

**NYAYA HEALTH A NONPROFIT CORPORATION**

**FINANCIAL STATEMENTS**

*with*

**INDEPENDENT AUDITORS' REPORT**

**YEAR ENDED JULY 31, 2012**

Smith  Sullivan  
& Company PC

CERTIFIED PUBLIC ACCOUNTANTS

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**NYAYA HEALTH A NONPROFIT CORPORATION**

**REPORT ON FINANCIAL STATEMENTS**

**YEAR ENDED JULY 31, 2012**

**Mission Statement**

*NYAYA Health is a for-purpose organization that exists  
to realize the right to health by delivering  
transparent, data-driven health care  
to Nepal's rural poor.*

NYAYA HEALTH A NONPROFIT CORPORATION

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED JULY 31, 2012

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Nyaya Health A Nonprofit Corporation  
New York City, NY

We have audited the accompanying statement of financial position of Nyaya Health A Nonprofit Corporation (an Illinois nonprofit organization) as of July 31, 2012 and the related statements of activities, functional expenses and cash flows for the year 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 upon 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nyaya Health A Nonprofit Corporation as of July 31, 2012 and the changes in their net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Smith, Sullivan & Company, P.C.*

Westborough, Massachusetts  
September 20, 2013

NYAYA HEALTH A NONPROFIT CORPORATION

STATEMENT OF FINANCIAL POSITION AS OF JULY 31, 2012

ASSETS

CURRENT ASSETS:

Cash	\$ 351,937
Total Current Assets	<u>351,937</u>

TOTAL ASSETS

\$ 351,937

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accrued Expenses	\$ 9,375
Total Current Liabilities	<u>9,375</u>

NET ASSETS:

Unrestricted Net Assets	149,087
Temporarily Restricted Net Assets	<u>193,475</u>
Total Net Assets	<u>342,562</u>

TOTAL NET ASSETS

\$ 351,937

NYAYA HEALTH A NONPROFIT CORPORATION

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JULY 31, 2012

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL ACTIVITIES</u>
<b><u>SUPPORT AND REVENUES:</u></b>			
Gifts, Grants and Contributions	\$ 542,008	\$ 193,475	\$ 735,483
In Kind Revenue	43,183	-	43,183
Miscellaneous Revenue	1,497	-	1,497
<b><u>TOTAL SUPPORT AND REVENUES</u></b>	<b><u>586,688</u></b>	<b><u>193,475</u></b>	<b><u>780,163</u></b>
<b><u>FUNCTIONAL EXPENSES:</u></b>			
Program Services	480,580	-	480,580
Administrative	42,962	-	42,962
Fund Raising	13,132	-	13,132
<b><u>TOTAL FUNCTIONAL EXPENSES</u></b>	<b><u>536,674</u></b>	<b><u>-</u></b>	<b><u>536,674</u></b>
<b><u>CHANGE IN NET ASSETS</u></b>	<b><u>50,014</u></b>	<b><u>193,475</u></b>	<b><u>243,489</u></b>
<b><u>NET ASSETS - BEGINNING OF YEAR</u></b>	<b><u>99,073</u></b>	<b><u>-</u></b>	<b><u>99,073</u></b>
<b><u>NET ASSETS - END OF YEAR</u></b>	<b><u>\$ 149,087</u></b>	<b><u>\$ 193,475</u></b>	<b><u>\$ 342,562</u></b>

NYAYA HEALTH A NONPROFIT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JULY 31, 2012

	<u>PROGRAM</u> <u>SERVICES</u>	<u>ADMINI-</u> <u>STRATIVE</u>	<u>FUND</u> <u>RAISING</u>	<u>TOTAL</u> <u>ACTIVITIES</u>
Direct Subgrants	\$ 405,985	\$ -	\$ -	\$ 405,985
Personnel and Related Expenses	21,122	6,566	13,132	40,820
Travel and Conferences	24,373	-	-	24,373
Program Supplies	23,600	-	-	23,600
Professional Fees	-	27,216	-	27,216
Website and IT Services	2,500	1,404	-	3,904
Occupancy	3,000	1,435	-	4,435
Minor Equipment	-	1,386	-	1,386
Office, Telephone, Printing and Postage Expense	-	1,542	-	1,542
Registration, Bank and Credit Card Fees	-	1,933	-	1,933
Miscellaneous	-	1,480	-	1,480
<b>Total Functional Expenses</b>	<b><u>\$ 480,580</u></b>	<b><u>\$ 42,962</u></b>	<b><u>\$ 13,132</u></b>	<b><u>\$ 536,674</u></b>

