



Consolidated Financial Statements

For the Year Ended December 31, 2018

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Independent Auditor's Report

**To the Board of Directors
The Max Foundation
Seattle, Washington**

We have audited the accompanying consolidated financial statements of The Max Foundation and subsidiaries (collectively, the Organization), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.



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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2018, 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.

Effect of Adopting New Accounting Standard

As discussed in Note 2, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Organization's 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 27, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Clark Nuber P.S.

Certified Public Accountants
August 5, 2019

THE MAX FOUNDATION AND SUBSIDIARIES

Consolidated Statement of Financial Position
 December 31, 2018
 (With Comparative Totals for 2017)

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 2,464,166	\$ 3,282,666
Accounts receivable	635,602	73,199
Pledges receivable	242,770	
Prepaid expenses	259,839	25,560
Accrued shipping costs receivable	280,908	
Pharmaceuticals inventory	<u>186,689,210</u>	<u>142,632,594</u>
Total Current Assets	190,572,495	146,014,019
Noncurrent Assets:		
Deposits	9,047	8,998
Property and equipment, net	<u>80,920</u>	<u>113,677</u>
Total Noncurrent Assets	89,967	122,675
Total Assets	<u>\$ 190,662,462</u>	<u>\$ 146,136,694</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 165,550	\$ 233,208
Accrued expenses	113,980	89,291
Advances received and other current liabilities	<u>247,178</u>	
Total Current Liabilities	526,708	322,499
Net Assets:		
Without donor restriction	2,774,585	2,682,265
With donor restriction	<u>187,361,169</u>	<u>143,131,930</u>
Total Net Assets	<u>190,135,754</u>	<u>145,814,195</u>
Total Liabilities and Net Assets	<u>\$ 190,662,462</u>	<u>\$ 146,136,694</u>

See accompanying notes.

THE MAX FOUNDATION AND SUBSIDIARIES

Consolidated Statement of Activities
For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

	Without Donor Restriction	With Donor Restriction	2018 Total	2017 Total
Support and Revenue:				
In-kind pharmaceutical contributions	\$ -	\$ 314,240,646	\$ 314,240,646	\$ 190,546,712
Contributions, grants and sponsorships	8,046,497	837,658	8,884,155	5,386,877
Corporate service agreements	158,583		158,583	1,070,985
Diagnostics program revenue including in-kind of \$433,321 (\$180,299 in 2017)	510,974		510,974	312,689
Other income	5,505		5,505	9,127
Net assets released from restrictions	270,849,065	(270,849,065)		
Total Support and Revenue	279,570,624	44,229,239	323,799,863	197,326,390
Expenses:				
Program services-				
Program expenses	7,235,468		7,235,468	4,774,234
In-kind program expenses	270,617,351		270,617,351	49,904,523
Total program services	277,852,819		277,852,819	54,678,757
Supporting services-				
Management and general	996,588		996,588	742,814
Fundraising	628,897		628,897	482,926
Total supporting services	1,625,485		1,625,485	1,225,740
Total Expenses	279,478,304		279,478,304	55,904,497
Change in Net Assets	92,320	44,229,239	44,321,559	141,421,893
Net assets, beginning of year	2,682,265	143,131,930	145,814,195	4,392,302
Net Assets, End of Year	\$ 2,774,585	\$ 187,361,169	\$ 190,135,754	\$ 145,814,195

See accompanying notes.

THE MAX FOUNDATION AND SUBSIDIARIES

**Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2018
(With Comparative Totals for 2017)**

	Program Services	Management and General	Fundraising	2018 Total	2017 Total
In-kind pharmaceuticals donations	\$ 270,184,030	\$ -	\$ -	\$ 270,184,030	\$ 49,723,878
Distribution and shipping fees	4,669,717			4,669,717	2,664,136
Salaries, benefits, and taxes	1,079,609	480,260	262,972	1,822,841	1,515,651
Sponsored educational projects	681,328			681,328	381,243
Max country representatives	498,588			498,588	516,705
Professional fees	123,957	283,387	75,786	483,130	207,064
Travel and related expenses	156,900	62,760	94,139	313,799	396,018
Group and patient grants	291,892			291,892	56,685
Occupancy, office, and IT	139,034	79,502	58,884	277,420	232,560
Marketing and public relations		14,522	127,000	141,522	108,321
Depreciation, insurance, and other	27,764	76,157	10,116	114,037	102,236
Total Expenses	\$ 277,852,819	\$ 996,588	\$ 628,897	\$ 279,478,304	\$ 55,904,497

See accompanying notes.

