

THE AFYA FOUNDATION OF AMERICA, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

THE AFYA FOUNDATION OF AMERICA, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The AFYA Foundation of America, Inc.
Yonkers, New York

We have audited the accompanying statements of financial position of The AFYA Foundation of America, Inc. at December 31, 2011 and 2010, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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. at December 31, 2011 and 2010, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Grassi & Co., CPAs, P.C.

GRASSI & CO., CPAs, P.C.

New York, New York
January 31, 2013

THE AFYA FOUNDATION OF AMERICA, INC.
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2011 AND 2010

ASSETS

	2011	2010
Current Assets:		
Cash and cash equivalents	\$ 147,857	\$ 144,822
Contributions receivable	16,253	-
Inventory - undistributed donated goods	2,497,702	828,117
Total Current Assets	2,661,812	972,939
Fixed Assets:		
Warehouse and office equipment	28,690	21,487
Less: Accumulated depreciation and amortization	13,774	8,044
Fixed Assets, Net	14,916	13,443
Security deposits	12,000	12,000
Total Assets	\$ 2,688,728	\$ 998,382

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable and accrued expenses	\$ 12,653	\$ 32,544
Commitments		
Net Assets:		
Unrestricted	2,676,076	965,839
Total Liabilities and Net Assets	\$ 2,688,729	\$ 998,383

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

THE AFYA FOUNDATION OF AMERICA, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Revenues and support:		
Public support	\$ 521,855	\$ 413,449
Donated goods	4,059,780	3,943,141
Donated services	412,915	392,500
Container fees	212,547	488,729
Interest income	81	140
	<u>5,207,178</u>	<u>5,237,959</u>
Expenses:		
Program services - Donation-Based Clearinghouse Services	3,287,194	4,570,967
Management and general	187,363	155,821
Fund raising	22,384	45,883
	<u>3,496,941</u>	<u>4,772,671</u>
Changes in Net Assets	1,710,237	465,289
Net Assets, Beginning of Year	<u>965,839</u>	<u>500,550</u>
Net Assets, End of Year	<u>\$ 2,676,076</u>	<u>\$ 965,839</u>

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

THE AFYA FOUNDATION OF AMERICA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Donation-Based Clearinghouse Services</u>	<u>Management and General</u>	<u>Fund Raising</u>		
Cost of revenues	\$ 2,393,384	\$ -	\$ -		\$ 2,393,384
Warehouse and shipping	72,070	-	-		72,070
Salaries and benefits	555,675	138,919	-		694,594
Occupancy	52,748	11,271	-		64,019
Technology	1,195	10,751	-		11,946
Professional fees	33,812	11,271	-		45,083
International travel and living	139,613	-	-		139,613
Domestic travel	8,397	-	-		8,397
Insurance	3,610	1,777	-		5,387
Office expense	913	8,218	-		9,131
Depreciation and amortization	573	5,157	-		5,730
Fund raising	-	-	22,384		22,384
Other program expenses	25,203	-	-		25,203
	<u>\$ 3,287,194</u>	<u>\$ 187,363</u>	<u>\$ 22,384</u>		<u>\$ 3,496,941</u>

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

THE AFYA FOUNDATION OF AMERICA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Donation-Based Clearinghouse Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	
Cost of revenues	\$ 3,686,785	\$ -	\$ -	\$ 3,686,785
Warehouse and shipping	200,883	-	-	200,883
Salaries and benefits	427,379	106,845	-	534,224
Occupancy	52,748	18,553	-	71,301
Technology	618	5,557	-	6,175
Professional fees	28,893	9,631	-	38,524
International travel and living	157,419	-	-	157,419
Domestic travel	2,459	-	-	2,459
Insurance	4,266	2,100	-	6,366
Office expense	971	8,736	-	9,707
Depreciation and amortization	489	4,399	-	4,888
Fund raising	-	-	45,883	45,883
Other program expenses	8,057	-	-	8,057
	<u>\$ 4,570,967</u>	<u>\$ 155,821</u>	<u>\$ 45,883</u>	<u>\$ 4,772,671</u>

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, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 1,710,237	\$ 465,288
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	5,730	4,888
Changes in assets and liabilities:		
Contributions receivable	(16,253)	-
Inventory - undistributed donated goods	(1,669,585)	(256,357)
Security deposits	-	(12,000)
Accounts payable and accrued expenses	(19,891)	(69,765)
Net cash provided by operating activities	10,238	132,054
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(7,203)	(4,314)
Net cash used in investing activities	(7,203)	(4,314)
Change in cash and cash equivalents	3,035	127,740
Cash and cash equivalents, beginning of year	144,822	17,082
Cash and cash equivalents, end of year	\$ 147,857	\$ 144,822

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

THE AFYA FOUNDATION OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

Note 1 - Organization and Business

The AFYA Foundation of America, Inc. (the "Organization") was established on November 13, 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, surgical centers, nursing homes, corporations, schools and private households. The Organization serves as a donation-based clearinghouse, with the primary intent of partnering with and supporting established organizations in the international health care community.

