



Consolidated Financial Statements

For the Year Ended December 31, 2020

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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, 2020, 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, 2020, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 4, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Clark Nuber PS

Certified Public Accountants
June 3, 2021

THE MAX FOUNDATION AND SUBSIDIARIES

Consolidated Statement of Financial Position
December 31, 2020
(With Comparative Totals for 2019)

	2020	2019
Assets		
Current Assets:		
Cash and cash equivalents	\$ 2,286,001	\$ 2,223,324
Grants receivable	1,531,245	727,767
Pledges receivable	90,000	50,000
Prepaid expenses	339,436	312,752
Accrued shipping costs receivable	713,034	60,825
Pharmaceuticals inventory	189,941,050	125,288,640
Total Current Assets	194,900,766	128,663,308
Noncurrent Assets:		
Deposits	15,048	15,048
Property and equipment, net	287,022	315,850
Total Noncurrent Assets	302,070	330,898
Total Assets	\$ 195,202,836	\$ 128,994,206
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 765,696	\$ 325,846
Accrued expenses and other current liabilities	118,817	147,433
Advances received	265,917	245,447
Paycheck Protection Program loan	296,372	
Total Current Liabilities	1,446,802	718,726
Deferred rent	66,897	85,825
Total Liabilities	1,513,699	804,551
Net Assets:		
Without donor restriction	2,182,193	2,405,780
With donor restriction	191,506,944	125,783,875
Total Net Assets	193,689,137	128,189,655
Total Liabilities and Net Assets	\$ 195,202,836	\$ 128,994,206

See accompanying notes.

THE MAX FOUNDATION AND SUBSIDIARIES

**Consolidated Statement of Activities
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)**

	Without Donor Restriction	With Donor Restriction	2020 Total	2019 Total
Support and Revenue:				
In-kind pharmaceutical contributions	\$ -	\$ 518,207,911	\$ 518,207,911	\$ 234,188,308
Contributions, grants and sponsorships including in-kind of \$15,200 (\$3,080 - 2019)	8,193,955	1,819,655	10,013,610	7,872,440
Corporate service agreements	77,581		77,581	155,625
Diagnostics program revenue including in-kind of \$113,960 (\$148,418 - 2019)	166,070		166,070	227,303
Other income	19		19	18,894
Net assets released from restrictions	454,304,497	(454,304,497)		
Total Support and Revenue	462,742,122	65,723,069	528,465,191	242,462,570
Expenses:				
Program services-				
Program expenses	7,461,190		7,461,190	6,869,165
In-kind program expenses	453,669,461		453,669,461	295,721,924
Total program services	461,130,651		461,130,651	302,591,089
Supporting services-				
Management and general	1,266,031		1,266,031	1,213,965
Fundraising	568,631		568,631	565,305
Total supporting services	1,834,662		1,834,662	1,779,270
Total Expenses	462,965,313		462,965,313	304,370,359
Change in Net Assets From Operations	(223,191)	65,723,069	65,499,878	(61,907,789)
Nonoperating Expenses:				
Loss on disposal of assets	396		396	38,310
Total Nonoperating Expenses	396		396	38,310
Change in Net Assets	(223,587)	65,723,069	65,499,482	(61,946,099)
Net assets, beginning of year	2,405,780	125,783,875	128,189,655	190,135,754
Net Assets, End of Year	\$ 2,182,193	\$ 191,506,944	\$ 193,689,137	\$ 128,189,655

See accompanying notes.

