

THE AFYA FOUNDATION OF AMERICA, INC.
FINANCIAL STATEMENTS
(WITH INDEPENDENT AUDITOR'S REPORT)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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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, 2015 and 2014, 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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Lederer, Levine & Associates, LLC

Lyndhurst, NJ
February 20, 2018

**THE AFYA FOUNDATION OF AMERICA, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets:		
Cash and cash equivalents (Notes B and H)	\$ 71,620	\$ 59,379
Accounts receivable (Note B)	13,387	34,511
Contributions receivable (Notes B and C)	30,000	18,000
Prepaid expenses	1,456	4,503
Inventory - contributed medical supplies and equipment (Note B)	<u>2,727,010</u>	<u>3,391,930</u>
 Total Current Assets	 2,843,473	 3,508,323
 Property and equipment (Notes B and D)	 49,720	 61,216
Security deposits	<u>15,500</u>	<u>15,500</u>
 TOTAL ASSETS	 \$ <u>2,908,693</u>	 \$ <u>3,585,039</u>
 LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 60,009	\$ 11,863
Deferred revenue	25,000	27,000
Capital lease payable - current portion (Note G)	<u>9,452</u>	<u>7,953</u>
 Total Current Liabilities	 94,461	 46,816
 Capital lease payable (Note G)	 <u>43,317</u>	 <u>53,003</u>
 TOTAL LIABILITIES	 <u>137,778</u>	 <u>99,819</u>
 COMMITMENTS AND CONTINGENCIES (Note F)		
 NET ASSETS		
Unrestricted	2,734,631	3,467,220
Temporarily restricted (Note I)	<u>36,284</u>	<u>18,000</u>
 TOTAL NET ASSETS	 <u>2,770,915</u>	 <u>3,485,220</u>
 TOTAL LIABILITIES AND NET ASSETS	 \$ <u>2,908,693</u>	 \$ <u>3,585,039</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, 2015 AND 2014**

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Public support (Note B)	\$ 448,695	\$ 146,067	\$ 594,762	\$ 499,927	\$ 18,000	\$ 517,927
Contributed medical supplies (Note B)	2,664,989		2,664,989	3,921,226		3,921,226
Donated services (Notes B and E)	206,030		206,030	220,707		220,707
Shipment reimbursement	434,552		434,552	466,182		466,182
Net assets released from restrictions	127,783	(127,783)				
TOTAL SUPPORT AND REVENUE	3,882,049	18,284	3,900,333	5,108,042	18,000	5,126,042
EXPENSES:						
Program services	4,309,717		4,309,717	5,771,940		5,771,940
Management and general	235,766		235,766	155,948		155,948
Fundraising	69,155		69,155	80,641		80,641
TOTAL EXPENSES	4,614,638		4,614,638	6,008,529		6,008,529
Change in Net Assets	(732,589)	18,284	(714,305)	(900,487)	18,000	(882,487)
Net Assets - Beginning of Year	3,467,220	18,000	3,485,220	4,367,707		4,367,707
NET ASSETS - END OF YEAR	\$ 2,734,631	\$ 36,284	\$ 2,770,915	\$ 3,467,220	18,000	3,485,220

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, 2015 AND 2014**

	2015			2014				
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Contributed medical supplies (Notes B and H)	\$ 3,329,909	\$	\$	\$ 3,329,909	\$ 4,813,957	\$	\$	\$ 4,813,957
Donated services (Notes B and E)	113,880	86,400	5,750	206,030	124,723	44,828	51,156	220,707
Warehouse and office expense	128,599	1,170	119	129,888	54,559	954	112	55,625
Salaries and benefits	337,218	71,741	44,255	453,214	340,498	61,222	20,513	422,233
Relief expense	5,200			5,200	79,318			79,318
Travel	16,151			16,151	13,348			13,348
Occupancy (Note F)	90,118	3,794	949	94,861	91,692	3,861	965	96,518
Haiti rehabilitation	130,258			130,258	122,854			122,854
Shipping expense	122,085			122,085	102,518			102,518
Professional fees		48,945	750	49,695		26,626	1,694	28,320
Insurance	5,215	1,765	51	7,031	4,810	1,449	51	6,310
Depreciation and amortization	11,371	3,537		14,908	11,320	3,071		14,391
Public relations and promotion	19,392	8,739	14,861	42,992	10,612	6,314	5,496	22,422
Interest expense (Note G)		9,380		9,380		7,288		7,288
Other expenses	321	295	2,420	3,036	1,731	335	654	2,720
TOTAL EXPENSES	\$ 4,309,717	\$ 235,766	\$ 69,155	\$ 4,614,638	\$ 5,771,940	\$ 155,948	\$ 80,641	\$ 6,008,529

