THE AFYA FOUNDATION OF AMERICA, INC.

FINANCIAL STATEMENTS

(WITH INDEPENDENT AUDITOR'S REPORT)

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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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, 2016 and 2015, 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 qualified audit opinion on 2016 and our unmodified opinion on 2015.

Basis for Qualified Opinion

We did not observe the taking of the physical inventory at December 31, 2016 stated at $1,909,290. We were unable to obtain sufficient appropriate audit evidence about inventory quantities by other auditing procedures.

Qualified Opinion on 2016 and Unmodified Opinion on 2015

In our opinion, except for the possible effect on the 2016 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, 2016 and 2015, 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
Lederer, Levine & Associates, LLC

Lyndhurst, NJ
June 3, 2019

THE AFYA FOUNDATION OF AMERICA, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
Current Assets:		
Cash and cash equivalents (Notes B and H)	$ 29,438	$ 71,620
Accounts receivable (Note B)	26,427	13,387
Contributions receivable (Notes B and C)	15,000	30,000
Inventory - contributed medical supplies and equipment (Note B)	1,909,290	2,727,010
Total Current Assets	1,980,155	2,842,017
Property and equipment (Notes B and D)	37,940	49,720
Security deposits and other assets	17,176	16,956
TOTAL ASSETS	$ 2,035,271	$ 2,908,693
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	$ 71,261	$ 60,009
Deferred revenue	15,700	25,000
Capital lease payable - current portion (Note G)	11,103	9,452
Total Current Liabilities	98,064	94,461
Capital lease payable (Note G)	32,215	43,317
TOTAL LIABILITIES	130,279	137,778
COMMITMENTS AND CONTINGENCIES (Note F)		
NET ASSETS		
Unrestricted	1,889,992	2,734,631
Temporarily restricted (Note I)	15,000	36,284
TOTAL NET ASSETS	1,904,992	2,770,915
TOTAL LIABILITIES AND NET ASSETS	$ 2,035,271	$ 2,908,693

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, 2016 AND 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Public support (Note B)	$ 384,732	$ 193,955	$ 578,687	$ 448,695	$ 146,067	$ 594,762
Contributed medical supplies (Note B)	950,333		950,333	2,664,989		2,664,989
Donated services (Notes B and E)	136,954		136,954	206,030		206,030
Shipment reimbursement	259,811		259,811	434,552		434,552
Net assets released from restrictions	215,239	(215,239)		127,783	(127,783)	
TOTAL SUPPORT AND REVENUE	1,947,069	(21,284)	1,925,785	3,882,049	18,284	3,900,333
EXPENSES:						
Program services	2,520,942		2,520,942	4,309,717		4,309,717
Management and general	146,675		146,675	235,766		235,766
Fundraising	124,091		124,091	69,155		69,155
TOTAL EXPENSES	2,791,708		2,791,708	4,614,638		4,614,638
Change in Net Assets	(844,639)	(21,284)	(865,923)	(732,589)	18,284	(714,305)
Net Assets - Beginning of Year	2,734,631	36,284	2,770,915	3,467,220	18,000	3,485,220
NET ASSETS - END OF YEAR	$ 1,889,992	$ 15,000	$ 1,904,992	$ 2,734,631	36,284	2,770,915

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, 2016 AND 2015

	2016				**2015**			
	Program Services	**Management and General**	**Fundraising**	**Total**	**Program Services**	**Management and General**	**Fundraising**	**Total**
Contributed medical supplies (Notes B and H)	$ 1,671,834	$	$	$ 1,671,834	$ 3,329,909	$	$	$ 3,329,909
Donated services (Notes B and E)	120,304	11,150	5,500	136,954	113,880	86,400	5,750	206,030
Warehouse and office expense	67,534	1,015	130	68,679	128,599	1,170	119	129,888
Salaries and benefits	319,886	80,975	72,252	473,113	337,218	71,741	44,255	453,214
Relief expense	54,820			54,820	5,200			5,200
Fundraising exp			24,917	24,917				
Travel	29,273			29,273	16,151			16,151
Occupancy (Note F)	95,440	4,018	1,005	100,463	90,118	3,794	949	94,861
Haiti rehabilitation	33,640			33,640	130,258			130,258
Shipping expense	89,582			89,582	122,085			122,085
Professional fees		26,967	80	27,047		48,945	750	49,695
Insurance	9,513	1,647	100	11,260	5,215	1,765	51	7,031
Depreciation and amortization	11,287	2,783		14,070	11,371	3,537		14,908
Public relations and promotion	12,859	9,483	17,449	39,791	19,392	8,739	14,861	42,992
Interest expense (Note G)		7,834		7,834		9,380		9,380
Other expenses	4,970	803	2,658	8,431	321	295	2,420	3,036
TOTAL EXPENSES	$ 2,520,942	$ 146,675	$ 124,091	$ 2,791,708	4,309,717	$ 235,766	$ 69,155	$ 4,614,638

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, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (865,923)	$ (714,305)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	14,070	14,908
Changes in assets and liabilities:		
Accounts receivable	(13,040)	21,124
Contributions receivables	15,000	(12,000)
Prepaid expenses		3,047
Inventory - contributed medical supplies (Note B)	817,720	664,920
Security deposits	(220)	
Accounts payable and accrued expenses	11,252	48,146
Deferred revenue	(9,300)	(2,000)
Net Cash (Used) Provided by Operating Activities	(30,441)	23,840
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(2,290)	(3,412)
Net Cash Used by Investing Activities	(2,290)	(3,412)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal repayments on capital lease payable	(9,451)	(8,187)
Net Cash Used by Financing Activities	(9,451)	(8,187)
Change in cash and cash equivalents	(42,182)	12,241
Cash and cash equivalents - beginning of year	71,620	59,379
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 29,438	$ 71,620
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 7,834	$ 9,380

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

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 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 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").

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 June 3, 2019.

Accounting for Uncertainty in Income Taxes

The Organization has adopted the provisions of the Financial Accounting Standards Board's ("FASB") ASC Topic 740, *Income Taxes*, relating to accounting and reporting for uncertainty in income taxes. Management has determined that there are no material uncertain tax provisions that require recognition or disclosure in the financial statements.

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.

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 B – Summary of Significant Accounting Policies (continued)

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.

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 year.

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.

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

Revenue Recognition

The Organization's revenues primarily consist of container fees. All support and revenue is recognized in the statement of activities in the period earned. 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 C – Contributions Receivable

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

	2016	2015
Less than one year	$ 15,000	$ 15,000
One to five years		15,000
	$ 15,000	$ 30,000

Note D – Property and Equipment

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

	2016	2015
Leasehold improvements	$ 12,755	$ 12,755
Warehouse equipment	10,040	10,040
Office equipment	17,804	15,514
Vehicle (acquired through a capital lease)	65,869	65,869
	106,468	104,178
Less: accumulated depreciation and amortization	(68,528)	(54,458)
	$ 37,940	$ 49,720

Depreciation and amortization expense for the years ended December 31, 2016 and 2015 amounted to $14,070 and $14,908, respectively.

Note E – Donated Services

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, 2016 future minimum rental payments on this lease are as follows:

For the year ended December 31, 2017	$ 86,308
2018	88,898
2019	91,565
2020	86,237
	$ 353,008

Occupancy expense for the year ended December 31, 2016 and 2015 amounted to $100,463 and $94,861, 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 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. The portion of amortization expense for the year ended December 31, 2016 attributable to this equipment is $10,978. The interest rate at December 31, 2016 was 16.123%.

Minimum future lease payments under the capital leases for the equipment as of December 31, 2016 are as follows:

For the year ended December 31, 2017	$ 17,233
2018	17,233
2019	17,233
2020	3,931
Total minimum lease payments	55,630
Less: amount representing interest	(12,312)
Present value of net minimum lease payments	$ 43,318

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, 2016 and 2015, there were no uninsured cash balances.

For the year ended December 31, 2016 and 2015, the Organization received donated goods, consisting of supplies and materials, from five donors which represented 40% and 55% of total revenues in 2016 and 2015 respectively.

Note I – Temporarily Restricted Net Assets

The temporarily restricted net assets at December 31, 2016 and 2015 were restricted as follows:

	2016	2015
Program and time restricted	$	$ 6,284
Time restricted	15,000	30,000
	$ 15,000	$ 36,284