THE MAX FOUNDATION AND SUBSIDIARIES

**Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)**

	Program Services	Management and General	Fundraising	2020 Total	2019 Total
Grants to institutions, in-kind pharmaceuticals	\$ 453,555,501	\$ -	\$ -	\$ 453,555,501	\$ 295,583,343
Distribution and shipping fees	5,077,203			5,077,203	4,450,976
Salaries, benefits and taxes	1,212,751	799,828	508,905	2,521,484	2,222,221
Max country representatives	655,811			655,811	560,033
Occupancy, office and information technology	168,365	275,842	41,496	485,703	485,971
Grants to patients, partners and other institutions	350,433		200	350,633	383,519
Depreciation, insurance and other	33,787	81,545	18,000	133,332	116,214
Professional fees	39,764	108,787		148,551	308,292
Travel and related expenses	37,036	29	30	37,095	259,790
Total Expenses	\$ 461,130,651	\$ 1,266,031	\$ 568,631	\$ 462,965,313	\$ 304,370,359

See accompanying notes.

THE MAX FOUNDATION AND SUBSIDIARIES

Consolidated Statement of Cash Flows For the Year Ended December 31, 2020 (With Comparative Totals for 2019)

	2020	2019
Cash Flows From Operating Activities:		
Change in net assets	\$ 65,499,482	\$ (61,946,099)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities-		
Noncash activity:		
Depreciation	82,730	51,868
In-kind pharmaceutical revenue	(518,207,911)	(234,188,308)
In-kind pharmaceutical expense	453,555,501	295,583,343
Loss on disposal of assets	396	38,310
Changes in assets and liabilities:		
Grants and pledges receivable	(843,478)	100,605
Prepaid expenses	(26,684)	(47,378)
Accrued shipping costs receivable	(652,209)	220,083
Deposits		(6,001)
Accounts payable	439,850	65,631
Accrued expenses and other current liabilities	(28,616)	100,577
Advances received	20,470	25,810
Deferred rent	(18,928)	85,825
Net Cash (Used in) Provided by Operating Activities	(179,397)	84,266
Cash Flows From Investing Activities:		
Purchases of equipment	(54,298)	(325,108)
Net Cash Used in Investing Activities	(54,298)	(325,108)
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	62,677	(240,842)
Cash and cash equivalents balance, beginning of year	2,223,324	2,464,166
Cash and Cash Equivalents Balance, End of Year	\$ 2,286,001	\$ 2,223,324

See accompanying notes.

THE MAX FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2020

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 formed to deliver services to patients with cancer, and their families in low-and middle-income countries around the world. The Max Foundation'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, 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. In August 2017, the Organization received approval from the government of Thailand to establish The Max Foundation Thailand based in Bangkok. In sixteen countries, including six countries in Latin America, four countries in Asia, two in Central Asia and Eastern Europe and four countries in Africa, The Max Foundation sponsors program coordinators through contracts with local professionals.

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).

In 2017, the Organization increased the scope of its Max Access Solution program. Max Access Solution is the Organization's strategy to increase patient access to treatment for cancer in disadvantaged regions of the world. Through collaborations with cancer treating institutions, pharmaceutical manufacturers, and in partnership with an international pharmaceutical distributor, the Organization makes requests for in-kind donations of cancer treating medications in order to respond to spontaneous requests for humanitarian access to medications from partner hematologists and oncologists on behalf of individual patients in the recipient countries. The volume of in-kind donations received annually from donor partners is driven by the number of requests for donations received from medical institution partners. Requests to manufacturer partners are congruent with the volume needed to fulfill the specific prescribed treatment for each individual patient. For high volume medication requests, the Organization maintains safety inventory to minimize risk of stock-outs at the partner institutions.

During the years ended December 31, 2020 and 2019, the Organization provided aid to fulfill new and on-going treatment to 33,542 and 16,962 patients in 73 and 74 countries, respectively (unaudited). In March 2020, the Organization transitioned the treatment distribution of 14,362 patients in India into Max Access Solutions from the previously managed Glivec International Patient Assistance Program (GIPAP) (unaudited).

THE MAX FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2020

Note 1 - Continued

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 travel plans for their teams around the world. The Organization cancelled all in-person events. While no sites had to be closed or discontinued, 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 program operate. As a result, in the first few months of the pandemic, the number of expected requests from healthcare providers on behalf of newly diagnosed patients decreased up to 50 percent, and lockdowns caused some patients to temporarily discontinue or delay start of treatment. Nevertheless, as of the date of issuance of these financial statements, all programs continue to operate despite the pervasive impact of 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, the Organization applied for and received a Paycheck Protection Program loan in the amount of \$296,372 (Note 7).

