

THE AFYA FOUNDATION OF AMERICA, INC.
FINANCIAL STATEMENTS
(WITH INDEPENDENT AUDITOR'S REPORT)
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Afya Foundation of America, Inc.

We have audited the accompanying financial statements of The Afya Foundation of America, Inc. (the "Organization") which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the 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

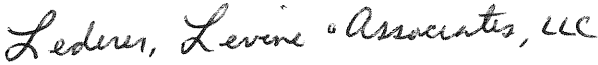
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Afya Foundation of America, Inc. as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Lederer, Levine & Associates, LLC

November 15, 2015

**THE AFYA FOUNDATION OF AMERICA, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets:		
Cash and cash equivalents (Notes B and H)	\$ 59,379	\$ 124,454
Accounts receivable (Note B)	34,511	
Contributions receivable (Notes B and C)	18,000	
Prepaid expenses	4,503	6,500
Inventory - contributed medical supplies (Note B)	<u>3,391,930</u>	<u>4,284,661</u>
 Total Current Assets	 3,508,323	 4,415,615
 Property and equipment (Notes B and D)	 61,216	 8,450
Security Deposits	<u>15,500</u>	<u>13,000</u>
 TOTAL ASSETS	 \$ <u>3,585,039</u>	 \$ <u>4,437,065</u>
 LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 11,863	\$ 42,358
Deferred revenue	27,000	27,000
Capital lease payable - current portion (Note G)	<u>7,953</u>	<u></u>
 Total Current Liabilities	 46,816	 69,358
 Capital lease payable (Note G)	 <u>53,003</u>	 <u></u>
 TOTAL LIABILITIES	 <u>99,819</u>	 <u>69,358</u>
 COMMITMENTS AND CONTINGENCIES (Note F)		
 NET ASSETS		
Unrestricted	3,467,220	4,367,707
Temporarily restricted (Note I)	<u>18,000</u>	<u></u>
 TOTAL NET ASSETS	 <u>3,485,220</u>	 <u>4,367,707</u>
 TOTAL LIABILITIES AND NET ASSETS	 \$ <u>3,585,039</u>	 \$ <u>4,437,065</u>

The accompanying notes are an integral part of these financial statements.

THE AFYA FOUNDATION OF AMERICA, INC.
 STATEMENTS OF ACTIVITIES
 FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014			2013
	Unrestricted	Temporarily Restricted	Total	All Unrestricted
SUPPORT AND REVENUE:				
Public support (Note B)	\$ 499,927	\$ 18,000	\$ 517,927	\$ 710,462
Contributed medical supplies (Note B)	3,921,226		3,921,226	7,061,830
Donated services (Notes B and E)	220,707		220,707	333,400
Shipment reimbursement	466,182		466,182	359,861
TOTAL SUPPORT AND REVENUE	5,108,042	18,000	5,126,042	8,465,553
EXPENSES:				
Program services	5,771,940		5,771,940	5,562,608
Management and general	155,948		155,948	132,819
Fundraising	80,641		80,641	57,421
TOTAL EXPENSES	6,008,529		6,008,529	5,752,848
Change in Net Assets	(900,487)	18,000	(882,487)	2,712,705
Net Assets - Beginning of Year	4,367,707		4,367,707	1,655,002
NET ASSETS - END OF YEAR	\$ 3,467,220	\$ 18,000	\$ 3,485,220	\$ 4,367,707

The accompanying notes are an integral part of these financial statements.