THE MAX FOUNDATION AND SUBSIDIARIES

**Consolidated Statement of Cash Flows
For the Year Ended December 31, 2018
(With Comparative Totals for 2017)**

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 44,321,559	\$ 141,421,893
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities-		
Noncash activity:		
Depreciation	36,893	39,763
In-kind revenue	(314,673,967)	(190,727,011)
In-kind expense	270,617,351	49,904,523
Changes in assets and liabilities:		
Accounts receivable	(562,403)	91,612
Pledges receivable	(242,770)	
Accrued shipping costs receivable	(280,908)	
Prepaid expenses	(234,279)	(8,850)
Deposits	(49)	1,052
Accounts payable	(67,658)	133,840
Accrued expenses	24,689	10,682
Advances received and other current liabilities	247,178	
Net Cash (Used in) Provided by Operating Activities	(814,364)	867,504
Cash Flows From Investing Activities:		
Purchases of equipment	(4,136)	(14,587)
Net Cash Used in Investing Activities	(4,136)	(14,587)
Net Change in Cash and Cash Equivalents	(818,500)	852,917
Cash and cash equivalents balance, beginning of year	3,282,666	2,429,749
Cash and Cash Equivalents Balance, End of Year	\$ 2,464,166	\$ 3,282,666

See accompanying notes.

THE MAX FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2018

Note 1 - Nature of Operations

Nature of Operations - The Max Foundation (the Organization) was incorporated in 1997 as a nonprofit corporation in the State of Washington. The Organization was formed to deliver services to patients with cancer, and their families in low- and middle-income countries around the world. The Organization's mission is to increase global access to treatment, care and support for people living with cancer. 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, and a strategic partnership with the Friends of Max Trust, a locally registered patient organization. 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, as well as through a strategic partnership with a locally-registered, patient-focused organization, MaxFamily Society of Malaysia. MaxStation Malaysia also functions as the Asia Pacific Regional office, coordinating activities in the region.

The Organization 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. In August 2017, the Organization received approval from the government of Thailand to establish The Max Foundation Thailand based in Bangkok. In fourteen additional countries, including six countries in Latin America, four countries in Asia, and four countries in Africa, the Organization sponsors local program coordinators through contracts with local professionals.

In 2017, the Organization increased the scope of its Max Access Solution program. The Max Access Solution is the Organization's newest strategy to increase patient access to treatment for cancer in disadvantaged regions of the world. Through collaborations with pharmaceutical manufacturers, and in partnership with an international pharmaceutical distributor, Max Access Solution allows the Organization to receive in-kind donations of cancer treating medications and respond to requests for humanitarian access to medications in the portfolio from partner hematologists and oncologists in the recipient countries.

Principles of Consolidation - Consolidated financial statements include the accounts of the Organization, its subsidiaries in India, Malaysia, Thailand, the South Africa Trust and MaxAid (collectively, the Organization). All inter-entity accounts and transactions have been eliminated for financial statement presentation.

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.

THE MAX FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2018

Note 2 - Continued

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, 2018 and 2017.

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 medicine, which has been reported in the net assets with donor restriction column on the consolidated statement of activities.

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.

Accounts Receivable - Accounts receivable is stated at the amount management expects to collect from outstanding balances. 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, 2018 and 2017.

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 substantially met.

Pharmaceuticals Inventory and In-Kind Contributions - 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 the time received and as a reduction to inventory and program expense when the goods are distributed. GIK are recognized in accordance with U.S. GAAP 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 a hierarchy of pricing inputs that approximates wholesale market price based on data obtained from a reliable third-party source. Pharmaceutical inventory is released on a first-in, first-out basis 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 consumed by a patient prior to the product expiration date.

THE MAX FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2018

Note 2 - Continued

The Organization is also authorized to purchase medical test kits at significant discounts (Note 4). The discounts, provided with donative intent by the supplier, are recognized as in-kind contributions in the consolidated statement of activities. The related medical test kits expense is included in program services expense, sponsored educational projects, in the consolidated statement of activities and consolidated statement of functional expenses.

