



Consolidated Financial Statements

For the Year Ended December 31, 2022

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of The Max Foundation and subsidiaries (collectively, the Organization), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on Summarized Comparative Information

We have previously audited the Organization's December 31, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 13, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.



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Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The statistical information in Note 1 and the consolidating statement of financial position and consolidating statement of activities on pages 18 through 19, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and, except for that portion marked "unaudited," was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, except for that portion marked "unaudited," has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for that portion marked "unaudited," on which we express no opinion nor any assurance, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Clark Nuber PS

Certified Public Accountants
June 15, 2023

THE MAX FOUNDATION AND SUBSIDIARIES

**Consolidated Statement of Financial Position
December 31, 2022
(With Comparative Totals for 2021)**

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 4,040,215	\$ 3,153,386
Grants receivable	1,427,399	1,037,543
Prepaid expenses and other assets	853,479	145,021
Accrued shipping costs receivable	337,359	314,267
Pharmaceuticals inventory	<u>116,005,099</u>	<u>173,870,312</u>
Total Current Assets	122,663,551	178,520,529
Deposits	15,048	15,048
Right-of-use lease assets	169,577	
Property and equipment, net	<u>118,716</u>	<u>204,170</u>
Total Assets	<u>\$ 122,966,892</u>	<u>\$ 178,739,747</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 1,051,561	\$ 324,660
Accrued expenses and other current liabilities	102,309	131,425
Advances received	5,425	2,075
Lease liabilities, current portion	<u>167,180</u>	
Total Current Liabilities	1,326,475	458,160
Long-term portion of lease liabilities	40,968	
Deferred rent		<u>35,167</u>
Total Liabilities	1,367,443	493,327
Net Assets:		
Without donor restriction	3,118,035	2,463,625
With donor restriction	<u>118,481,414</u>	<u>175,782,795</u>
Total Net Assets	<u>121,599,449</u>	<u>178,246,420</u>
Total Liabilities and Net Assets	<u>\$ 122,966,892</u>	<u>\$ 178,739,747</u>

See accompanying notes.

THE MAX FOUNDATION AND SUBSIDIARIES

**Consolidated Statement of Activities
For the Year Ended December 31, 2022
(With Comparative Totals for 2021)**

	Without Donor Restriction	With Donor Restriction	2022 Total	2021 Total
Support and Revenue:				
In-kind pharmaceutical contributions	\$ -	\$ 307,241,383	\$ 307,241,383	\$ 445,775,299
Contributions, grants and sponsorships	8,776,712	2,763,125	11,539,837	10,340,145
Diagnostics program revenue including in-kind of \$242,070 (\$211,010 - 2021)	317,805		317,805	247,835
Paycheck Protection Program funding				296,372
Other income	4,252		4,252	39,934
Net assets released from restrictions	367,305,889	(367,305,889)		
Total Support and Revenue	376,404,658	(57,301,381)	319,103,277	456,699,585
Expenses:				
Program services-				
Program expenses	7,844,916		7,844,916	7,819,902
In-kind program expenses	365,352,278		365,352,278	462,057,047
Total program services	373,197,194		373,197,194	469,876,949
Supporting services-				
Management and general	1,861,527		1,861,527	1,630,073
Fundraising	691,527		691,527	634,172
Total supporting services	2,553,054		2,553,054	2,264,245
Total Expenses	375,750,248		375,750,248	472,141,194
Change in Net Assets	654,410	(57,301,381)	(56,646,971)	(15,441,609)
Nonoperating Expenses:				
Loss on disposal of assets				1,108
Total Nonoperating Expenses				1,108
Change in Net Assets	654,410	(57,301,381)	(56,646,971)	(15,442,717)
Net assets, beginning of year	2,463,625	175,782,795	178,246,420	193,689,137
Net Assets, End of Year	\$ 3,118,035	\$ 118,481,414	\$ 121,599,449	\$ 178,246,420

See accompanying notes.

