

THE AFYA FOUNDATION OF AMERICA, INC.

Financial Statements
with Independent Auditor's Report

December 31, 2020 and 2019

**GALLEROS ROBINSON
CERTIFIED PUBLIC ACCOUNTANTS, LLP**

THE AFYA FOUNDATION OF AMERICA, INC.

DECEMBER 31, 2020 AND 2019

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of
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, 2020, 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.

Basis for Qualified Opinion

We were not able to ascertain the inventory quantities on hand as of December 31, 2020 as the Organization's records did not permit adequate retroactive testing on the inventory. Additionally, the composition of the inventory could not be relied upon as the Organization did not have adequate records for the receipt and distribution of contributed medical supplies for the year ended December 31, 2020. Consequently, we were unable to form an opinion on the value of the inventory.

Qualified Opinion

In our opinion, except for the effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the 2020 financial position of the Organization as of December 31, 2020, 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.

Prior Period Financial Statements

The financial statements of the Organization as of December 31, 2019, were audited by other auditors whose report dated February 3, 2021, expressed a qualified opinion on those statements.

Galleras Robinson CPAs, LLP

New York, New York
February 21, 2022

THE AFYA FOUNDATION OF AMERICA, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Assets		
Cash and cash equivalents	\$ 1,064,097	\$ 335,732
Accounts receivable	48,618	14,023
Contributions receivable	627,664	538,322
Prepaid expenses	10,178	7,477
Inventory - contributed medical supplies and equipment	10,264,967	5,780,384
Property and equipment, net	8,203	6,667
Security deposits and other assets	<u>55,174</u>	<u>55,174</u>
Total Assets	<u>\$ 12,078,901</u>	<u>\$ 6,737,779</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 63,348	\$ 61,519
Capital lease payable	<u>-</u>	<u>3,853</u>
Total Liabilities	<u>63,348</u>	<u>65,372</u>
Net assets:		
Without donor restrictions	10,302,988	6,028,497
With donor restrictions	<u>1,712,565</u>	<u>643,910</u>
Total net assets	<u>12,015,553</u>	<u>6,672,407</u>
Total Liabilities and Net Assets	<u>\$ 12,078,901</u>	<u>\$ 6,737,779</u>

See notes to financial statements.

THE AFYA FOUNDATION OF AMERICA, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Public support	\$ 479,489	\$ 3,158,166	\$ 3,637,655	\$ 450,437	\$ 1,139,061	\$ 1,589,498
Contributed medical supplies	9,511,373	-	9,511,373	5,220,829		5,220,829
In-kind contributions	463,309	-	463,309	439,403		439,403
Shipment reimbursements	288,504	-	288,504	85,682		85,682
Other income	191,807	-	191,807	2,244	-	2,244
Net assets released from restrictions	2,089,511	(2,089,511)	-	720,151	(720,151)	-
Total support and revenue	<u>13,023,993</u>	<u>1,068,655</u>	<u>14,092,648</u>	<u>6,918,746</u>	<u>418,910</u>	<u>7,337,656</u>
EXPENSES						
Program services	7,936,524	-	7,936,524	2,776,281	-	2,776,281
Management and general	433,116	-	433,116	358,929	-	358,929
Fundraising	379,862	-	379,862	142,301	-	142,301
Total expenses	<u>8,749,502</u>	<u>-</u>	<u>8,749,502</u>	<u>3,277,511</u>	<u>-</u>	<u>3,277,511</u>
CHANGE IN NET ASSETS	4,274,491	1,068,655	5,343,146	3,641,235	418,910	4,060,145
NET ASSETS, BEGINNING OF YEAR	<u>6,028,497</u>	<u>643,910</u>	<u>6,672,407</u>	<u>2,387,262</u>	<u>225,000</u>	<u>2,612,262</u>
NET ASSETS, END OF YEAR	<u>\$ 10,302,988</u>	<u>\$ 1,712,565</u>	<u>\$ 12,015,553</u>	<u>\$ 6,028,497</u>	<u>\$ 643,910</u>	<u>\$ 6,672,407</u>