NYAYA HEALTH A NONPROFIT CORPORATION

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JULY 31, 2012

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in Net Assets	<u>\$ 243,489</u>
<i>Adjustments to Reconcile the Above to Net Cash Provided by Operating Activities:</i>	
Increase (Decrease) in Current Liabilities:	
Accrued Expenses	<u>9,375</u>
Net Adjustment	<u>9,375</u>
<b><u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u></b>	<b><u>252,864</u></b>
<b><u>NET INCREASE IN CASH</u></b>	<b><u>252,864</u></b>
<b><u>CASH BALANCES - BEGINNING OF YEAR</u></b>	<b><u>99,073</u></b>
<b><u>CASH BALANCES - END OF YEAR</u></b>	<b><u>\$ 351,937</u></b>

*Supplemental Disclosures :*

<i>Interest Paid</i>	<u>\$ -</u>
<i>Income Taxes Paid</i>	<u>\$ -</u>



NYAYA HEALTH A NONPROFIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2012

NOTE 1      ORGANIZATION AND AFFILIATIONS

Nyaya Health A Nonprofit Corporation (“Nyaya Health” or the “Organization”) was incorporated in 2005 in the Commonwealth of Illinois under the provisions of the Illinois Solicitation for Charity Act, Section 225 and qualifies as a tax-exempt not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code. Nyaya Health A Nonprofit Corporation is not classified as a private foundation under Section 509(a); accordingly, contributions made to this Organization qualify for the maximum charitable deduction for Federal income tax purposes.

**Affiliations:**

Nyaya Health is affiliated with Nyaya Health Nepal (“NHN”). The organizations operate under a Memorandum of Understanding whereby NHN is the local implementing organization of their joint mission. Nyaya Health makes funding decisions regarding NHN through an annual budgeting process and based upon funding availability. Funds are distributed to NHN on a quarterly basis. NHN and Nyaya Health are controlled by separate Boards of Directors; however, the organizations collaborate on clinical operations, managerial details, staffing, procurement and any other assistance. These financial statements include the activities of Nyaya Health only and not those of the combined operations.

NOTE 2      PROGRAM SERVICES

**Where We Work:**

Achham is one of the poorest districts in South Asia and has been severely affected by war and poverty. It is home to 250,000 people who previously had no doctor, and who invited Nyaya Health’s organizers to work towards the development of a new public health system. The district suffers from some of the highest maternal and child mortality rates in South Asia. The per capita income is less than \$1 per day, and many people migrate to India for work.

**What We Do:**

Nyaya Health’s activities in Achham are centered at the Bayalpata Hospital. The hospital, run as a collaboration between Nyaya Health, local citizens, and the Nepali government, centers around a model of comprehensive primary care, including maternal and child health, infectious disease prevention and treatment, and management of chronic conditions for an expanding catchment population of a quarter million people. The hospital is located in the major transit hub for the region and treats over 3,000 patients per month on average. It is run by over twenty Nepali staff including physicians, community healthcare workers, nurse midwives, lab technicians, pharmacists, and project managers. The hospital includes a comprehensive laboratory, pharmacy, clinical diagnosis and treatment rooms, infusion space, a delivery suite, capacity for wet and dry storage, and safe medical waste incineration and disposal. Community health workers constitute mobile teams providing outreach, triage, treatment and follow-up services to a geographically dispersed population. All medical care is provided free-of-charge, with a focus on health equity and outreach to the poorest and most marginalized patients. Over the upcoming year, the Organization is expanding the hospital to include surgical and mental health services.

NYAYA HEALTH A NONPROFIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2012

*(Continued)*

NOTE 2     *(Continued)*

Nyaya Health’s services have been developed in collaboration with the government of Nepal; the agreements with the government help the Organization strive towards its goal of full integration with public-sector health programs, which involves developing infrastructure that will eventually become part of the new general public health system.

**An Open Source Organization:**

Nyaya Health strives towards the highest standards of transparency and accountability. In this pursuit, the Organization has adopted an entirely “open source” organizational approach. Nyaya Health’s budget, activities and plans are all online, and fully accessible to the public. The Organization employs both electronic and paper-based methods that provide full disclosure to donors and the general public. This includes the central website ([www.nyayahealth.org](http://www.nyayahealth.org)), which acts as a source for general news and information; an online “wiki” ([wiki.nyayahealth.org](http://wiki.nyayahealth.org)), or rapidly-editable webpage, which provides extensive details about clinical protocols and operations; and a blog ([blog.nyayahealth.org](http://blog.nyayahealth.org)), where the Organization posts stories about the community and efforts to improve healthcare services.

NOTE 3     SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies which affect significant elements of the Organization’s financial statements are described below to enhance the usefulness of the financial statements to the reader. The preparation of financial statements in conformity with generally accepted accounting principles 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; however, adherence to generally accepted accounting principles has, in management’s opinion, resulted in reliable and consistent financial reporting by the Organization. The following policies should be read in conjunction with the accompanying notes to the financial statements.

**Basis of Accounting:**

The Organization’s policy is to maintain its books and prepare its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Consequently, revenues and gains are recognized when earned and expenses and losses are recognized when a liability has been incurred.

**Fair Value of Financial Instruments:**

The Organization reports its fair value measures by using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by generally accepted accounting principles, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 - Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.

NYAYA HEALTH A NONPROFIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2012

*(Continued)*

NOTE 3     *(Continued)*

- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; observable inputs other than quoted prices for the asset or liability (for example, interest rate and yield curves); and inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
  
- Level 3 - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

For the year presented, the Organization did not have any assets that require re-measurement on a recurring basis, which would be required to be classified under the fair value hierarchy.

**Financial Statement Presentation:**

As required by the *FASB Accounting Standards Codification*<sup>TM</sup>, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. These classifications are related to the existence or absence of donor-imposed restrictions as presented on the following page.

*Unrestricted Net Assets* - consists of assets, public support and program revenues which are available and used for operations and programs. Unrestricted net assets represents the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Contributions are considered available for unrestricted use unless specifically restricted by the donor. In addition, unrestricted net assets of the Organization includes funds which represent unrestricted resources designated by the Board of Directors for specific purposes.

*Temporarily Restricted Net Assets* - includes funds with donor-imposed restrictions which permit the donee organization to expend the assets as specified and is satisfied either by the passage of time or by actions of the Organization. Resources of this nature originate from gifts, grants, bequests, contracts and investment income earned on restricted funds.

*Permanently Restricted Net Assets* - includes resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently, but permits the organization to expend part or all of the income derived from the donated assets. These financial statements do not report any assets of this nature.

**Property and Equipment:**

Nyaya Health A Nonprofit Corporation records all property and equipment at cost, if purchased (exceeding \$2,000), or if donated, at fair value on the date of receipt. Expenditures for maintenance, repairs and renewals are charged to expense as incurred, whereas major betterments (exceeding \$2,000) are capitalized as additions to property and equipment. There have been no fixed assets purchased by the Organization which met the criteria for capitalization, and due to the nature of the volunteer-based workforce, the Organization has been able to rely upon the free use of volunteer-owned equipment and space.

NYAYA HEALTH A NONPROFIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2012

*(Continued)*

NOTE 3     *(Continued)*

**Contributions, Gifts and Grants:**

As required by the *FASB Accounting Standards Codification*<sup>TM</sup>, contributions are required to be recorded as receivables and revenues and the Organization is required to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions may include gifts of cash, collection items, or promises to give.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved, when such amounts are considered material.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction until the restriction expires, at which time temporarily restricted net assets are reclassified to unrestricted net assets.

**Donated Goods and Services:**

As required by the *FASB Accounting Standards Codification*<sup>TM</sup>, the Organization maintains a policy whereby contributions of donated services that create or enhance non-financial assets or that require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received. For the year presented, the Organization did not receive any donated goods or services which met the recognition criteria.

**Functional Expenses:**

As required by the *FASB Accounting Standards Codification*<sup>TM</sup>, the Organization allocates its expenses on a functional basis among various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated using formulas derived from the nature of related time. Supporting services are those related to operating and managing the Organization and their programs on a day-to-day basis. Supporting services have been sub-classified as follows:

*Administrative* - includes all activities related to Nyaya Health A Nonprofit Corporation's internal management and accounting for program services.

*Fund Raising* - includes all activities related to maintaining contributor information, writing grant proposals, direct mail solicitation, distribution of materials and other similar projects related to the procurement of funds.

NYAYA HEALTH A NONPROFIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2012

(Continued)

NOTE 3 (Continued)

**Tax Position:**

The Organization currently evaluates all tax positions, and makes a determination regarding the likelihood of those positions being upheld under review. The primary tax positions made by the Organization are the existence of Unrelated Business Income Tax and the Organization's status as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. For the years presented, the Organization has not recognized any tax benefits or loss contingencies for uncertain tax positions based on this evaluation. All tax periods prior to FY 2009 are no longer subject to examination by tax authorities.

NOTE 4 RESTRICTED NET ASSETS

As of July 31, 2012, temporarily restricted net assets consisted of \$193,475 restricted for FY 2013 operations. For the year presented, there were no net assets released from restrictions.

NOTE 5 GRANTS TO NEPAL AFFILIATE

Nyaya Health provides funding to Nyaya Health Nepal to support programs at Bayalpata Hospital in Nepal (See Note 2). Financial support is sent to Nepal via wire transfer. Nyaya Health receives regular monthly accountings as to the nature and amounts of specific expenditures, while Bayalpata Hospital is responsible for its own filings in Nepal. Grants totaling \$405,985 were made for the year ended July 31, 2012.

NOTE 6 CONDITIONAL COMMITMENT

In FY 2012, Nyaya received a three-year grant commitment totaling \$106,000 from Pro Victimis Foundation. The first installment of \$47,000 was not conditional, while the remaining installments are conditional upon the sole discretion of the funder in evaluating both short- and long-term goals and progress toward specific goals. Since the terms of the conditions on this commitment had not been met as of July 31, 2012, the conditional commitment of \$59,000 has not been recognized in the accompanying financial statements.

NOTE 7 OCCUPANCY

Nyaya Health was not a party to a formal lease agreement; however, periodically during the year, rent and related utility payments were made for use of space under informal agreements. Management has estimated the value of donated rent and utilities to be \$3,000 for the year ended July 31, 2012 which has been recognized as expense with offsetting revenue and included in *Occupancy Expense* in the accompanying financial statements.

NYAYA HEALTH A NONPROFIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2012

*(Continued)*

NOTE 8      IN-KIND GOODS AND SERVICES

For the year ended July 31, 2012, the Organization recognized the following in-kind contributions in its financial statements:

<u>In-Kind Services</u>	<u>2012</u>
Program Supplies	\$23,600
Computer Consulting	2,500
Travel	1,533
Professional Fees	12,550
Occupancy	<u>3,000</u>
Total	<u>\$43,183</u>

NOTE 9      CONCENTRATION IN CREDIT RISK

NYAYA Health is subject to concentrations in credit risk relating primarily to cash. The Organization's cash is held in a major financial institution. The Organization occasionally has funds in excess of FDIC limits; however, the Organization has not experienced any losses on such accounts and credit risk on cash is considered low.

NOTE 10      COMMITMENTS AND CONTINGENCIES

**State Registrations:**

The Organization is currently in the process of determining which states in which NYAYA solicits funds that will require registration. The Organization expects to register in all applicable states as required to be in compliance with state registration laws and industry best practices. In the event that fees for noncompliance are issued, the Organization expects that it will be successful in obtaining waivers, and therefore, has not recorded an expense and corresponding liability. In the event that a waiver is denied, the Organization may be required to pay penalties in addition to late fees at the discretion of each state.

NOTE 11      SUBSEQUENT EVENTS

Management is required to consider events subsequent to the financial statement date for potential adjustment to or disclosure in the financial statements. Therefore, Management has evaluated subsequent events through September 20, 2013, the date which the financial statements were available for issue, and noted no events which met the criteria.