THE AFYA FOUNDATION OF AMERICA, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

THE AFYA FOUNDATION OF AMERICA, INC.

CONTENTS

GRASSI & CO.
Accountants and Success Consultants®
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INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Afya Foundation of America, Inc.

Report on the Financial Statements

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, 2017, 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.

Auditors' 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 qualified audit opinion.

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Basis for Qualified Opinion

We did not observe the taking of the physical inventory at December 31, 2017 stated at $1,819,337. We were unable to obtain sufficient appropriate audit evidence about inventory quantities by other auditing procedures.

Qualified Opinion

In our opinion, except for the possible effect on the 2017 financial statements discussed in the Basis for Qualified Opinion Paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of The Afya Foundation of America, Inc. as of December 31, 2017, 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.

Report on Prior Year Financial Statements

The financial statements as of and for the year ended December 31, 2016, were audited by Lederer, Levine & Associates, LLC, who merged with Grassi & Co. as of January 1, 2019, and whose report dated June 3, 2019, expressed a modified opinion on those financial statements.

Grassi & Co, CPAs, P.C.

GRASSI & CO., CPAs, P.C.

White Plains, New York
July 24, 2019

THE AFYA FOUNDATION OF AMERICA, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 534,008	$ 29,438
Accounts receivable	8,211	26,427
Contributions receivable	-	15,000
Prepaid expenses	144,500	-
Inventory - contributed medical supplies and equipment	1,819,337	1,909,290
Total Current Assets	2,506,056	1,980,155
Property and equipment	24,703	37,940
Security deposits and other assets	19,594	17,176
TOTAL ASSETS	$ 2,550,353	$ 2,035,271
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 69,742	$ 71,261
Deferred revenue	50,000	15,700
Capital lease payable - current portion	13,042	11,103
Total Current Liabilities	132,784	98,064
LONG-TERM LIABILITIES:		
Capital lease payable, less current portion	19,173	32,215
TOTAL LIABILITIES	151,957	130,279
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Unrestricted	1,995,912	1,889,992
Temporarily restricted	402,484	15,000
TOTAL NET ASSETS	2,398,396	1,904,992
TOTAL LIABILITIES AND NET ASSETS	$ 2,550,353	$ 2,035,271

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, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Public support	$ 457,864	$ 804,356	$ 1,262,220	$ 384,732	$ 193,955	$ 578,687
Contributed medical supplies	5,752,508	-	5,752,508	950,333	-	950,333
Donated services	305,557	-	305,557	136,954	-	136,954
Shipment reimbursement	170,874	-	170,874	259,811	-	259,811
Net assets released from restrictions	416,872	(416,872)	-	215,239	(215,239)	-
TOTAL SUPPORT AND REVENUE	7,103,675	387,484	7,491,159	1,947,069	(21,284)	1,925,785
EXPENSES:						
Program services	6,738,059	-	6,738,059	2,520,942	-	2,520,942
Management and general	150,285	-	150,285	146,675	-	146,675
Fundraising	109,411	-	109,411	124,091	-	124,091
TOTAL EXPENSES	6,997,755	-	6,997,755	2,791,708	-	2,791,708
CHANGE IN NET ASSETS	105,920	387,484	493,404	(844,639)	(21,284)	(865,923)
NET ASSETS, BEGINNING OF YEAR	1,889,992	15,000	1,904,992	2,734,631	36,284	2,770,915
NET ASSETS, END OF YEAR	$ 1,995,912	$ 402,484	$ 2,398,396	$ 1,889,992	$ 15,000	$ 1,904,992

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, 2017 AND 2016

	2017				2016			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Contributed medical supplies	$ 5,742,552	$ -	$ -	$ 5,742,552	$ 1,671,834	$ -	$ -	$ 1,671,834
Donated services	289,607	10,950	5,000	305,557	120,304	11,150	5,500	136,954
Warehouse and office expense	59,459	771	116	60,346	67,534	1,015	130	68,679
Salaries and benefits	369,030	88,127	93,634	550,791	319,886	80,975	72,252	473,113
Relief expense	15,415	-	-	15,415	54,820	-	-	54,820
Fundraising expense	-	-	-	-	-	-	24,917	24,917
Travel	19,024	-	-	19,024	29,273	-	-	29,273
Occupancy	107,258	4,516	1,128	112,902	95,440	4,018	1,005	100,463
Haiti rehabilitation	4,248	-	-	4,248	33,640	-	-	33,640
Shipping expense	84,583	-	-	84,583	89,582	-	-	89,582
Professional fees	-	28,237	450	28,687	-	26,967	80	27,047
Insurance	5,107	215	54	5,376	9,513	1,647	100	11,260
Depreciation and amortization	11,204	2,033	-	13,237	11,287	2,783	-	14,070
Public relations and promotion	29,435	5,118	8,192	42,745	12,859	9,483	17,449	39,791
Interest expense	-	6,204	-	6,204	-	7,834	-	7,834
Other expenses	1,137	4,114	837	6,088	4,970	803	2,658	8,431
TOTAL EXPENSES	$ 6,738,059	$ 150,285	$ 109,411	$ 6,997,755	$ 2,520,942	$ 146,675	$ 124,091	$ 2,791,708