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that have no restrictions as to use or purpose imposed by donors.

Temporarily restricted net assets - Net assets whose use has been restricted by donors to a specific time period or purpose. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets that represent endowment funds whose principal may not be expended. The donors may or may not restrict the use of the investment income.

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

THE AFYA FOUNDATION OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Fair Value of Financial Instruments

Fair value is defined as 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. To increase the comparability of fair value measurements, a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies, is as follows:

Level 1 - Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 - Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Valuations based on unobservable inputs reflecting the Organization's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

At December 31, 2011 and 2010, the fair value of the Organization's financial instruments including cash and cash equivalents, contributions receivable, accounts payable and accrued expenses, approximated book value due to the short maturity of these instruments.

At December 31, 2011 and 2010, the Organization does not have assets or liabilities required to be measured at fair value in accordance with Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") Topic 820, *Fair Value Measurements*.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. The Organization does not accrue interest on past due receivables.

THE AFYA FOUNDATION OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Allowance for Doubtful Accounts

The Organization determines whether an allowance for uncollectible accounts should be provided for 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. Contributions receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. At December 31, 2011 and 2010, management has determined that no allowance for doubtful accounts is necessary.

Inventories - Undistributed Donated Goods

Inventories consist of donated durable and consumable medical supplies and equipment, which are donated by third parties. 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.

Fixed Assets

Property and equipment is stated at cost. The costs of additions and betterments are capitalized and expenditures for repairs and maintenance are expensed in the year incurred. When items of property and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Depreciation and amortization of property and equipment is provided utilizing the straight-line method over the estimated useful lives as follows:

Leasehold improvements	3 to 5 years
Warehouse equipment	5 years
Office equipment	2 to 4 years

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.

THE AFYA FOUNDATION OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Recognition and Classification of Support, Revenue and Expenses

The Organization's revenues consist of public support, donated medical related supplies and container fees. All support is recognized as income in the statement of activities in the period received. Temporarily restricted assets are reclassified as unrestricted when available for unrestricted use as a result of compliance with or expiration of the related restriction. All expenses are charged in the statement of activities to unrestricted net assets regardless of how funded. Certain expenses are allocated functionally to program and administrative activities on the basis of estimates by management.

Contributions and Donations

Cash Contributions - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date contribution is received. The gifts are reported as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities as released from restrictions.

Fixed Assets 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. The total amount of agency transactions for 2011 and 2010, were valued at \$-0- and \$366,680, respectively. Donations from individuals that have specific instructions are treated as temporarily restricted donations until the goods are actually transferred.

Accounting for Uncertainty in Income Taxes

The Organization follows the provisions pertaining to uncertain tax provisions in FASB ASC Topic 740, *Income Taxes*, and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

THE AFYA FOUNDATION OF AMERICA, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2011 AND 2010

Note 3 - Fixed Assets

Fixed assets, net at December 31, 2011 and 2010 consist of the following:

	2011	2010
Leasehold improvements	\$ 12,755	\$ 5,949
Warehouse equipment	7,173	6,776
Office equipment	8,762	8,762
	28,690	21,487
Less: Accumulated depreciation and amortization	13,774	8,044
	\$ 14,916	\$ 13,443

Depreciation and amortization expense for the years ended December 31, 2011 and 2010 amounted to \$5,730 and \$4,888, respectively.

Note 4 - 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 5 - Commitments

The Organization leases office and warehouse space that is scheduled to expire on November 30, 2013. At December 31, 2011, future minimum rental payments on this lease are as follows:

<u>Years Ending December 31:</u>	
2012	\$ 76,565
2013	70,185
	\$ 146,750

Occupancy expense for the years ended December 31, 2011 and 2010 amounted to \$64,019 and \$71,301, respectively, and includes both base rent plus utilities.

Note 6 - Concentrations of Risk

The Organization maintains cash balances in several financial institutions. Interest-bearing balances are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to \$250,000 per institution. In addition, all funds in noninterest-bearing accounts are insured by the FDIC through December 31, 2012. From time to time, the Organization's balances may exceed these limits.

THE AFYA FOUNDATION OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

Note 6 - Concentrations of Risk (cont'd.)

For the years ended December 31, 2011 and 2010, the Organization received donated goods, consisting of supplies and materials, from five donors which represented 65% and 53% of total revenues, respectively. In addition, four donors contributed 48% and 15% of cash support received in 2011 and 2010, respectively.

Note 7 - Subsequent Events

The Organization has evaluated all events or transactions that occurred after January XX, 2013 through the date of these financial statements, which is the date that the financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure.