THE AFYA FOUNDATION OF AMERICA, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

THE AFYA FOUNDATION OF AMERICA, INC.

CONTENTS

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, 2012 and 2011, 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.

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 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.

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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, 2012 and 2011, and the changes in its net assets and cash flows for the years then ended, in accordance 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
June 18, 2013

THE AFYA FOUNDATION OF AMERICA, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011

ASSETS

	2012	2011
Current Assets:		
Cash and cash equivalents	$ 34,237	$ 147,857
Contributions receivable	-	16,253
Inventory - undistributed donated goods	1,596,138	2,497,702
Total Current Assets	1,630,375	2,661,812
Fixed Assets:		
Warehouse, office equipment and leasehold improvements	33,609	28,690
Less: Accumulated depreciation and amortization	20,210	13,774
Fixed Assets, Net	13,399	14,916
Security deposits	13,000	12,000
Total Assets	$ 1,656,774	$ 2,688,728

LIABILITIES AND NET ASSETS

	2012	2011
Current Liabilities:		
Accounts payable and accrued expenses	$ 1,772	$ 12,652
Commitments		
Net Assets:		
Unrestricted	1,655,002	2,676,076
Total Liabilities and Net Assets	$ 1,656,774	$ 2,688,728

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, 2012 AND 2011

	2012	2011
Revenues and Support:		
Public support	$ 392,324	$ 521,855
Special events	92,800	-
Direct cost of special events	(24,325)	-
Donated goods	2,820,110	4,059,780
Donated services	362,064	412,915
Container fees	230,086	212,547
Interest income	194	81
Total Revenues and Support	3,873,253	5,207,178
Expenses:		
Program services - Donation-Based Clearinghouse Services	4,661,493	3,282,409
Management and general	179,117	180,700
Fund raising	53,717	33,832
Total Expenses	4,894,327	3,496,941
Changes in Net Assets	(1,021,074)	1,710,237
Net Assets, Beginning of Year	2,676,076	965,839
Net Assets, End of Year	$ 1,655,002	$ 2,676,076

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, 2012

	Program Services	Supporting Services			
	Donation-Based Clearinghouse Services	Management and General	Fund Raising	Direct Cost of Special Events	Total
Cost of revenues	$ 3,735,316	$ -	$ -	$ -	$ 3,735,316
Warehouse and shipping	78,477	-	-	-	78,477
Donated services	289,651	72,413	-	-	362,064
Salaries and benefits	260,221	67,590	10,138	-	337,949
Occupancy	84,708	9,737	2,921	-	97,366
Technology	733	6,602	-	-	7,335
Professional fees	8,755	2,919	-	-	11,674
International travel and living	169,272	-	-	-	169,272
Domestic travel	13,853	-	-	-	13,853
Insurance	3,056	1,506	-	-	4,562
Office expense	1,395	12,558	-	-	13,953
Depreciation and amortization	644	5,792	-	-	6,436
Public relations and promotion	-	-	40,658	-	40,658
Catering, rental, and printing	-	-	-	24,325	24,325
Other program expenses	15,412	-	-	-	15,412
	4,661,493	179,117	53,717	24,325	4,918,652
Less: Direct cost of special events	-	-	-	(24,325)	(24,325)
Total Expenses	$ 4,661,493	$ 179,117	$ 53,717	$ -	$ 4,894,327

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

	Program Services	Supporting Services		
	Donation-Based Clearinghouse Services	Management and General	Fund Raising	Total
Cost of revenues	$ 2,393,384	$ -	$ -	$ 2,393,384
Warehouse and shipping	72,070	-	-	72,070
Donated services	330,332	82,583	-	412,915
Salaries and benefits	244,547	63,519	9,528	317,594
Occupancy	55,697	6,402	1,920	64,019
Technology	1,195	10,751	-	11,946
Professional fees	6,876	2,292	-	9,168
International travel and living	139,613	-	-	139,613
Domestic travel	8,397	-	-	8,397
Insurance	3,609	1,778	-	5,387
Office expense	913	8,218	-	9,131
Depreciation and amortization	573	5,157	-	5,730
Public relations and promotion	-	-	22,384	22,384
Other program expenses	25,203	-	-	25,203
Total Expenses	$ 3,282,409	$ 180,700	$ 33,832	$ 3,496,941

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, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ (1,021,074)	$ 1,710,237
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	6,436	5,730
Changes in assets and liabilities:		
Contributions receivable	16,253	(16,253)
Inventory - undistributed donated goods	901,564	(1,669,585)
Security deposits	(1,000)	-
Accounts payable and accrued expenses	(10,880)	(19,891)
Net cash (used in) provided by operating activities	(108,701)	10,238
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(4,919)	(7,203)
Net cash used in investing activities	(4,919)	(7,203)
Change in cash and cash equivalents	(113,620)	3,035
Cash and cash equivalents, beginning of year	147,857	144,822
Cash and cash equivalents, end of year	$ 34,237	$ 147,857

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

Note 1 - Nature of 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 statements 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.

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, 2012 and 2011, the fair value of the Organization's financial instruments including cash and cash equivalents, contributions receivable, and accounts payable and accrued expenses, approximated book value due to the short maturity of these instruments.

At December 31, 2012 and 2011, 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 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.

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, 2012 and 2011, 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

Fixed assets are stated at cost. The costs of additions and betterments are capitalized and expenditures for repairs and maintenance are expensed in the period incurred. When fixed assets 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 fixed assets 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.

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 statements 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 net assets 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. There were no agency transactions in 2012 and 2011. 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.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year's financial statements.

Note 3 - Fixed Assets

Fixed assets, net at December 31, 2012 and 2011 consist of the following:

	2012	2011
Leasehold improvements	$ 12,755	$ 12,755
Warehouse equipment	8,752	7,173
Office equipment	12,102	8,762
	33,609	28,690
Less: Accumulated depreciation and amortization	20,210	13,774
	$ 13,399	$ 14,916

Depreciation and amortization expense for the years ended December 31, 2012 and 2011 amounted to $6,436 and $5,730, 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 under an operating lease that is scheduled to expire on November 30, 2013. At December 31, 2012, future minimum rental payments on this lease are as follows:

Year Ending December 31:	
2013	$ 71,500

Occupancy expense for the years ended December 31, 2012 and 2011 amounted to $97,366 and $64,019, respectively, and includes 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.

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

For the years ended December 31, 2012 and 2011, the Organization received donated goods, consisting of supplies and materials, from five donors which represented 42% and 65% of total revenues, respectively. In addition, six donors contributed 46% and 48% of cash support received in 2012 and 2011, respectively.

Note 7 - Subsequent Events

The Organization has evaluated all events or transactions that occurred after December 31, 2012 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.