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, 2020 and 2019.

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.

THE MAX FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2020

Note 2 - Continued

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.

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, 2020 and 2019.

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, 2020 and 2019. Corporate service revenue is recognized as the services are provided.

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.

THE MAX FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2020

Note 2 - Continued

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 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 - Due to COVID-19, the Organization did not hold special events in 2020. Various special events during the year ended December 31, 2019 resulted in revenue of \$144,693, and is included in contributions, grants and sponsorships on the consolidated statement of activities. Related expenses for 2019 totaling \$100,353, are included as fundraising in the consolidated statement of activities and consolidated statement of functional expenses.

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, 2020 and 2019, the Organization had cash on deposit in excess of the federally insured limits.

For the years ended December 31, 2020 and 2019, 95% and 76%, respectively, of the Organization's total support and revenues were received from one entity. Approximately 90% of the Organization's grants receivable were due from three entities at December 31, 2020. Approximately 89% of the Organization's grants receivable were due from two entities at December 31, 2019.

THE MAX FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2020

Note 2 - Continued

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 contributions, grant and sponsorship revenue of approximately \$7.1 million and \$6.7 million during the years ended December 31, 2020 and 2019, respectively. For the years ended December 31, 2020 and 2019, the Company donated pharmaceuticals valued at approximately \$545 million and \$178 million, respectively. These donations represented 91% of total donated pharmaceuticals for the years ended December 31, 2020 and 2019.

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, 2020 and 2019, the Organization held approximately \$62,455 and \$60,155 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 \$8,555 and \$8,439, respectively, for the years ended December 31, 2020 and 2019.

Financial Statement Reclassifications - Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. Such reclassifications have no effect on the change in net assets or net asset balances as previously reported.

Summarized Comparative Information for 2019 - 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, 2019, 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, 2020 through June 3, 2021, 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.

THE MAX FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2020

Note 3 - In-Kind Contributions

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

	2020	2019
Pharmaceuticals	\$ 518,207,911	\$ 234,188,308
Diagnostic kit discounts	113,960	148,418
In-kind other	15,200	3,080
Total In-Kind Contributions	\$ 518,337,071	\$ 234,339,806

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, 2020 and 2019, 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 March 2020, the Organization transitioned a program in India previously owned by a pharmaceutical company to Max Access Solutions, effectively doubling the number of patients under its global program. In preparation for this transition, the Organization received a one-time donation of the equivalent of 5-months of stock to ensure continuous supply in the first few months after the transition. Due to the complexity of the supply chain in the India program, the Organization continues to hold up to 5-months of safety stock for the India program. Separately, during the year ended December 31, 2020, the Organization modified its inventory management practices for the remainder of its programs aiming to reduce the volume of safety stock it holds from 6-months to 3-months to decrease the potential for obsolescence. As a result, during the year ended December 31, 2020, the Organization made fewer requests from donors for donated pharmaceuticals due to first using the prior year's excess inventory and improving the inventory management system.

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

	2020		2019	
	Units	Dollars	Units	Dollars
Beginning pharmaceutical GIK in inventory	79,315	\$ 125,288,640	144,638	\$ 186,683,675
Donated pharmaceutical GIK	501,957	595,227,280	170,364	282,371,737
Inventory adjustment	(57,377)	(77,019,369)	(42,788)	(48,183,429)
Expensed pharmaceutical GIK	(352,776)	(453,555,501)	(192,899)	(295,583,343)
Ending Pharmaceutical GIK in Inventory	171,119	\$ 189,941,050	79,315	\$ 125,288,640

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

THE MAX FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2020

Note 4 - Diagnostics Program Revenue and Expense

The Organization works with an international manufacturer of diagnostic test kits and instruments to strengthen health care systems by increasing access to diagnostic tools in low- and middle-income countries (LMICs).