THE AFYA FOUNDATION OF AMERICA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014			2013				
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Contributed medical supplies (Notes B and H)	\$ 4,813,957	\$	\$	\$ 4,813,957	\$ 4,373,307	\$	\$	\$ 4,373,307
Donated services (Notes B and E)	124,723	44,828	51,156	220,707	249,777	48,911	34,712	333,400
Warehouse and office expense	54,559	954	112	55,625	55,421	2,068		57,489
Salaries and benefits	340,498	61,222	20,513	422,233	414,057	28,706	14,188	456,951
Relief expense	79,318			79,318	2,807			2,807
Travel expense	13,348			13,348	25,176			25,176
Occupancy (Note F)	91,692	3,861	965	96,518	89,088	4,689		93,777
Haiti rehabilitation	122,854			122,854	145,603			145,603
Shipping expense	102,518			102,518	188,192			188,192
Professional fees		26,626	1,694	28,320	1,224	36,760	1,124	39,108
Insurance	4,810	1,449	51	6,310	3,864	203		4,067
Depreciation and amortization	11,320	3,071		14,391	495	4,454		4,949
Public relations and promotion	10,612	6,314	5,496	22,422	12,644	4,887	6,327	23,858
Interest expense (Note G)		7,288		7,288				
Other expenses	1,731	335	654	2,720	953	2,141	1,070	4,164
TOTAL EXPENSES	\$ 5,771,940	\$ 155,948	\$ 80,641	\$ 6,008,529	\$ 5,562,608	\$ 132,819	\$ 57,421	\$ 5,752,848

The accompanying notes are an integral part of these financial statements.

THE AFYA FOUNDATION OF AMERICA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (882,487)	\$ 2,712,705
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	14,391	4,949
Changes in assets and liabilities:		
Accounts receivable	(34,511)	
Contributions receivables	(18,000)	
Prepaid expenses	1,997	(6,500)
Inventory - contributed medical supplies (Note B)	892,731	(2,688,523)
Security deposits	(2,500)	
Accounts payable and accrued expenses	(30,495)	40,586
Deferred revenue		27,000
	<u>(58,874)</u>	<u>90,217</u>
Net Cash Provided by Operating Activities	(58,874)	90,217
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,288)	
	<u>(1,288)</u>	<u></u>
Net Cash Used by Investing Activities	(1,288)	
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal repayments on capital lease payable	(4,913)	
	<u>(4,913)</u>	<u></u>
Net Cash Used by Financing Activities	(4,913)	
Change in cash and cash equivalents	(65,075)	90,217
Cash and cash equivalents - beginning of year	124,454	34,237
	<u>124,454</u>	<u>34,237</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 59,379	\$ 124,454
	<u>\$ 59,379</u>	<u>\$ 124,454</u>
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 7,288	\$
Equipment acquired through capital lease	\$ 65,869	\$
	<u>\$ 65,869</u>	<u>\$</u>

The accompanying notes are an integral part of these financial statements.

THE AFYA FOUNDATION OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

Note A – Organization and Nature of Activities

The Afya Foundation of America, Inc. (the "Organization") was established on November 2007 in New York as a nonprofit corporation. It began its operation on February 15, 2008 with a mission to obtain medical, surgical and humanitarian inventories needed to support health initiatives in countries throughout the world. Inventory is donated to the Organization by hospitals, nursing homes, corporations, schools and private households. The Organization serves as a donation-based clearinghouse, with the primary intent of partnering with the supporting established organizations in the international health care community.

The Organization is a not-for-profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and is organized under the Not-for-Profit Corporation Law of the State of New York.

Note B – Summary of Significant Accounting Policies

Method of Accounting

The Organization prepares its financial statements using the accrual basis of accounting. The Organization adheres to accounting principles generally accepted in the United States of America ("U.S. GAAP") which include certain specialized requirements set forth in publications of the Financial Accounting Standards Board.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is November 15, 2015.

Accounting for Uncertainty in Income Taxes

The Organization's accounting policy is to provide liabilities for uncertain tax positions when a liability is probable and estimable. Management is not aware of any violation of its tax status as an Organization exempt from income taxes, nor of any exposure to unrelated business income tax. The Organization is no longer subject to examination by federal tax authorities for the fiscal years prior to 2011.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of less than three months to be cash equivalents.

Restricted Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

THE AFYA FOUNDATION OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(continued)

Note B – Summary of Significant Accounting Policies (continued)

Reclassification

Certain line items in the December 31, 2013 financial statements have been reclassified to conform to the December 31, 2014 presentation.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives. The Organization capitalizes property and equipment with a useful life of at least two years.

Fair Value Measurements

Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. The Organization does not discount to present value contributions that will be received in more than one year because it has deemed the discount to be immaterial.

