THE AFYA FOUNDATION OF AMERICA, INC.

FINANCIAL STATEMENTS

(WITH INDEPENDENT AUDITORS' REPORT)

FOR THE YEAR ENDED DECEMBER 31, 2013

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INDEPENDENT AUDITORS' 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 statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses and cash flows for the year 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 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.

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, 2013, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Lederer, Levine & Associates, LLC

Lederer, Levine & Associates, LLC

November 17, 2014

THE AFYA FOUNDATION OF AMERICA, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013

ASSETS		
Current Assets:		
Cash and cash equivalents (Notes B and F)	$	124,454
Prepaid expenses		6,500
Inventory - donated goods held for distribution (Note B)		4,284,661
Total Current Assets		4,415,615
Property and equipment (Notes B and C)		8,450
Security Deposits		13,000
TOTAL ASSETS	$	4,437,065
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	$	42,358
Deferred revenue		27,000
Total Current Liabilities		69,358
COMMITMENTS AND CONTINGENCIES (Note E)		
NET ASSETS		
Unrestricted		4,367,707
TOTAL LIABILITIES AND NET ASSETS	$	4,437,065

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

THE AFYA FOUNDATION OF AMERICA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

SUPPORT AND REVENUE:	
Public support (Note B)	$ 709,992
Donated goods (Note B)	7,061,830
Donated services (Notes B and D)	333,400
Container fees	359,861
Interest income	470
TOTAL SUPPORT AND REVENUE	8,465,553
EXPENSES:	
Program services	5,562,608
Management and general	132,819
Fundraising	57,421
TOTAL EXPENSES	5,752,848
CHANGE IN NET ASSETS	2,712,705
Net Assets - Unrestricted - Beginning of Year	1,655,002
NET ASSETS - UNRESTRICTED - END OF YEAR	$ 4,367,707

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, 2013

	Program Services	Management and General	Fundraising	Total
Contributed medical supplies (Note B)	$ 4,373,307	$ -	$ -	$ 4,373,307
Donated services (Notes B and D)	249,777	48,911	34,712	333,400
Warehouse and shipping	207,217	-	-	207,217
Salaries and benefits	414,057	28,706	14,188	456,951
Travel to relief sites	174,480	-	-	174,480
Occupancy	94,800	4,989	-	99,789
Office expense	20,793	1,094	-	21,887
Technology	5,667	298	-	5,965
Professional fees	1,224	36,760	1,124	39,108
Insurance	3,864	203	-	4,067
Depreciation and amortization	495	4,454	-	4,949
Public relations and promotion	7,447	5,263	6,327	19,037
Other program expenses	9,480	2,141	1,070	12,691
TOTAL EXPENSES	$ 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.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$	2,712,705
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization		4,949
Changes in assets and liabilities:		
Prepaid expenses		(6,500)
Inventory - donated goods held for distribution		(2,688,523)
Accounts payable and accrued expenses		40,586
Deferred revenue		27,000
Net Cash Provided by Operating Activities		90,217
Change in cash and cash equivalents		90,217
Cash and cash equivalents - beginning of year		34,237
CASH AND CASH EQUIVALENTS - END OF YEAR	$	124,454

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

THE AFYA FOUNDATION OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 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 internal 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 17, 2014.

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 2010.

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. 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. 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.

Note B – Summary of Significant Accounting Policies (Continued)

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 two years.

Fair Value Measurements

U. S. GAAP has established a fair value hierarchy organized into three levels based upon the "input" assumptions used in pricing assets. Level 1 inputs relate to assets with quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices that are observable either directly or indirectly with fair value being determined through the use of models or other valuation methodologies. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Contributions Receivable

Unconditional promised 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.

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. At December 31, 2013, management has determined that no allowance for doubtful accounts is necessary.

Inventories – Donated Goods Held for Distribution

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.

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.

Note B – Summary of Significant Accounting Policies (Continued)

Contributions and Donations

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. There were no agency transactions in 2013. Donations from individuals that have specific instructions are treated as temporarily restricted donations until the goods are actually transferred.

Note C – Property and Equipment

Property and equipment consist of the following as of December 31, 2013:

Leasehold improvements	$ 12,755
Warehouse equipment	8,752
Office equipment	12,102
	33,609
Less: accumulated depreciation and amortization	25,159
	$ 8,450

Depreciation and amortization expense for the year ended December 31, 2013 amounted to $4,949.

Note D – 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 E – Commitments

The Organization leases office and warehouse space under an operating lease that is scheduled to expire on November 30, 2015. At December 31, 2013 future minimum rental payments on this lease are as follows:

For the year ending December 31, 2014	$ 79,700
2015	74,400

Occupancy expense for the year ended December 31, 2013 amounted to $112,789.

Note F – 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, 2013, there were no uninsured cash balances.

For the year ended December 31, 2013, the Organization received donated goods, consisting of supplies and materials, from five donors which represented 45% of total revenues. In addition, two donors contributed 52% of cash support received in 2013.