Prior to September 1, 2019, the Organization had access to significant discounts on the purchase of medical kits through a preferential pricing agreement. Under this agreement, qualified medical institutions were able to purchase discounted medical kits and diagnostic devices through the Organization. The discounts, provided with donative intent by the supplier, were recognized as GIK in the consolidated statement of activities. Payments were received by the qualified medical institutions in advance of shipment. The related expense was included in grants to patients, partners and other institutions in the consolidated statement of activities and consolidated statement of functional expenses.

On September 1, 2019, the preferential pricing agreement was replaced with a purchase agreement that included the manufacturer's non-profit pricing list, replacing the preferential pricing agreement. Subsequent to this date, outright donations of products have been received by Organization from the manufacturer for distribution to LMICs through the Organization's diagnostics program, the Solidarity Fund. The recorded value of donated diagnostic instruments and kits is based on the non-profit pricing list and is recorded as revenue and expense when a purchase order is issued for distribution to a qualified medical institution.

Note 5 - Property and Equipment

Property and equipment consisted of the following at December 31:

	2020	2019
Tenant improvements	\$ 243,580	\$ 243,580
Office furniture	144,711	144,711
Computers and software	56,210	61,811
Office equipment	15,409	16,085
Projects in progress	54,300	
Total property and equipment	514,210	466,187
Less accumulated depreciation	(227,188)	(150,337)
Property and Equipment, Net	\$ 287,022	\$ 315,850

Depreciation expense totaled \$82,730 and \$51,868 for the years ended December 31, 2020 and 2019, respectively.

Note 6 - Line of Credit

During the year ended December 31, 2019, the Organization entered into a line of credit agreement with a lender with a credit limit of up to \$500,000. There were no amounts outstanding under this agreement as of December 31, 2020 and 2019. Interest on borrowings is based on the lender's prime rate plus one percentage point (4.25% at December 31, 2020 and 2019). The agreement matures on September 1, 2021.

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Notes to Consolidated Financial Statements For the Year Ended December 31, 2020

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. No such revenue was recognized during the year ended December 31, 2020, but will be recognized during the year ended December 31, 2021. As the loan was forgiven within twelve months of year end, management elected to present the entire balance of the loan as current on the consolidated statement of financial position.

Note 8 - Net Assets With Donor Restriction

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

	2020	2019
Subject to Expenditure for Specified Purpose:		
Max Access Solutions	\$ 189,940,925	\$ 125,288,640
Monitoring and evaluation	25,000	
Maximize Life Gala	19,655	
Diagnostic kits	6,364	9,837
Rising Sun		2,898
	189,991,944	125,301,375
Subject to Passage of Time:		
Max Access Solutions	1,515,000	457,500
Diagnostics		25,000
Total Net Assets With Donor Restriction	<u>\$ 191,506,944</u>	<u>\$ 125,783,875</u>

Net assets released from restriction for the years ended December 31, 2020 and 2019, totaled \$453,821,997 and \$295,912,971, respectively, as their restricted purpose had been satisfied. Releases due to the passage of time totaled \$482,500 and \$400,000 for the years ended December 31, 2020 and 2019, 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, 2020 and 2019.

THE MAX FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2020

Note 10 - 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 increased 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 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 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 \$145,362 and \$164,326 the years ended December 31, 2020 and 2019, respectively. Future minimum lease payments under the noncancelable leases are as follows:

For the Year Ending December 31,

2021	\$ 158,787
2022	114,572
2023	<u>118,009</u>
Total	<u>\$ 391,368</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.

THE MAX FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2020

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 \$500,000 line of credit to assist with liquidity (Note 6).

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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,286,001	\$ 2,223,324
Grants receivable	1,531,245	727,767
Pledges receivable	90,000	50,000
Accrued shipping costs receivable	<u>713,034</u>	<u>60,825</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 4,620,280</u>	<u>\$ 3,061,916</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.