THE MAX FOUNDATION AND SUBSIDIARIES

**Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2022
(With Comparative Totals for 2021)**

	Program Services	Management and General	Fundraising	2022 Total	2021 Total
In-kind grant expense - pharmaceutical distribution	\$ 365,106,596	\$ -	\$ -	\$ 365,106,596	\$ 461,846,037
Distribution and shipping fees	4,762,825			4,762,825	5,289,671
Salaries, benefits and taxes	1,369,944	919,062	528,178	2,817,184	2,627,675
Max country representatives	887,041	58,335		945,376	741,389
Occupancy, office and information technology	154,230	340,304	117,433	611,967	687,975
Grants to patients, partners and other institutions	563,864			563,864	395,117
Professional fees	110,248	350,447	21,198	481,893	346,132
Travel and related expenses	205,341	84,324	9,195	298,860	57,141
Depreciation, insurance and other	37,105	109,055	15,523	161,683	150,057
Total Expenses	<u>\$ 373,197,194</u>	<u>\$ 1,861,527</u>	<u>\$ 691,527</u>	<u>\$ 375,750,248</u>	<u>\$ 472,141,194</u>

See accompanying notes.

THE MAX FOUNDATION AND SUBSIDIARIES

**Consolidated Statement of Cash Flows
For the Year Ended December 31, 2022
(With Comparative Totals for 2021)**

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (56,646,971)	\$ (15,442,717)
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Noncash activity:		
Depreciation	85,454	86,746
In-kind pharmaceutical revenue	(307,241,383)	(445,775,299)
In-kind pharmaceutical expense	365,106,596	461,846,037
Loss on disposal of assets		1,108
Paycheck Protection Program loan forgiveness		(296,372)
Changes in assets and liabilities:		
Grants receivable	(389,856)	583,702
Prepaid expenses	(708,458)	193,448
Accrued shipping costs receivable	(23,092)	398,767
Accounts payable	726,901	(441,036)
Accrued expenses and other current liabilities	(29,116)	12,608
Advances received	3,350	(263,842)
Deferred rent	(35,167)	(31,730)
Right-of-use assets, net of lease liabilities	38,571	
Net Cash Provided by Operating Activities	886,829	871,420
Cash Flows From Investing Activities:		
Purchases of equipment		(5,002)
Net Cash Used in Investing Activities		(5,002)
Net Change in Cash and Cash Equivalents	886,829	866,418
Cash and cash equivalents balance, beginning of year	3,153,386	2,286,968
Cash and Cash Equivalents Balance, End of Year	<u>\$ 4,040,215</u>	<u>\$ 3,153,386</u>

See accompanying notes.

THE MAX FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2022 (With Comparative Totals for 2021)

Note 1 - Nature of Operations

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

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

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

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

During the years ended December 31, 2022 and 2021, the organization provided aid to fulfill new and on-going treatment to 34,131 and 34,235 patients in 77 and 75 countries, respectively (unaudited).

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

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, 2022 (With Comparative Totals for 2021)

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 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, 2022 and 2021.

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

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

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

THE MAX FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2022 (With Comparative Totals for 2021)

Note 2 - Continued

Revenue Recognition - Unconditional 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, 2022 and 2021. Corporate service revenue is recognized as the services are provided as other income on the consolidated statement of activities.

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

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

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

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

Special Event - The Organization held various fundraising events in 2022 and 2021. Revenue related to events in 2022 and 2021 totaled \$343,130 and \$152,893, respectively, and is included in contributions and sponsorships on the consolidated statement of activities. Related expenses for 2022 and 2021, totaling \$82,676 and \$49,716, respectively, 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). The activities of The Max Foundation's foreign subsidiary in Malaysia and the South African Trust are reported in The Max Foundation's Form 990. Accordingly, the consolidated 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, 2022 (With Comparative Totals for 2021)

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, 2022 and 2021, the Organization had cash on deposit in excess of the federally insured limits.

For the years ended December 31, 2022 and 2021, 67% and 90%, respectively, of the Organization's total support and revenues were received from one entity. Approximately 98% of the Organization's grants receivable were due from two entities at December 31, 2022. Approximately 96% of the Organization's grants receivable were due from one entity at December 31, 2021.

The Organization is funded in large part through Collaboration Agreements with several pharmaceutical manufacturers that include in-kind gifts of pharmaceutical products. The current Collaboration Agreement with one particular company (the Company) resulted in contributions, grant, and sponsorship revenue of approximately \$7.6 million and \$10.1 million during the years ended December 31, 2022 and 2021, respectively. For the years ended December 31, 2022 and 2021, the Company donated pharmaceuticals valued at approximately \$205 million and \$403 million, respectively. These donations represented 74% and 90% of total donated pharmaceuticals for the years ended December 31, 2022 and 2021.

