THE AFYA FOUNDATION OF AMERICA, INC.

Financial Statements
with Independent Auditor's Report

December 31, 2021

GALLEROS ROBINSON
CERTIFIED PUBLIC ACCOUNTANTS, LLP

THE AFYA FOUNDATION OF AMERICA, INC.

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GALLEROS ROBINSON
CERTIFIED PUBLIC ACCOUNTANTS, LLP

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The AFYA Foundation of America, Inc.

Qualified Opinion

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, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, 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, 2021, 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.

Basis for Qualified Opinion

As more fully described in Note 10 to the financial statements, 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. Consequently, we were unable to form an opinion on the revenue and expenses related to the contributed medical supplies for the year ended December 31, 2021. Quantification of the effects of that departure on the financial statements is not practicable.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Afya Foundation of America, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Afya Foundation of America, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Afya Foundation of America, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Afya Foundation of America, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Galleros Robinson CPAs, LLP

New York, New York
November 14, 2022

THE AFYA FOUNDATION OF AMERICA, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021

ASSETS

Assets	
Cash and cash equivalents	$ 1,042,525
Accounts receivable	29,000
Contributions receivable	412,526
Prepaid expenses	66,193
Inventory - contributed medical supplies and equipment	4,180,126
Property and equipment, net	5,740
Security deposits and other assets	41,324
Total Assets	$ 5,777,434

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable and accrued expenses	$ 208,291
Total Liabilities	208,291
Net assets	
Without donor restrictions	4,444,536
With donor restrictions	1,124,607
Total net assets	5,569,143
Total Liabilities and Net Assets	$ 5,777,434

See notes to financial statements.

THE AFYA FOUNDATION OF AMERICA, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	**Total**
SUPPORT AND REVENUE			
Public support	$ 729,051	$ 1,629,956	$ 2,359,007
Contributed medical supplies	2,826,276	-	2,826,276
In-kind contributions	391,846	-	391,846
Shipment reimbursements	52,157	-	52,157
Other income	770	-	770
Net assets released from restrictions	2,217,914	(2,217,914)	-
Total support and revenue	6,218,014	(587,958)	5,630,056
EXPENSES			
Program services	5,987,394	-	5,987,394
Management and general	553,358	-	553,358
Fundraising	388,882	-	388,882
Total expenses	6,929,634	-	6,929,634
CHANGE IN NET ASSETS	(711,620)	(587,958)	(1,299,578)
NET ASSETS, AT BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	10,302,988	1,712,565	12,015,553
PRIOR PERIOD ADJUSTMENTS	(5,146,832)	-	(5,146,832)
NET ASSETS, AT BEGINNING OF YEAR, AS RESTATED	5,156,156	1,712,565	6,868,721
NET ASSETS, END OF YEAR	$ 4,444,536	$ 1,124,607	$ 5,569,143

THE AFYA FOUNDATION OF AMERICA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	Program Services	Management and General	Fundraising	Total
Contributed medical supplies	$ 3,664,477	$ -	$ -	$ 3,664,477
Donated services	356,811	11,035	-	367,846
Warehouse and office expenses	97,241	40,122	36,592	173,955
Salaries and benefits	1,013,595	252,958	283,861	1,550,414
Medical supplies expenses	22,196	-	-	22,196
Travel	1,574	-	4,165	5,739
Occupancy	330,175	14,388	12,147	356,710
Shipping expenses	288,296	-	-	288,296
Professional fees	164,815	199,246	29,289	393,350
Insurance	21,286	35,609	8,001	64,896
Depreciation and amortization	2,463	-	-	2,463
Public relations and promotion	-	-	14,827	14,827
Other expenses	1,590	-	-	1,590
Bad debt expenses	22,875	-	-	22,875
		-		
Total Expenses	$ 5,987,394	$ 553,358	$ 388,882	$ 6,929,634

See notes to financial statements.