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, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 493,404	$ (865,923)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	13,237	14,070
Inventory - contributed medical supplies	89,953	817,720
Changes in assets and liabilities:		
Accounts receivable	18,216	(13,040)
Contributions receivable	15,000	15,000
Prepaid expenses	(144,500)	-
Security deposits and other assets	(2,418)	(220)
Accounts payable and accrued expenses	(1,519)	11,252
Deferred revenue	34,300	(9,300)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	515,673	(30,441)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	-	(2,290)
NET CASH USED IN INVESTING ACTIVITIES	-	(2,290)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal repayments on capital lease payable	(11,103)	(9,451)
NET CASH USED IN FINANCING ACTIVITIES	(11,103)	(9,451)
NET CHANGE IN CASH AND CASH EQUIVALENTS	504,570	(42,182)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	29,438	71,620
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 534,008	$ 29,438
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ 6,204	$ 7,834

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

Note 1 - Organization and Nature of Activities

The Afya Foundation of America, Inc. (the "Organization") was established on November 2007 in New York as a not-for-profit corporation. It began operations on February 15, 2008 with a mission to obtain medical, surgical and humanitarian supplies needed to support health initiatives in countries throughout the world. The Organization's major source of revenue is derived from the donation of medical supplies. These supplies are 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 2 - Summary of Significant Accounting Policies

Basis 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").

Use of Estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 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.

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.

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

Contributed Medical Supplies and Equipment

The Organization receives contributions 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 value, typically determined by the Organization to be approximately 50% of the original fair value.

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.

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.

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

Fair Value of Financial Instruments (cont'd.)

At December 31, 2017, the fair value of the Organization's financial instruments, including cash and cash equivalents, accounts and contributions receivable, accounts payable and accrued expenses, and deferred revenue, approximated book value due to the short maturity of these instruments.

At December 31, 2017, the Organization does not have assets or liabilities required to be measured at fair value in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurement.*

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, 2017 and 2016, management has determined that no allowance for doubtful accounts was necessary.

Property and Equipment

Property and equipment is stated at cost (or fair value, if donated), less accumulated depreciation and amortization. The Organization capitalizes property and equipment with a useful life of two years or more and a cost of $1,000 or more. Depreciation of fixed assets is provided utilizing the straight-line method over the estimated useful lives of the respective assets as follows:

	Estimated Useful Lives
Warehouse equipment	4 to 5 years
Office equipment	2 to 4 years
Vehicle (acquired through a capital lease)	6 years

Leasehold improvements are amortized over the shorter of the useful life of the asset or the remaining term of the lease.

Revenue Recognition

The Organization's revenues includes shipment reimbursements, which are recognized as of the date the related medical supplies are shipped. Deferred revenue consists of amounts received toward future services.

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

Accounting for Uncertainty in Income Taxes

The Organization applies the accounting standard for uncertainty in income taxes. This standard provides guidance for how uncertain tax positions should be recognized, measured, presented, and disclosed in the financial statements. As of December 31, 2017 and 2016, the Organization does not believe it has any uncertain tax positions that would qualify for either recognition or disclosure in the financial statements.

New Accounting Pronouncements

ASU No. 2016-14

In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities* (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities.* This ASU is a result of the recommendations developed by FASB's Not-for-Profit Advisory Committee and FASB's ongoing review of U.S. GAAP standards to improve existing standards to meet the evolving needs of a dynamic financial reporting environment.

The ASU provides for changes in financial statement presentation that affect classification of net assets, presentation of expenses, investment returns and presentation of operating cash flows. It also calls for enhanced disclosures of board designated funds, underwater endowment funds, methods used to allocate costs among functions, and liquidity and availability of resources. The ASU affects all not-for-profit organizations including charities, foundations, colleges and universities, health care providers, religious organizations, trade associations, and cultural institutions, among others.