Implementation of New Accounting Standard for Leases - Effective January 1, 2022, the Organization adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases (Topic 842)* (ASC Topic 842) using the modified retrospective approach with comparative accounting periods continuing to be presented under previous lease guidance (ASC Topic 840).

The Organization has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Organization accounted for its existing leases under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the leases would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. Additionally, the Organization did not elect the practical expedient to use hindsight in determining the lease term (that is, when considering lessee options to extend or terminate the lease and to purchase the underlying asset) and in assessing impairment of the entity's right-of-use (ROU) assets. As a result of the adoption of the new lease accounting guidance, the Organization recognized on January 1, 2022 (a) a lease liability of \$352,139 (b) a right-of-use asset of \$285,387 and (c) removal of deferred rent liabilities of \$35,167.

THE MAX FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2022 (With Comparative Totals for 2021)

Note 2 - Continued

Lease Obligations - The Organization determines if an arrangement contains a lease at inception. Operating leases are included in ROU assets and lease liabilities in the consolidated statement of financial position. ROU assets represent a right to use an underlying asset for the lease term and operating lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization's leases do not provide an implicit rate of return; thus, the Organization uses the incremental borrowing rate, determined using a period comparable with that of the lease term from the later of the lease commencement date or implementation date. The ROU asset also includes prepaid lease payments and unamortized initial direct costs, and excludes lease incentives. The Organization has lease agreements with lease and non-lease components which are accounted for as a single lease component. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. A ROU asset and operating lease liability is not recognized for leases with an initial term of 12 months or less, or when total lease payments are less than \$5,000.

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, 2022 and 2021, the Organization held approximately \$63,000 and \$40,000 in foreign countries, respectively, all of which was in foreign currencies. Repatriation of funds restrictions may exist in a small number of foreign currency accounts. Therefore, management limits the cash balances in these countries.

The Organization has entered into contracts with individuals in certain countries to support its programs. These contracts are typically denominated in U.S. dollars although some are denominated in local currency. The Organization accounts for payments in foreign currency at the exchange rate prevailing at the time payment is made. These payments are reflected in the consolidated financial statements at their equivalent amounts in U.S. dollars. Gains and losses from foreign currency translation are recognized in the consolidated statement of activities and consolidated statement of functional expenses. Foreign currency translation losses totaled \$13,636 and \$10,100, respectively, for the years ended December 31, 2022 and 2021.

Summarized Comparative Information for 2021 - 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, 2021, from which the summarized information was derived.

Reclassifications of Prior Year Balances - Certain reclassifications have been made to prior year accounts to conform to the presentation in the current year financial statements. The reclassifications have no effect on the previously reported change in net assets or net asset balances.

THE MAX FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2022 (With Comparative Totals for 2021)

Note 2 - Continued

Subsequent Events - The Organization has evaluated subsequent events with respect to the consolidated financial statements for the year ended December 31, 2022 through June 15, 2023, the date the consolidated financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying consolidated financial statements, nor have any events occurred, the nature of which would require disclosure.

Note 3 - In-Kind Contributions

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

	<u>2022</u>	<u>2021</u>
Pharmaceuticals	\$ 307,241,383	\$ 445,775,299
Diagnostic kits	242,070	211,010
Total In-Kind Contributions	<u>\$ 307,483,453</u>	<u>\$ 445,986,309</u>

In-kind pharmaceuticals are donor restricted for use in programmatic activities and may not be monetized. 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, 2022 and 2021, the Organization obtained from a third-party source, IQVIA, fair value data which reflects wholesale prices available in multiple geographic sub-regional markets. The GIK are recorded, by drug, based on the estimated fair value in the international geographic sub-regional market of highest volume, excluding the United States and Western Europe.

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

	<u>2022</u>		<u>2021</u>	
	Units	Dollars	Units	Dollars
Beginning pharmaceutical GIK in inventory	158,977	\$ 173,870,312	171,119	\$ 189,941,050
Donated pharmaceutical GIK	406,338	275,814,842	374,717	445,140,356
Change in inventory allowance	8,528	31,426,541	(1,192)	634,943
Expensed pharmaceutical GIK	<u>(378,748)</u>	<u>(365,106,596)</u>	<u>(385,667)</u>	<u>(461,846,037)</u>
Ending Pharmaceutical GIK in Inventory	<u>195,095</u>	<u>\$ 116,005,099</u>	<u>158,977</u>	<u>\$ 173,870,312</u>

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

Note 4 - Diagnostics Program Revenue and Expense

The Organization has a robust health system strengthening strategy with specific focus on increasing access to molecular diagnostic tools in low- and middle-income countries (LMICs). During the years ended December 31, 2022 and 2021 the Organization supported molecular diagnostics in 40 and 30 countries facilitating access to 9,509 and 6,161 molecular tests as well as diagnostics devices and maintenance support.