THE AFYA FOUNDATION OF AMERICA, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ (1,299,578)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:	
Depreciation and amortization	2,463
Inventory - contributed medical supplies and equipment	952,357
Changes in operating assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	19,618
Contributions receivable	215,138
Prepaid expenses	(56,015)
Security deposits and other assets	(498)
Increase in liabilities:	
Accounts payable and accrued expenses	144,943
Net Cash Used in Operating Activities	(21,572)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(21,572)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,064,097
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,042,525
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid during the year for interest and taxes	$ -

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

Changes in Accounting Principles

Accounting for Contributed Non-Financial Assets

Effective July 15, 2021, the Organization adopted the provision of FASB ASU No. 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The ASU increases transparency and provides financial clarity with the reporting of noncash contributions, known as gifts-in-kind. The guidance in this ASU provides for new presentation and disclosure requirements regarding contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. It requires not-for-profit entities to present contributed nonfinancial assets separately in the statement of activities apart from contributions of cash or other financial assets.

Basis of Accounting

The Organization prepares its financial statements using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Net Assets

Net assets without donor restrictions. Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Assets – Continued

Net assets with donor restrictions. Net assets subject to stipulations imposed by donors and grantors. These restrictions are temporary in nature; and will be met by actions of the Organization or by the passage of time.

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.

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
Conditional gifts and grants, with or without restrictions	
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
Unconditional gifts and grants, with or without restrictions	
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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contribution – Continued

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.

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.

Contributions Receivable

Contributions receivable, which consist of unconditional promises to give, are recognized as revenue in the year received. 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 discounted to reflect the present value of their estimated future cash flows, unless management deems such discount to be immaterial to the financial statements.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

In-kind Contributions

In-kind contributions are recorded at their estimated fair value. For the year ending December 31, 2021, the in-kind contributions consist of professional fees and rent expense.

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.

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, 2021, management has determined that no allowance for doubtful accounts was necessary.

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:

	Estimated Useful Lives
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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 Organization believes it is no longer subject to income tax examinations for years prior to 2018.

New Accounting Pronouncements

Accounting for Leases

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases (Topic 842)*. This ASU is the result of a joint project of the FASB and the ("ASU") 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 superseded FASB ASC Topic 840, *Leases.*

The ASU provides that lessees should recognize lease assets and lease liabilities on the statement of financial position for leases previously classified as operating leases that exceed 12 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 this ASU are effective for annual reporting periods beginning after December 15, 2021, and interim periods within annual periods beginning after December 15, 2022, based on the decision in ASU 2020-05 to defer the implementation dates. Early application is permitted for all entities.

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

3. CONTRIBUTIONS RECEIVABLE

At December 31, 2021, contributions are due as follows:

Less than one year	$	312,526
One to five years		100,000
	$	412,526

4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following as of December 31, 2021:

Computers and equipment	$	12,755
Warehouse equipment		24,032
Office equipment		17,804
Vehicle (acquired through capital lease)		65,869
		120,460
Less: Accumulated depreciation and amortization		114,720
	$	5,740

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, 2021:

Professional fees	$	367,846
Rent expense		24,000
	$	391,846

6. COMMITMENTS

The Organization leases office and warehouse space under an operating lease on a month-to-month basis. Rent expense for the year ended December 31, 2021 amounted to $311,464.

7. 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 this limit.

For the year ended December 31, 2021, approximately 55% of the Organization's contributed medical supplies (consisting of supplies, equipment, and materials) were provided by three donors.

For the year ended December 31, 2021, approximately 48% of the Organization's public support was provided by four donors.

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows as of December 31, 2021:

Purpose restricted:	
Disaster relief - Caribbean	$ 59,950
Disaster relief - Domestic	20,500
Volunteer Program	25,000
Covid Response Program	744,157
Health System Strenghtening- South Africa	75,000
Time restricted	200,000
	$ 1,124,607

9. 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, 2021, 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.

Cash and cash equivalents	$ 1,042,525
Accounts receivable	29,000
Contributions receivable	412,526
Total Financial Assets	1,484,051
Contractual or donor-imposed restrictions:	344,479
Financial assets available to meet cash needs for general expenditures within one year	$ 1,139,572

10. PRIOR PERIOD ADJUSTMENTS

The prior year financial statements included a high value on the inventory. Management determined that the recorded value of the inventory at December 31, 2020 was overstated by approximately $5,100,000. In addition, the security deposit at December 31, 2020 was overstated by approximately $14,000. The opening net assets were overstated by $5,146,832. The statement of activities includes prior period adjustments to correct these overstatements. The correction has no effect on the results of the current year's activities.

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, 2021 through November 14, 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.