THE AFYA FOUNDATION OF AMERICA, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020				2019			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Contributed medical supplies	\$ 4,937,347	\$ -	\$ -	\$ 4,937,347	\$ 1,298,975	\$ -	\$ -	\$ 1,298,975
Donated services	330,111	111,198	-	441,309	313,274	121,129	5,000	439,403
Warehouse and office expenses	95,610	33,883	10,074	139,567	86,335	36,592	2,532	125,459
Salaries and benefits	909,244	145,450	278,955	1,333,649	699,615	102,610	130,595	932,820
Medical supplies expenses	955,657	-	-	955,657	-	-	-	-
Travel	-	1,790	8,884	10,674	57,638	5,641	-	63,279
Occupancy	249,057	9,198	10,900	269,155	171,339	7,214	1,804	180,357
Shipping expenses	299,360	-	-	299,360	95,160	-	-	95,160
Professional fees	117,216	125,684	58,627	301,527	15,703	81,073	-	96,776
Insurance	34,248	4,633	8,350	47,231	16,805	1,691	2,011	20,507
Depreciation and amortization	2,339	99	25	2,463	12,959	546	136	13,641
Public relations and promotion	-	1,104	4,047	5,151	6,072	-	-	6,072
Interest expense	-	77	-	77	-	1,913	-	1,913
Other expenses	6,335	-	-	6,335	2,406	520	223	3,149
		-						
Total Expenses	<u>\$ 7,936,524</u>	<u>\$ 433,116</u>	<u>\$ 379,862</u>	<u>\$ 8,749,502</u>	<u>\$ 2,776,281</u>	<u>\$ 358,929</u>	<u>\$ 142,301</u>	<u>\$ 3,277,511</u>

See notes to financial statements.

THE AFYA FOUNDATION OF AMERICA, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 5,343,146	\$ 4,060,145
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,463	13,641
Inventory - contributed medical supplies and equipment	(4,484,583)	(3,741,283)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(34,595)	3,266
Contributions receivable	(89,342)	(494,416)
Prepaid expenses	(2,701)	(7,477)
Increase in liabilities:		
Accounts payable and accrued expenses	<u>1,829</u>	<u>16,826</u>
Net Cash Provided by (Used in) Operating Activities	<u>736,217</u>	<u>(149,298)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment acquisitions	<u>(3,999)</u>	<u>-</u>
Net Cash Used in Investing Activities	<u>(3,999)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal repayments on capital lease payable	<u>(3,853)</u>	<u>(15,320)</u>
Net Cash Used in Financing Activities	<u>(3,853)</u>	<u>(15,320)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	728,365	(164,618)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>335,732</u>	<u>500,350</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,064,097</u>	<u>\$ 335,732</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 77</u>	<u>\$ 1,913</u>

THE AFYA FOUNDATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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.

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 accordance 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid investments and investment instruments with a maturity of three months or less at the time of purchase to be cash equivalents.

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. Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market, provides a most reliable fair value measurement because it is directly observable to the market.

THE AFYA FOUNDATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributions

Contributions are provided to the Organization either with or without donor restrictions. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts and grants, with or without restrictions</i>	
Gifts and grants that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, i.e., the donor-imposed barrier is met
<i>Unconditional gifts and grants, with or without restrictions</i>	
Received at date of gift - cash and other assets	Fair value
Received at date of gift - property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Expected to be collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue with donor restrictions and then released from restriction.

THE AFYA FOUNDATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Donated 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 restricted donations until the goods are actually transferred.

Fair Value of Measurements

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, 2020 and 2019, the Organization does not have assets or liabilities required to be measured at fair value in accordance with 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, 2020 and 2019, management has determined that no allowance for doubtful accounts was necessary.

THE AFYA FOUNDATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property and Equipment

Property and equipment are 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 cost of \$2,500 or more. Depreciation of property and equipment is provided utilizing the straight-line method over the estimated useful lives of the respective assets as follows:

	<u>Estimated Useful Lives</u>
Warehouse equipment	4 to 5 years
Office equipment	2 to 4 years
Computer and equipment	4 to 6 years
Vehicle (acquired through capital lease)	6 years

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

Revenue Recognition

The Organization's revenues include 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. Medical supplies, shipping expenses and certain other expenses are directly charged to program expenses. Expenses attributable to more than one functional expense category are allocated by management based on estimated time and effort.

Accounting for Uncertainty in Income Taxes

The Organization applies the provisions pertaining to uncertain tax provisions, FASB ASC Topic 740 and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

THE AFYA FOUNDATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

New Accounting Pronouncements

Accounting for Leases

On February 25, 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which will require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The standard is effective for nonpublic business entities for fiscal years beginning after December 15, 2021.