THE MAX FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2022 (With Comparative Totals for 2021)

Note 4 - Continued

The Organization has a long-standing relationship with a diagnostic manufacturer with a preferential pricing agreement that facilitates purchase of diagnostic instruments and kits based on a nonprofit pricing list. During the years ended December 31, 2022 and 2021, the Organization purchased diagnostic kits and devices at preferential prices and donated them to selected qualified institutions.

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

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

Note 5 - Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Tenant improvements	\$ 243,580	\$ 243,580
Office furniture	144,711	144,711
Computers and software	61,085	64,263
Office equipment	<u>15,409</u>	<u>15,409</u>
Total property and equipment	464,785	467,963
Less accumulated depreciation	<u>(346,069)</u>	<u>(263,793)</u>
Property and Equipment, Net	<u>\$ 118,716</u>	<u>\$ 204,170</u>

Depreciation expense totaled \$85,454 and \$86,746 for the years ended December 31, 2022 and 2021, respectively.

Note 6 - Line of Credit

The Organization has available a line of credit agreement of up to \$750,000 with a lender. There were no amounts outstanding under this agreement as of December 31, 2022, and 2021. Interest on borrowings is based on the lender's prime rate plus one percentage point (8.50% at December 31, 2022 and 4.25% at December 31, 2021). The agreement matures on October 31, 2023.

THE MAX FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2022 (With Comparative Totals for 2021)

Note 7 - Paycheck Protection Program Loan

In 2020, the Organization obtained a loan under the Paycheck Protection Program (PPP). On January 20, 2021, the Organization received notification for the Small Business Administration that loan was forgiven. 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. Thus, revenue was recognized in 2021.

Note 8 - Net Assets With Donor Restriction

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

	<u>2022</u>	<u>2021</u>
Subject to Expenditure for Specified Purpose:		
Max Access Solutions - Pharmaceutical Inventory	\$ 116,005,099	\$ 173,870,438
US Patient Navigation Program	162,550	
Africa	30,000	18,322
Honduras	23,500	
Tech for Good	820	
Armenia		19,035
	<u>116,221,969</u>	<u>173,907,795</u>
Subject to Passage of Time:		
Max Access Solutions - Cash Contributions	<u>2,259,445</u>	<u>1,875,000</u>
Total Net Assets With Donor Restriction	<u>\$ 118,481,414</u>	<u>\$ 175,782,795</u>

Net assets released from restriction for the years ended December 31, 2022 and 2021, totaled \$365,205,334 and \$461,983,813, respectively, as their restricted purpose had been satisfied. Releases due to the passage of time totaled \$2,100,555 and \$1,515,000 for the years ended December 31, 2022 and 2021, 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. The Organization made contributions to the plan of \$55,567 for the year ended December 31, 2022. There were no contributions made by the Organization for the year ended December 31, 2021.

Note 10 - Commitments and Contingencies

Operating Leases - The Organization leases office space and equipment under long-term, noncancelable lease agreements which expire at various dates through 2024. The leases include payments for common area maintenance, utilities, taxes and insurance that are considered variable lease payments and are excluded from determining the lease liability.

THE MAX FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2022 (With Comparative Totals for 2021)

Note 10 - Continued

The components of lease expense for the year ended December 31, 2022 are as follows:

Operating lease cost	\$ 131,974
Variable lease cost	25,023
Short-term and other lease costs	<u>3,773</u>
Total Leasing Expense	<u>\$ 160,770</u>

Future minimum payments required under leases are as follow:

For the Year Ending December 31,	
2023	\$ 167,180
2024	<u>50,453</u>
Total undiscounted cash flows	217,633
Less present value discount	<u>(9,485)</u>
Total Lease Liabilities	<u>\$ 208,148</u>

Supplemental cash flow information related to leases as of December 31, 2022 is as follows:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 160,156
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 285,387
Weighted-average remaining lease term - operating lease	1.4 years
Weighted-average discount rate - operating lease	5.8%

Employment Contract - In May 2021, the Organization entered into a five-year employment agreement with its Chief Executive Officer. The agreement provides for 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 1, 2024 and March 31, 2024, respectively, with options to renew for an additional two years.

