and kits is based on the nonprofit pricing list and is recorded as revenue and expense when a purchase order is issued for the benefit of the qualified medical institution.

THE MAX FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2021

Note 5 - Property and Equipment

Property and equipment consisted of the following at December 31:

	2021	2020
Tenant improvements	\$ 243,580	\$ 243,580
Office furniture	144,711	144,711
Computers and software	64,263	56,210
Office equipment	15,409	15,409
Projects in progress		54,300
	<hr/>	<hr/>
Total property and equipment	467,963	514,210
Less accumulated depreciation	(263,793)	(227,188)
	<hr/>	<hr/>
Property and Equipment, Net	<u>\$ 204,170</u>	<u>\$ 287,022</u>

Depreciation expense totaled \$86,746 and \$82,730 for the years ended December 31, 2021 and 2020, respectively.

Note 6 - Line of Credit

The Organization has a line of credit agreement with a lender with a credit limit of up to \$500,000 in 2020 through November 15, 2021. On November 16, 2021, the agreement was modified with a credit limit of up to \$750,000. There were no amounts outstanding under this agreement as of December 31, 2021, and 2020. Interest on borrowings is based on the lender's prime rate plus one percentage point (4.25% at December 31, 2021 and 2020). The agreement matures on October 31, 2022.

Note 7 - Paycheck Protection Program Loan

In response to the COVID-19 pandemic, the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act). Included in the CARES Act was the Paycheck Protection Program (PPP) to provide loans to qualifying small businesses and not-for-profit organizations to cover certain eligible expenses. On May 11, 2020, the Organization obtained a loan under the PPP with a principal balance of \$296,372 and an annual interest rate of 1%. On January 20, 2021, the Organization received notification for the Small Business Administration that loan forgiveness was fully approved. The Organization's accounting policy for recognition of revenue from forgiveness of the PPP loan is to recognize the revenue from forgiveness when the loan is forgiven by the lender. Revenue was recognized on the consolidated statement of activities for the year ended December 31, 2021.

THE MAX FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2021

Note 8 - Net Assets With Donor Restriction

Net assets were restricted for specific purposes as follows at December 31:

	<u>2021</u>	<u>2020</u>
Subject to Expenditure for Specified Purpose:		
Max Access Solutions	\$ 173,870,312	\$ 189,941,050
Monitoring and evaluation		25,000
Maximize Life Gala		19,530
Diagnostic kits		6,364
Armenia	19,035	
Africa	<u>18,322</u>	
	173,907,669	189,991,944
Subject to Passage of Time:		
Max Access Solutions	<u>1,875,000</u>	<u>1,515,000</u>
Total Net Assets With Donor Restriction	<u>\$ 175,782,669</u>	<u>\$ 191,506,944</u>

Net assets released from restriction for the years ended December 31, 2021 and 2020, totaled \$461,983,813 and \$453,821,997, respectively, as their restricted purpose had been satisfied. Releases due to the passage of time totaled \$1,515,000 and \$482,500 for the years ended December 31, 2021 and 2020, respectively. Funds are released based on costs that are directly allocated to the specific programs as well as overhead expenses that are allocated at 20% of direct costs.

Note 9 - Retirement Plan

The Organization sponsors a qualified retirement plan under section 401(k) of the IRC. Eligible employees may elect to contribute a portion of their compensation to the plan. The Organization may, at its option, elect to contribute amounts on behalf of eligible employees. There were no contributions made by the Organization for the years ended December 31, 2021 and 2020.

Note 10 - Commitments and Contingencies

Operating Leases - In February 2019, the Organization entered into a new lease agreement for Seattle office space. The lease became effective August 1, 2019 for a term of 53 months, with monthly rent of \$8,889 increasing 3% each year. The difference in actual payments and straight-line lease expenses is presented as a liability on the statement of financial position and amortized over the life of the lease. The lease terms provided for an allowance for leasehold improvements, which was accounted for as a liability when incurred and is being amortized on a straight-line basis over the life of the lease.

THE MAX FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2021

Note 10 - Continued

The Organization also leases office space in Malaysia, Thailand, and India. The Malaysia office lease began on August 1, 2018 and its term is 36 months with fixed monthly rent of \$571. This lease was extended on August 1, 2021 for another 36 month term at a fixed monthly rate of \$483. The India office lease began on January 1, 2016, and its term is 36 months with monthly rent of \$3,093 increasing 7% each year. This lease was extended on January 1, 2022 for another 36 month term at a monthly rate of \$3,405 and increasing to \$3,660 as of April 1, 2022 through the lease term. The Thailand office lease began on February 1, 2018 and is renewed each year for a 12 month period at \$354 per month.

Rent expense related to these leases totaled \$147,040 and \$145,362 the years ended December 31, 2021 and 2020, respectively. Future minimum lease payments under the noncancelable leases are as follows:

For the Year Ending December 31,

2022	\$ 159,861
2023	167,724
2024	<u>47,300</u>
	<u><u>\$ 374,885</u></u>

Employment Contract - In May 2013, the Organization entered into a five-year employment agreement with its Chief Executive Officer. The contract was renewed in May 2018 for another three-year term. In May 2021, a new five-year employment agreement was entered into. The agreement provides for a specified compensation and benefits, among other matters, as described in the agreement.

Distribution and Warehouse Agreement - The Organization has two services agreements with a specialized third-party to receive and then ship cancer treatment pharmaceuticals to low and middle-income countries. The terms of the agreements are through March 31, 2021 and March 1, 2024, respectively, with options to renew for an additional two years. Effective April 1, 2021, the Organization entered into a new three-year agreement with the third-party distributor.

Note 11 - Related Party Transactions

As discussed in Note 1, the Organization provides services to patients in various countries through its Max Country Representatives. The regional head and a program officer for Latin American operations are family members of the Organization's Chief Executive Officer.

Note 12 - Liquidity and Availability of Financial Assets

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To protect against currency exchange losses, the Organization limits local currency balances to a one-month reserve. The Organization also maintains a \$750,000 line of credit to assist with liquidity (Note 6).

THE MAX FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2021

Note 12 - Continued

The Organization has the following financial assets available within one year of the consolidated statement of financial position date to meet cash needs for general expenditure:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 3,153,386	\$ 2,286,968
Grants receivable	1,037,543	1,531,245
Pledges receivable		90,000
Accrued shipping costs receivable	<u>314,267</u>	<u>713,034</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u><u>\$ 4,505,196</u></u>	<u><u>\$ 4,621,247</u></u>

The Organization receives contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. No donor restrictions outside its annual operations or contractual restrictions exist that would make the above financial assets unavailable for general expenditure within one year of the statement of financial position date.