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, 2015 AND 2014**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (714,305)	\$ (882,487)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	14,908	14,391
Changes in assets and liabilities:		
Accounts receivable	21,124	(34,511)
Contributions receivables	(12,000)	(18,000)
Prepaid expenses	3,047	1,997
Inventory - contributed medical supplies (Note B)	664,920	892,731
Security deposits		(2,500)
Accounts payable and accrued expenses	48,146	(30,495)
Deferred revenue	(2,000)	
Net Cash Provided (Used) by Operating Activities	23,840	(58,874)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(3,412)	(1,288)
Net Cash Used by Investing Activities	(3,412)	(1,288)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal repayments on capital lease payable	(8,187)	(4,913)
Net Cash Used by Financing Activities	(8,187)	(4,913)
Change in cash and cash equivalents	12,241	(65,075)
Cash and cash equivalents - beginning of year	59,379	124,454
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 71,620	\$ 59,379
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 9,380	\$ 7,288
Equipment acquired through capital lease	\$	\$ 65,869

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

THE AFYA FOUNDATION OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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 by 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 February 20, 2018.

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.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

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.

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.

THE AFYA FOUNDATION OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(continued)

Note B – Summary of Significant Accounting Policies (continued)

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 receivables and other sources, current economic conditions and historical information. At December 31, 2015 and 2014, management has determined that no allowance for doubtful accounts was necessary.

Inventories – Contributed Medical Supplies and Equipment

Inventories consist of donated durable equipment and consumable medical supplies. 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.

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.

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.

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.

Note C – Contributions Receivable

At each year-end, contributions were estimated to be due as follows:

	<u>2015</u>	<u>2014</u>
Less than one year	\$ 15,000	\$ 18,000
One to five years	<u>15,000</u>	<u>18,000</u>
	<u>\$ 30,000</u>	<u>\$ 18,000</u>

THE AFYA FOUNDATION OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(continued)

Note D – Property and Equipment

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

	<u>2015</u>	<u>2014</u>
Leasehold improvements	\$ 12,755	\$ 12,755
Warehouse equipment	10,040	10,040
Office equipment	15,514	12,102
Vehicle (acquired through a capital lease)	<u>65,869</u>	<u>65,869</u>
	104,178	100,766
Less: accumulated depreciation and amortization	<u>54,458</u>	<u>39,550</u>
	<u>\$ 49,720</u>	<u>\$ 61,216</u>

Depreciation and amortization expense for the years ended December 31, 2015 and 2014 amounted to \$14,908 and \$14,391, 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 and Contingencies

The Organization leases office and warehouse space under an operating lease that is scheduled to expire on November 30, 2020. At December 31, 2015 future minimum rental payments on this lease are as follows:

For the year ended December 31, 2016	\$ 83,795
2017	86,308
2018	88,898
2019	91,565
2020	<u>86,237</u>
	<u>\$ 436,803</u>

Occupancy expense for the years ended December 31, 2015 and 2014 amounted to \$94,861 and \$96,518, respectively.

In November, 2017, the lease was terminated, and the Organization entered into a new lease for different office space. Annual rent under this new lease ranges from approximately \$144,000 to \$153,000 for the years ending December 31, 2018 to December 31, 2020.

Note G – Capital Lease Obligations

The Organization leases a vehicle under a capital lease that expires April 19, 2020. The asset is being amortized on a straight-line basis. The portion of amortization expense for the years ended December 31, 2015 and 2014 attributable to this equipment is \$10,978 and \$10,978, respectively. The interest rate at December 31, 2015 was \$16.123%

Minimum future lease payments under the capital leases for the equipment as of December 31, 2015 are as follows:

For the year ended December 31, 2016	\$ 17,233
2017	17,233
2018	17,233
2019	17,233
2020	<u>3,930</u>
Total minimum lease payments	72,862
Less: amount representing interest	<u>(20,093)</u>
Present value of net minimum lease payments	<u>\$ 52,769</u>

THE AFYA FOUNDATION OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
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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, 2015 and 2014, there were no uninsured cash balances.

For the years ended December 31, 2015 and 2014, the Organization received donated goods, consisting of supplies and materials, from five donors which represented 55% of total revenues in 2015, and six donors which represented 60% of total revenues in 2014.

Note I – Temporarily Restricted Net Assets

The temporarily restricted net assets at December 31, 2015 and 2014 were restricted as follows:

	<u>2015</u>	<u>2014</u>
Program and time restricted	\$ 6,284	\$ 18,000
Time restricted	<u>30,000</u>	<u> </u>
	<u>\$ 36,284</u>	<u>\$ 18,000</u>