The Organization receives free medical services from community members and its affiliations with many physicians. 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.

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	5 years
Tenant improvements	The length of the lease term

Revenue Recognition - Unconditional contributions, grants and sponsorships are recognized in the period received. Corporate service revenue is recognized as the services are provided. Diagnostics program revenue is recognized when the medical kits are ordered. Payments received in advance of services provided are recorded as deferred revenue.

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 special events during the years ended December 31, 2018 and 2017. Revenue related to the events in 2018 and 2017 totaled \$128,575 and \$209,470, respectively, and is included in private giving on the consolidated statement of activities. Related expenses for 2018 and 2017 totaling \$98,433 and \$94,580, respectively, are included as fundraising in the consolidated statement of activities and consolidated statement of functional expenses.

Tax Exempt Status - The Organization is exempt from income taxes under the provisions of Section 501(c)(3) of the IRC, and is not classified as a private foundation. Accordingly, the Organization has not made any provision for income tax expense in the accompanying consolidated financial statements.

THE MAX FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2018

Note 2 - Continued

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, 2018, the Organization had cash on deposit in excess of the federally insured limits.

For the years ended December 31, 2018 and 2017, 93% and 91%, respectively, of the Organization's total support and revenues were received from one entity. Approximately 97% and 75% of the Organization's accounts receivable were due from one and two entities, respectively, at December 31, 2018 and 2017, respectively. Approximately 95% of the Organization's pledges receivable were due from one entity at December 31, 2018 and are due within one year. There were no pledges receivable at December 31, 2017.

The Organization is funded in large part through several agreements with one pharmaceutical company (the Company). The current agreements and sponsorships with the Company resulted in revenue of approximately \$7.3 million and \$5 million during the years ended December 31, 2018 and 2017, respectively. In 2017, the Organization and the Company agreed to reframe their partnership for access to a specific product and signed a four-year Collaboration Agreement through which the Company agreed to donate quantities of product to support up to 36,000 active patients (unaudited) for that period, as well as to provide an annual monetary contribution. For the years ended December 31, 2018 and 2017, the Company donated pharmaceuticals valued at approximately \$343 million and \$174.8 million, respectively.

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, 2018 and 2017, the Organization held approximately \$63,673 and \$30,254 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 \$14,780 and \$5,607, respectively, for the years ended December 31, 2018 and 2017.

New Accounting Pronouncement - During the year ended December 31, 2018, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented, except for the liquidity and availability disclosure, which only includes disclosure for 2018 as provided by the ASU.

THE MAX FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2018

Note 2 - Continued

A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restriction and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restriction. The Organization has also included information regarding liquidity and availability of its financial assets (Note 10).

Summarized Comparative Information for 2017 - 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, 2017, from which the summarized information was derived.

Subsequent Events - The Organization has evaluated subsequent events through August 5, 2019, the date on which the consolidated financial statements were approved and authorized for issuance by management.

Note 3 - In-Kind Contributions

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

	<u>2018</u>	<u>2017</u>
Pharmaceuticals	\$ 314,240,646	\$ 190,546,712
Medical kit discounts	<u>433,321</u>	<u>180,299</u>
Total In-Kind Contributions	<u>\$ 314,673,967</u>	<u>\$ 190,727,011</u>

During the years ended December 31, 2018 and 2017, the Organization obtained from a third-party source, IQVIA, fair value data which reflects wholesale prices available in multiple relevant international markets. The GIK are recorded, by drug, based on the estimated fair value in the relevant international market of highest volume.

At and for the year ended December 31, 2018, the Organization recognized as revenue approximately 221,478 units of pharmaceutical GIK, expensed approximately 189,810 units, and held approximately 144,638 units in inventory. At and for the year ended December 31, 2017, the Organization recognized as revenue approximately 142,010 units of pharmaceutical GIK, expensed approximately 29,180 units, and held approximately 112,970 units in inventory. A unit is defined as a product package which contains tablets or capsules of various strengths and quantities, as opposed to a daily dosage.

Of the total pharmaceutical GIK for the years ended December 31, 2018 and 2017, 98% and 97%, respectively was received from one donor.

