



Consolidated Financial Statements

For the Year Ended December 31, 2017

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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, 2017, 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, 2017, and the changes in its net assets, its functional expenses, 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 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 5, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, 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 27, 2018

THE MAX FOUNDATION AND SUBSIDIARIES

Consolidated Statement of Financial Position  
December 31, 2017  
(With Comparative Totals for 2016)

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 3,282,666	\$ 2,429,749
Accounts receivable	73,199	164,811
Pharmaceuticals inventory	142,632,594	1,810,106
Prepaid expenses	25,560	16,710
<b>Total Current Assets</b>	<b>146,014,019</b>	<b>4,421,376</b>
<b>Noncurrent Assets:</b>		
Deposits	8,998	10,050
Property and equipment, net	113,677	138,853
<b>Total Noncurrent Assets</b>	<b>122,675</b>	<b>148,903</b>
<b>Total Assets</b>	<b>\$ 146,136,694</b>	<b>\$ 4,570,279</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 233,208	\$ 99,368
Accrued expenses	89,291	78,609
<b>Total Current Liabilities</b>	<b>322,499</b>	<b>177,977</b>
<b>Net Assets:</b>		
Unrestricted	2,682,265	2,425,577
Temporarily restricted	143,131,930	1,966,725
<b>Total Net Assets</b>	<b>145,814,195</b>	<b>4,392,302</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 146,136,694</b>	<b>\$ 4,570,279</b>

See accompanying notes.

THE MAX FOUNDATION AND SUBSIDIARIES

Consolidated Statement of Activities  
For the Year Ended December 31, 2017  
(With Comparative Totals for 2016)

	Unrestricted	Temporarily Restricted	2017 Total	2016 Total
<b>Public Support and Revenue:</b>				
In-kind pharmaceutical contributions	\$ -	\$ 190,595,434	\$ 190,595,434	\$ 13,165,210
Contributions, grants and sponsorships	4,638,204	504,871	5,143,075	704,420
Private giving	243,802		243,802	56,327
Corporate service agreements	1,070,985		1,070,985	2,203,124
Diagnostics program revenue including in-kind of \$180,299 (\$262,726 in 2016)	312,689		312,689	403,500
Other income	9,127		9,127	21,960
Net assets released from restrictions	49,935,100	(49,935,100)		
<b>Total Public Support and Revenue</b>	<b>56,209,907</b>	<b>141,165,205</b>	<b>197,375,112</b>	<b>16,554,541</b>
<b>Expenses:</b>				
Program services-				
Program expenses	4,822,956		4,822,956	2,622,228
In-kind program expenses	49,904,523		49,904,523	12,813,807
Total program services	54,727,479		54,727,479	15,436,035
Supporting services-				
Management and general	742,814		742,814	418,897
Fundraising	482,926		482,926	167,658
Total supporting services	1,225,740		1,225,740	586,555
<b>Total Expenses</b>	<b>55,953,219</b>		<b>55,953,219</b>	<b>16,022,590</b>
<b>Change in Net Assets</b>	<b>256,688</b>	<b>141,165,205</b>	<b>141,421,893</b>	<b>531,951</b>
Net assets, beginning of year	2,425,577	1,966,725	4,392,302	3,860,351
<b>Net Assets, End of Year</b>	<b>\$ 2,682,265</b>	<b>\$ 143,131,930</b>	<b>\$ 145,814,195</b>	<b>\$ 4,392,302</b>

See accompanying notes.

**THE MAX FOUNDATION AND SUBSIDIARIES**

**Consolidated Statement of Functional Expenses  
For the Year Ended December 31, 2017  
(With Comparative Totals for 2016)**

	Program Services	Management and General	Fundraising	2017 Total	2016 Total
Salaries	\$ 809,976	\$ 315,811	\$ 181,364	\$ 1,307,151	\$ 1,146,101
Employee benefits and payroll taxes	<u>129,197</u>	<u>50,374</u>	<u>28,929</u>	<u>208,500</u>	<u>195,678</u>
<b>Total Salaries and Related Expenses</b>	<b>939,173</b>	<b>366,185</b>	<b>210,293</b>	<b>1,515,651</b>	<b>1,341,779</b>
Gifts in kind -					
pharmaceuticals donations	49,723,878			49,723,878	12,549,035
Distribution and shipping fees	2,664,136			2,664,136	
Max country representatives	516,705			516,705	461,004
Travel and related expenses	198,009	79,204	118,805	396,018	196,538
Sponsored educational projects	381,243			381,243	780,257
Professional fees	53,800	153,264		207,064	141,040
Occupancy expenses	82,927	32,334	18,569	133,830	125,829
Marketing and public relations		8,686	99,635	108,321	8,868
Group and patient grants	105,407			105,407	217,923
Office expenses	26,906	26,906	27,721	81,533	86,958
Depreciation	24,639	10,446	5,517	40,602	38,155
Bank charges		25,783		25,783	18,824
Information technology services	10,656	4,155	2,386	17,197	25,294
Business licenses and taxes		16,719		16,719	9,822
Insurance		11,182		11,182	10,052
Conversion fees and losses		5,607		5,607	4,226
Miscellaneous		<u>2,343</u>		<u>2,343</u>	<u>6,986</u>
<b>Total Expenses</b>	<b><u>\$ 54,727,479</u></b>	<b><u>\$ 742,814</u></b>	<b><u>\$ 482,926</u></b>	<b><u>\$ 55,953,219</u></b>	<b><u>\$ 16,022,590</u></b>

See accompanying notes.