This ASU is effective for annual financial statements issued for periods beginning after December 15, 2017.

ASU No. 2016-02

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). This ASU is the result of a joint project of the FASB and International Accounting Standards Board ("IASB") to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for U.S. GAAP and International Financial Reporting Standards ("IFRS"). The guidance in this ASU affects any entity that enters into a lease (as that term is defined in this ASU), with some specified scope exemptions. The guidance in this ASU will supersede FASB ASC Topic 840, *Leases*.

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

New Accounting Pronouncements (cont'd.)

ASU No. 2016-02 (cont'd.)

The ASU provides that lessees should recognize lease assets and lease liabilities on the balance sheet for leases previously classified as operating leases that exceed twelve months, including leases existing prior to the effective date of this ASU. It also calls for enhanced leasing arrangement disclosures.

For nonpublic entities, the amendments of ASU No. 2016-02 are effective for annual reporting periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020. Early application is permitted for all entities.

ASU No. 2014-09

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). This ASU is the result of a joint project of the FASB and the IASB to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and IFRS. The guidance in this ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards.

The ASU provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should apply the following five-step process to recognize revenue:

Step 1: Identify the contract with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

For nonpublic entities, the amendments of ASU No. 2014-09 are effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early application is permitted under certain circumstances.

The Organization has not yet determined if the ASUs will have a material effect on its financial statements.

Note 3 - Contributions Receivable

At December 31, 2017 and 2016, contributions receivable are due as follows:

	2017	2016
Less than one year	$ -	$ 15,000

Note 4 - Property and Equipment

Property and equipment, net consisted of the following as of December 31 2017 and 2016:

	2017	2016
Leasehold improvements	$ 12,755	$ 12,755
Warehouse equipment	10,040	10,040
Office equipment	17,804	17,804
Vehicle (acquired through a capital lease)	65,869	65,869
	106,468	106,468
Less: Accumulated depreciation and amortization	81,765	68,528
	$ 24,703	$ 37,940

Depreciation and amortization expense for the years ended December 31, 2017 and 2016 amounted to $13,237 and $14,070, respectively.

Note 5 - Donated Services

The value of donated professional services has been estimated at the fair value of the services received by the Organization.

Note 6 - 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, 2017, future minimum rental payments on this lease are as follows:

Years Ending December 31:	
2018	$ 144,500
2019	148,835
2020	153,300
	$ 446,635

Rent expense for the years ended December 31, 2017 and 2016 amounted to $96,586 and $83,895, respectively.

Note 7 - Capital Lease Payable

The Organization leases a vehicle under a capital lease that expires April 19, 2020. The asset is being amortized on a straight-line basis. For the years ended December 31, 2017 and 2016, amortization expense attributable to this equipment was $10,978. The imputed interest rate on the lease is 16.123%.

Minimum future lease payments under the capital leases for the equipment as of December 31, 2017 are as follows:

Years Ending December 31:	
2018	$ 17,233
2019	17,233
2020	3,931
Total minimum lease payments	38,397
Less: Amount representing interest	6,182
Present value of net minimum lease payments	$ 32,215

Note 8 - Concentrations

The Organization maintains several bank accounts in several financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC") for up to $250,000 per institution. At December 31, 2017 and 2016, there were no uninsured cash balances.

For the year ended December 31, 2017, approximately 55% of the Organization's contributed medical supplies (consisting of supplies, equipment and materials) were provided by two donors. For the year ended December 31, 2016, approximately 40% of the Organization's donated goods were provided by five donors.

For the year ended December 31, 2017, approximately 40% of the Organization's public support was provided by two donors. For the year ended December 31, 2016, approximately 12% of the Organization's public support was provided by one donor.

Note 9 - Temporarily Restricted Net Assets

The temporarily restricted net assets at December 31, 2017 and 2016 were restricted as follows:

	2017	2016
Hurricane relief - Puerto Rico & US Virgins Islands	$ 372,484	$ -
Hurricane relief - Tanzania	30,000	-
Time restricted	-	15,000
	$ 402,484	$ 15,000

Note 10 - Subsequent Events

Management has evaluated all events or transactions that occurred after December 31, 2017 through July 24, 2019, the date that the financial statements were available to be issued. During this period, there were no subsequent events requiring disclosure.