Allowance for Doubtful Accounts

The Organization determines whether an allowance for uncollectible accounts should be provided for accounts or contributions receivable. Such estimates are based on management's assessment of the aged basis of its contributions and other sources, current economic conditions and historical information. At December 31, 2014, management has determined that no allowance for doubtful accounts is necessary.

Inventories – Contributed Medical Supplies

Inventories consist of donated durable and consumable medical supplies and equipment. The Organization makes a determined effort to establish the original cost of the donated inventory and then records these items at their estimated fair market value at the time of receipt, typically determined by the Organization to be approximately 25% to 50% of the original cost.

Functional Reporting

The costs of providing the Organization's services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Recognition and Classification of Support and Revenue

The Organization's revenues consist of public support, donated medical related supplies and container fees. All support and revenue is recognized in the statement of activities in the period received.

THE AFYA FOUNDATION OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(continued)

Note B – Summary of Significant Accounting Policies (continued)

Contributions and Donations

Property and Equipment and Securities – Donations of fixed assets or securities are valued at the fair value of the asset as of the date the gift is received.

Donated Inventory Items – Donations from other nonprofit entities that are specifically designated to be forwarded to another not-for-profit agency are recorded as agency transactions. Accordingly, no income or expense is recognized by the Organization on these transactions. Donations from individuals that have specific instructions are treated as temporarily restricted donations until the goods are actually transferred.

Reclassification

Certain line items in the December 31, 2013 financial statements have been reclassified to conform to the December 31, 2014 presentation.

Note C – Contributions Receivable

Contributions receivable as of December 31, 2014 are collectible in less than one year.

Note D – Property and Equipment

Property and equipment consisted of the following as of December 31:

	2014	2013
Leasehold improvements	\$ 12,755	\$ 12,755
Warehouse equipment	10,040	8,752
Office equipment	12,102	12,102
Vehicle (acquired through a capital lease)	65,869	
	100,766	33,609
Less: accumulated depreciation and amortization	39,550	25,159
	\$ 61,216	\$ 8,450

Depreciation and amortization expense for the years ended December 31, 2014 and 2013 amounted to \$14,391 and \$4,949, respectively.

Note E – Donated Services

The value of donated service hours performed by volunteers, consisting of moving and organizing donated goods, has been estimated based on minimum wage. The value of donated professional services has been estimated at the fair value of the services received by the Organization.

Note F – Commitments

The Organization leases office and warehouse space under an operating lease that is scheduled to expire on November 30, 2015. At December 31, 2014 future minimum rental payments on this lease are as follows:

For the year ended December 31, 2015 \$ 74,400

Occupancy expense for the years ended December 31, 2014 and 2013 amounted to \$96,518 and \$93,778, respectively.

THE AFYA FOUNDATION OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(continued)

Note G – Capital Lease Obligations

The Organization leases equipment under a capital lease that expires April 19, 2020. The assets and liabilities under the capital lease is recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized on a straight-line basis over the lower of their related lease terms or their estimated productive lives. The portion of amortization expense for the years ended December 31, 2014 and 2013 attributable to this equipment is \$10,978 and \$-0-, respectively. The interest rate at December 31, 2014 was 16.123%

Minimum future lease payments under the capital leases for the equipment as of December 31, 2014 are as follows:

Year ended December 31, 2015	\$ 17,147
2016	17,147
2017	17,147
2018	17,147
2019	17,147
Thereafter	<u>4,757</u>
Total Minimum Lease Payments	90,492
Less: Amount Representing Interest	<u>(29,536)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 60,956</u>

Note H – Concentrations

The Organization maintains several bank accounts in several financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. At December 31, 2014 and 2013, there were no uninsured cash balances.

For the years ended December 31, 2014 and 2013, the Organization received donated goods, consisting of supplies and materials, from six donors which represented 60% of total revenues in 2014, and five donors which represented 45% of total revenues in 2013.

Note I – Temporarily Restricted

The temporarily restricted net assets at December 31, 2014 was restricted as follows:

Program and time restricted	<u>\$ 18,000</u>
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