THE MAX FOUNDATION AND SUBSIDIARIES

Consolidated Statement of Cash Flows  
For the Year Ended December 31, 2017  
(With Comparative Totals for 2016)

	<u>2017</u>	<u>2016</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 141,421,893	\$ 531,951
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Noncash activity:		
Depreciation	40,602	38,155
Loss on disposal of fixed assets		
Loss on disposal of obsolete inventory	48,722	
In-kind revenue	(190,775,733)	(13,427,936)
In-kind expense	49,904,523	12,813,807
Changes in assets and liabilities:		
Accounts receivable	91,612	222,998
Prepaid expenses	(8,850)	858
Deposits	1,052	(793)
Accounts payable	133,840	72,061
Accrued expenses	10,682	6,344
<b>Net Cash Provided by Operating Activities</b>	<b>868,343</b>	<b>257,445</b>
<b>Cash Flows From Investing Activities:</b>		
Purchases of equipment	(15,426)	(23,602)
<b>Net Cash Used in Investing Activities</b>	<b>(15,426)</b>	<b>(23,602)</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>852,917</b>	<b>233,843</b>
Cash and cash equivalents balance, beginning of year	2,429,749	2,195,906
<b>Cash and Cash Equivalents Balance, End of Year</b>	<b>\$ 3,282,666</b>	<b>\$ 2,429,749</b>

See accompanying notes.



## THE MAX FOUNDATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended December 31, 2017

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#### 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 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 thirteen additional countries, including five 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 (MAS) 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, MAS allows the Organization to receive in-kind donations of certain cancer treating medications and respond to requests for humanitarian access 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 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, 2017

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#### 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:

Unrestricted Net Assets - Net assets that are not subject to externally-imposed restrictions.

Temporarily Restricted Net Assets - Net assets subject to externally-imposed restrictions that will be met either by action of the Organization or the passage of time. All temporarily restricted net assets at December 31, 2017, are purpose restricted.

Permanently Restricted Net Assets - Net assets subject to externally-imposed restrictions that stipulate the resources be maintained permanently. The Organization had no permanently restricted net assets at December 31, 2017.

Support and revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation. Expirations of temporary 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 unrestricted net asset 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 temporarily restricted net asset 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 consist primarily of grants receivable and are 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 deemed unnecessary as of December 31, 2017 and 2016.

**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 within one year of expiration.

## THE MAX FOUNDATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended December 31, 2017

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#### 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 expense.

The Organization receives free medical testing 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 \$500 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, private giving, 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.

**Special Event** - The Organization held a 20<sup>th</sup> Year Anniversary event during the year ended December 31, 2017. Revenue related to the event totaled \$209,470 and is included in private giving on the consolidated statement of activities. Related expenses totaling \$94,580 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.

**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, 2017, the Organization had cash on deposit in excess of the federally insured limits.

## THE MAX FOUNDATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended December 31, 2017

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#### Note 2 - Continued

For the years ended December 31, 2017 and 2016, 91% and 72%, respectively, of the Organization's total support and revenues were received from one donor. Approximately 75% and 67% of the Organization's accounts receivable were due from two entities at December 31, 2017 and 2016, respectively.

The Organization is funded in large part through several service agreements with one pharmaceutical company (the Company). The current service agreements and sponsorships with the Company resulted in revenue of approximately \$5 million and \$2.2 million during the years ended December 31, 2017 and 2016, 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 year ended December 31, 2017, the Company donated pharmaceuticals valued at approximately \$174.8 million.

**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, 2017 and 2016, the Organization held approximately \$30,254 and \$89,925 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 \$5,607 and \$4,226, respectively, for the years ended December 31, 2017 and 2016.

**Summarized Comparative Information for 2016** - 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, 2016, from which the summarized information was derived.

**Reclassifications** - Certain reclassifications have been made to the December 31, 2016, financial statements to conform to the December 31, 2017 presentation. The reclassifications have no effect on the previously reported change in net assets or net assets.

**Subsequent Events** - The Organization has evaluated subsequent events through June 27, 2018, the date on which the consolidated financial statements were approved and authorized for issuance by management.