THE MAX FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2022 (With Comparative Totals for 2021)

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 for Latin American operations and a senior program manager are family members of the Organization's Chief Executive Officer.

Note 12 - Liquidity and Availability of Financial Assets

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

The 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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 4,040,215	\$ 3,153,386
Grants receivable	1,427,399	1,037,543
Accrued shipping costs receivable	<u>337,359</u>	<u>314,267</u>
Total financial assets	5,804,973	4,505,196
Less cash subject to donor restrictions	<u>(2,476,315)</u>	<u>(1,912,357)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 3,328,658</u>	<u>\$ 2,592,839</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.

SUPPLEMENTARY INFORMATION

THE MAX FOUNDATION AND SUBSIDIARIES

**Consolidating Statement of Financial Position
For the Year Ended December 31, 2022**

	The Max Foundation	MaxAid	Eliminations	Total
Assets				
Current Assets:				
Cash and cash equivalents	\$ 751,828	\$ 3,288,387	\$ -	\$ 4,040,215
Grants receivable	27,399	1,400,000		1,427,399
Prepaid expenses and other assets	101,433	752,046		853,479
Accrued shipping costs receivable		337,359		337,359
Due from related party	1,425,711		(1,425,711)	
Pharmaceuticals inventory		116,005,099		116,005,099
Total Current Assets	2,306,371	121,782,891	(1,425,711)	122,663,551
Deposits	15,048			15,048
Right-of-use assets	169,577			169,577
Property and equipment, net	118,716			118,716
Total Assets	\$ 2,609,712	\$ 121,782,891	\$ (1,425,711)	\$ 122,966,892
Liabilities and Net Assets				
Current Liabilities:				
Accounts payable	\$ 74,180	\$ 977,381	\$ -	\$ 1,051,561
Accrued expenses and other current liabilities	102,309			102,309
Due to related party		1,425,711	(1,425,711)	
Advances received	5,425			5,425
Lease liabilities, current portion	167,180			167,180
Total Current Liabilities	349,094	2,403,092	(1,425,711)	1,326,475
Long-term portion of lease liabilities	40,968			40,968
Total Liabilities	390,062	2,403,092	(1,425,711)	1,367,443
Net Assets:				
Without donor restriction	2,002,780	1,115,255		3,118,035
With donor restriction	216,870	118,264,544		118,481,414
Total Net Assets	2,219,650	119,379,799		121,599,449
Total Liabilities and Net Assets	\$ 2,609,712	\$ 121,782,891	\$ (1,425,711)	\$ 122,966,892

See independent auditor's report.

THE MAX FOUNDATION AND SUBSIDIARIES

**Consolidating Statement of Activities
For the Year Ended December 31, 2022**

	The Max Foundation	MaxAid	Eliminations	Total
Support and Revenue:				
In-kind pharmaceutical contributions	\$ -	\$ 307,241,383	\$ -	\$ 307,241,383
Contributions, grants and sponsorships	891,236	10,648,601		11,539,837
Diagnostics program revenue including in-kind of \$242,070	317,805			317,805
Service agreement revenue	4,371,165		(4,371,165)	
Other income	4,252			4,252
Total Support and Revenue	5,584,458	317,889,984	(4,371,165)	319,103,277
Expenses:				
Program services-				
Program expenses	3,082,552	9,133,529	(4,371,165)	7,844,916
In-kind program expenses	245,682	365,106,596		365,352,278
Total program services	3,328,234	374,240,125	(4,371,165)	373,197,194
Supporting services-				
Management and general	1,856,367	5,160		1,861,527
Fundraising	691,527			691,527
Total supporting services	2,547,894	5,160		2,553,054
Total Expenses	5,876,128	374,245,285	(4,371,165)	375,750,248
Change in Net Assets	(291,670)	(56,355,301)		(56,646,971)
Net assets, beginning of year	2,511,320	175,735,100		178,246,420
Net Assets, End of Year	\$ 2,219,650	\$ 119,379,799	\$ -	\$ 121,599,449

See independent auditor's report.