THE MAX FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2018

Note 4 - Diagnostics Program Revenue and Expense

The Organization has access to preferential pricing on the purchase of medical kits which provides a significant discount (Note 2). Qualified institutions are able to purchase discounted medical kits through the Organization. Starting in 2018, the Organization began a new initiative whereby kits were purchased by the Organization and then granted to other qualified medical institutions, at no cost to the qualifying institution receiving the kits. Diagnostics program revenue and expense, including the GIK portion, consisted of the following for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Diagnostics program revenue	\$ 77,653	\$ 132,390
Diagnostics GIK revenue	<u>433,321</u>	<u>180,299</u>
	510,974	312,689
Less:		
Diagnostic grant expense	254,419	
Diagnostics program expense	42,028	151,476
Diagnostics GIK expense	<u>433,321</u>	<u>180,299</u>
Diagnostics Program Revenue, Net	<u>\$ (218,794)</u>	<u>\$ (19,086)</u>

Note 5 - Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
Computers and software	\$ 133,904	\$ 133,904
Tenant improvements	74,559	74,559
Office furniture	63,185	59,049
Office equipment	<u>16,085</u>	<u>16,085</u>
Total property and equipment	287,733	283,597
Less accumulated depreciation	<u>(206,813)</u>	<u>(169,920)</u>
Property and Equipment, Net	<u>\$ 80,920</u>	<u>\$ 113,677</u>

Depreciation expense totaled \$36,893 and \$39,763 for the years ended December 31, 2018 and 2017, respectively.

THE MAX FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2018

Note 6 - Net Assets With Donor Restriction

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

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose:		
Max Access Solutions	\$ 186,683,674	\$ 142,627,059
Rising Sun	9,367	105,000
My PCR	<u>38,128</u>	<u>69,871</u>
	186,731,169	142,801,930
Subject to passage of time:		
Max Access Solutions	<u>630,000</u>	<u>330,000</u>
Total Net Assets With Donor Restriction	<u>\$ 187,361,169</u>	<u>\$ 143,131,930</u>

Net assets with donor restrictions for purpose released from restriction for the years ended December 31, 2018 and 2017, totaled \$270,519,065 and \$49,840,100, respectively, as their restricted purpose had been satisfied. Releases due to the passage of time totaled \$330,000 and \$95,000 for the years ended December 31, 2018 and 2017, 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 7 - 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, 2018 and 2017.

Note 8 - Commitments and Contingencies

Operating Leases - Effective July 1, 2014, the Organization entered into a five-year lease agreement for office space located in Seattle, Washington. The initial monthly rent of \$3,273 increases each year in July by 3% until termination of the lease on July 31, 2019. This lease was extended through September 30, 2019. In February 2019, the Organization entered into a new lease agreement at a new location for Seattle office space. The lease will be effective August 1, 2019 for a term of 53 months, with monthly rent of \$8,889 increasing 3% each year.

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. 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, 2019 for another 36-month term with monthly rent of \$3,213 increasing 8% each year. The Thailand office lease began on February 1, 2018, and its term is 12 months with monthly rent of \$681. This lease was extended on February 1, 2019 for another 12-month term with monthly rent of \$681. Rent expense related to these leases totaled \$134,590 and \$127,514 the years ended December 31, 2018 and 2017, respectively.

THE MAX FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2018

Note 8 - Continued

Future minimum lease payments under the noncancelable leases are as follows:

For the Year Ending December 31,

2019	\$	123,076
2020		148,038
2021		160,289
2022		114,572
2023		<u>118,009</u>
Total	\$	<u>663,984</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. The agreement provides for a specified compensation and benefits, among other matters, as described in the agreement.

Distribution and Warehouse Agreement - The Organization has a services agreement with a specialized third-party to receive and then ship cancer treatment pharmaceuticals to low and middle-income countries. The term of the agreement is through March 31, 2021, with an option to renew for an additional two years.

Note 9 - 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 for Latin American operations is a family member of the Organization's Chief Executive Officer.

Note 10 - 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.

At December 31, 2018, the Organization has \$3,623,446 of financial assets available within 1 year of the statement of financial position date to meet cash needs for general expenditure. These financial assets consist of cash and cash equivalents of \$2,464,166, accounts receivable of \$635,602, pledges receivable of \$242,770, and accrued shipping costs receivable of \$280,908. 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.