**THE MAX FOUNDATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements  
For the Year Ended December 31, 2017**

**Note 3 - In-Kind Contributions**

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

	<u>2017</u>	<u>2016</u>
Pharmaceuticals	\$ 190,595,434	\$ 13,165,210
Medical kit discounts	<u>180,299</u>	<u>262,726</u>
<b>Total In-Kind Contributions</b>	<b><u>\$ 190,775,733</u></b>	<b><u>\$ 13,427,936</u></b>

For the year ended December 31, 2016, the fair value of pharmaceuticals was based on prices from Thomas Reuters Red Book Actual Wholesale Price (AWP). The new collaboration agreement with the Company provides that pharmaceutical GIK are now donated to the Organization for use in its programs, whereas in prior years the pharmaceuticals were provided directly by the Company to the end users of the goods. As a result, the volume and total value of GIK recognized in the consolidated financial statements is significantly higher in 2017.

During the year ended December 31, 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.

A change in valuation estimate is appropriate if the change results in a measurement that equally or better represents fair value under the given circumstances, such as when specific valuation information and data is available for relevant products and markets. This change in valuation estimate is accounted for at the new values currently or prospectively, not retrospectively.

However, for illustrative and comparative purposes only, if the same fair value estimates for pharmaceutical GIK used by the Organization for the year ended December 31, 2017, had also been used for the year ended December 31, 2016, the Organization's revenues, expenses and ending inventory for 2016 would have been as follows:

	<u>Per 2016 Annual Report</u>	<u>Per New Estimate</u>
Total revenues	\$ 16,554,541	\$ 7,746,138
GIK, pharmaceutical contributions	\$ 13,165,210	\$ 4,356,807
Total expenses	\$ 16,022,590	\$ 7,540,756
GIK, drug donations	\$ 12,549,035	\$ 4,067,201
Inventory	\$ 1,810,106	\$ 592,346

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. At and for the year ended December 31, 2016, the Organization recognized as revenue approximately 1,000 units of pharmaceutical GIK, expensed approximately 950 units, and held 140 units in inventory. A unit is defined as a tablet or capsule of varying strength as opposed to a daily dosage.

**THE MAX FOUNDATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements  
For the Year Ended December 31, 2017**

**Note 3 - Continued**

Of the total pharmaceutical GIK for the years ended December 31, 2017 and 2016, 97% was received from one donor and 98% was received from two different donors, respectively.

**Note 4 - Diagnostics Program Revenue and Expense**

The Organization purchases medical test kits at significant discounts (Note 2) and provides these kits to qualified organizations at a discount. Diagnostics program revenue and expense, including the GIK portion, consisted of the following for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Diagnostics program revenue	\$ 132,390	\$ 140,774
Diagnostics GIK revenue	<u>180,299</u>	<u>262,726</u>
	312,689	403,500
Less:		
Diagnostics program expense	151,476	145,006
Diagnostics GIK expense	<u>180,299</u>	<u>262,726</u>
<b>Diagnostics Program Revenue, Net</b>	<b><u>\$ (19,086)</u></b>	<b><u>\$ (4,232)</u></b>

**Note 5 - Property and Equipment**

Property and equipment consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Computers and software	\$ 133,904	\$ 127,037
Tenant improvements	74,559	74,559
Office furniture	59,049	55,589
Office equipment	<u>16,085</u>	<u>17,280</u>
Total property and equipment	283,597	274,465
Less accumulated depreciation	<u>(169,920)</u>	<u>(135,612)</u>
<b>Property and Equipment, Net</b>	<b><u>\$ 113,677</u></b>	<b><u>\$ 138,853</u></b>

Depreciation expense totaled \$39,763 and \$38,155 for the years ended December 31, 2017 and 2016, respectively.

## THE MAX FOUNDATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended December 31, 2017

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#### Note 6 - Temporarily Restricted Net Assets

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

	<u>2017</u>	<u>2016</u>
Max Access Solutions	\$ 142,957,059	\$ 1,854,225
Rising Sun	105,000	
My PCR	69,871	
Max Day by Day		65,000
Maximo & the Big C Books		2,500
Patient Services		<u>45,000</u>
<b>Total Temporarily Restricted Net Assets</b>	<b><u>\$ 143,131,930</u></b>	<b><u>\$ 1,966,725</u></b>

Temporarily restricted net assets released from restriction for the years ended December 31, 2017 and 2016, totaled \$49,935,100 and \$12,818,828, respectively, as their restricted purpose had been satisfied. Funds are released based on costs that are directly allocated to the specific programs as well as general expenses that are allocated based on activities conducted.

#### 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, 2017 and 2016.

#### 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. The Organization also leases office space in Malaysia and India. The Malaysia office lease began on September 1, 2015, and its term is 36 months with fixed monthly rent of \$567. 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. Rent expense related to these leases totaled \$127,514 and \$125,829 the years ended December 31, 2017 and 2016, respectively.

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

For the Year Ending December 31,

2018	\$ 96,042
2019	<u>22,103</u>
<b>Total</b>	<b><u>\$ 118,145</u></b>

## THE MAX FOUNDATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended December 31, 2017

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#### **Note 8 - Continued**

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

**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 optional 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.