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

3. CONTRIBUTIONS RECEIVABLE

At December 31, 2020 and 2019, contributions are due as follows:

	<u>2020</u>	<u>2019</u>
Less than one year	\$ 427,664	\$ 213,322
One to five years	<u>200,000</u>	<u>325,000</u>
	<u>\$ 627,664</u>	<u>\$ 538,322</u>

4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Computers and equipment	\$ 12,755	\$ 12,755
Warehouse equipment	24,032	20,033
Office equipment	17,804	17,804
Vehicle (acquired through capital lease)	<u>65,869</u>	<u>65,869</u>
	\$ 120,460	\$ 116,461
Less: Accumulated depreciation and amortization	<u>112,257</u>	<u>109,794</u>
	<u>\$ 8,203</u>	<u>\$ 6,667</u>

THE AFYA FOUNDATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

5. IN-KIND CONTRIBUTIONS

The value of in-kind contributions has been estimated at the fair value of the rent and services received by the Organization.

In-kind contributions consisted of the following as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Professional fees	\$ 441,309	\$ 439,403
Rent expense	<u>-</u>	<u>-</u>
	<u>\$ 441,309</u>	<u>\$ 439,403</u>

6. REVENUE FROM PAYCHECK PROTECTION PROGRAM

Included in other income is approximately \$191,800 which the Organization received in 2020 in the form of a Paycheck Protection Program (“PPP”) loan. The PPP regulations established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”) provides loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The CARES Act is administered through the U.S. Small Business Administration (“SBA”). The loan is unsecured and matures in April 2022. The Organization applied for forgiveness, and it was approved on December 30, 2020.

7. COMMITMENTS

The Organization leases office and warehouse space under an operating lease that was scheduled to expire on December 31, 2020. On September 30, 2020, the Organization extended the lease for one more year to December 31, 2021. Effective January 2022, the Organization is leasing the space on a month to month basis as an extension is being negotiated. At December 31, 2020, future minimum rental payments on this lease are as follows:

Year Ending December 31, 2021	\$ 157,900
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Rent expense for the years ended December 31, 2020 and 2019 amounted to \$245,707 and \$148, 835, respectively.

THE AFYA FOUNDATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

8. CONCENTRATIONS

The Organization maintains bank accounts in several financial institutions, which balances are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to \$250,000 per institution. From time to time, the Organization's balances may exceed these limits.

For the year ended December 31, 2020, approximately 55% of the Organization's contributed medical supplies (consisting of supplies, equipment, and materials) was provided by two donors. For the year ended December 31, 2019, approximately 45% of the Organization's contributed medical supplies (consisting of supplies, equipment, and materials) was provided by three donors.

For the year ended December 31, 2020, approximately 52% of the Organization's public support was provided by two donors. For the year ended December 31, 2019, approximately 46% of the Organization's public support was provided by one donor.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows as of December 31, 2020 and 2019:

	2020	2019
Purpose restricted:		
Hurricane relief - Puerto Rico and Tanzania	\$ 150,000	\$ 150,000
Disaster relief - Tanzania	-	50,000
Disaster relief - Caribbean	269,843	-
Disaster relief - Domestic	200,000	-
Volunteer Program	65,997	43,910
Covid Response Program	726,725	-
Time restricted	300,000	400,000
	<u>\$ 1,712,565</u>	<u>\$ 643,910</u>

10. AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, and receivables.

The following reflects the Organization's financial assets as of December 31, 2020 and 2019, reduced by amounts not available for general use within one year of the statements of financial position date because of contractual or donor-imposed restrictions or internal designations.

THE AFYA FOUNDATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

10. AVAILABLE RESOURCES AND LIQUIDITY - CONTINUED

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,064,097	\$ 335,732
Accounts receivable	48,618	14,023
Contributions receivable	<u>627,664</u>	<u>538,322</u>
Total Financial Assets	1,740,379	888,077
Contractual or donor-imposed restrictions:	<u>470,511</u>	<u>643,910</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,269,868</u>	<u>\$ 244,167</u>

11. RISKS AND UNCERTAINTIES

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Organization's operations and financial results will depend on future developments, including the duration and spread of the outbreak. Due to the rapidly changing business environment, unprecedented market volatility, and other circumstances resulting from the COVID-19 pandemic, the Organization is currently unable to fully determine the extent of COVID-19's impact on its business in future periods. The Organization's performance in future periods will be heavily influenced by the timing, length, and intensity of the economic recoveries in the United States. The Organization continues to monitor evolving economic and general business conditions and the actual and potential impacts on its financial position and results of operations.

12. SUBSEQUENT EVENTS

Management has evaluated all events or transactions that occurred after December 31, 2020 through February 21, 2022, which is the date that the financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure.