

NYAYA HEALTH A NONPROFIT CORPORATION

FINANCIAL STATEMENTS

with

INDEPENDENT AUDITORS' REPORT

YEARS ENDED JULY 31, 2013 AND 2012

Smith  Sullivan
& Brown PC
CERTIFIED PUBLIC ACCOUNTANTS

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NYAYA HEALTH A NONPROFIT CORPORATION

REPORT ON FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2013 AND 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

YEARS ENDED JULY 31, 2013 AND 2012

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Nyaya Health A Nonprofit Corporation (an Illinois nonprofit organization) which comprise the statement of financial position as of July 31, 2013 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.

Auditors' 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 of 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 Organization'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 Organization'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.

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, 2013 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.

To the Board of Directors
Nyaya Health A Nonprofit Corporation

Report on Summarized Comparative Information

We have previously audited Nyaya Health A Nonprofit Corporation's 2012 financial statements, and our report dated September 20, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended July 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Smith, Sullivan & Brown, P.C.

Westborough, Massachusetts
June 4, 2014

NYAYA HEALTH A NONPROFIT CORPORATION

STATEMENTS OF FINANCIAL POSITION AS OF JULY 31, 2013 AND 2012

ASSETS

	<u>2013</u>	<u>2012</u>
<u>CURRENT ASSETS:</u>		
Cash	\$ 566,209	\$ 351,937
Grants Receivable	102,500	-
Prepaid Expenses	<u>3,500</u>	<u>-</u>
Total Current Assets	<u>672,209</u>	<u>351,937</u>
<u>NON-CURRENT ASSETS:</u>		
Grants Receivable, Non-Current	<u>100,000</u>	<u>-</u>
<u>TOTAL ASSETS</u>	<u>\$ 772,209</u>	<u>\$ 351,937</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES:</u>		
Accounts Payable	\$ 404	\$ -
Accrued Expenses	<u>21,898</u>	<u>9,375</u>
Total Current Liabilities	<u>22,302</u>	<u>9,375</u>
<u>NET ASSETS:</u>		
Unrestricted Net Assets	549,907	149,087
Temporarily Restricted Net Assets	<u>200,000</u>	<u>193,475</u>
Total Net Assets	<u>749,907</u>	<u>342,562</u>
<u>TOTAL NET ASSETS</u>	<u>\$ 772,209</u>	<u>\$ 351,937</u>

NYAYA HEALTH A NONPROFIT CORPORATION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2013
(With Summarized Comparative Totals for 2012)

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>2013</u>	<u>TOTAL ACTIVITIES 2012</u>
<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>				
<i>Support and Revenues:</i>				
Gifts, Grants and Contributions	\$ 503,915	\$ 792,004	\$ 1,295,919	\$ 735,483
In Kind Revenue	58,795	-	58,795	43,183
Miscellaneous Revenue	825	-	825	1,497
Total Support and Revenues	<u>563,535</u>	<u>792,004</u>	<u>1,355,539</u>	<u>780,163</u>
<i>Reclassification of Net Assets:</i>				
Net Assets Released from Restriction	<u>785,479</u>	<u>(785,479)</u>	<u>-</u>	<u>-</u>
<u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	<u>1,349,014</u>	<u>6,525</u>	<u>1,355,539</u>	<u>780,163</u>
<u>FUNCTIONAL EXPENSES:</u>				
Program Services	800,671	-	800,671	480,580
Administrative	93,373	-	93,373	42,962
Fund Raising	54,150	-	54,150	13,132
<u>TOTAL FUNCTIONAL EXPENSES</u>	<u>948,194</u>	<u>-</u>	<u>948,194</u>	<u>536,674</u>
<u>CHANGE IN NET ASSETS</u>	<u>400,820</u>	<u>6,525</u>	<u>407,345</u>	<u>243,489</u>
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>149,087</u>	<u>193,475</u>	<u>342,562</u>	<u>99,073</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 549,907</u>	<u>\$ 200,000</u>	<u>\$ 749,907</u>	<u>\$ 342,562</u>

NYAYA HEALTH A NONPROFIT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JULY 31, 2013

(With Summarized Comparative Totals for 2012)

	<u>PROGRAM</u> <u>SERVICES</u>	<u>ADMINI-</u> <u>STRATIVE</u>	<u>FUND</u> <u>RAISING</u>	<u>FUNCTIONAL EXPENSES</u>	
				2013	2012
Subgrants	\$ 558,483	\$ -	\$ -	\$ 558,483	\$ 405,985
Salaries and Wages	100,737	29,545	34,399	164,681	38,515
Employee Benefits	7,169	2,097	2,448	11,714	510
Payroll Taxes	12,546	3,670	4,284	20,500	1,795
Staff Recruitment, Development and Training	11,034	-	-	11,034	-
Travel and Conferences	42,286	-	-	42,286	24,373
Program Supplies	33,812	-	-	33,812	23,600
Accounting and Auditing Fees	-	35,984	-	35,984	13,375
Other Professional Fees	8,294	10,455	8,294	27,043	13,841
Occupancy Expense	13,836	4,047	4,725	22,608	4,435
Professional and Liability Insurance	-	1,736	-	1,736	-
Minor Equipment and Furnishings	-	1,634	-	1,634	1,386
Food and Meals	4,153	-	-	4,153	344
Office, Telephone, Printing amd Postage	2,613	803	-	3,416	1,542
Website and IT Services	1,598	491	-	2,089	3,904
Dues, Fees, Licenses and Subscriptions	4,110	1,262	-	5,372	1,589
Miscellaneous	-	1,649	-	1,649	1,480
Total Functional Expenses	<u>\$ 800,671</u>	<u>\$ 93,373</u>	<u>\$ 54,150</u>	<u>\$ 948,194</u>	<u>\$ 536,674</u>

NYAYA HEALTH A NONPROFIT CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in Net Assets	\$ <u>407,345</u>	\$ <u>243,489</u>
<i>Adjustments to Reconcile the Above to Net Cash Provided by Operating Activities:</i>		
<i>(Increase) Decrease in Current Assets:</i>		
Grants Receivable	(102,500)	-
Prepaid Expenses	(3,500)	-
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable	404	-
Accrued Expenses	12,523	9,375
<i>(Increase) Decrease in Non-Current Assets:</i>		
Grants Receivable, Non-Current	<u>(100,000)</u>	<u>-</u>
Net Adjustment	<u>(193,073)</u>	<u>9,375</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>214,272</u>	<u>252,864</u>
<u>NET INCREASE IN CASH</u>	<u>214,272</u>	<u>252,864</u>
<u>CASH BALANCES - BEGINNING OF YEAR</u>	<u>351,937</u>	<u>99,073</u>
<u>CASH BALANCES - END OF YEAR</u>	<u>\$ 566,209</u>	<u>\$ 351,937</u>

NYAYA HEALTH A NONPROFIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2013

NOTE 1 ORGANIZATION AND AFFILIATIONS

Nyaya Health A Nonprofit Corporation (“Nyaya Health” or the “Organization”) was incorporated in 2005 in the State 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. Effective March 18, 2014, Nyaya Health began operating under the name “Possible”.

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

Nyaya Health exists to realize the right to health by delivering transparent, data-driven health care for Nepal’s rural poor. The Organization believes that without health, there can be no dignity or opportunity. Nyaya Health achieves this through a commitment to partnering with the government, building durability through the employment of over 170 Nepali staff to deliver hospital care at Bayalpata Hospital, in addition to 93 community health workers (“CHWs”) and 9 community health worker leaders (“CHWLs”) to deliver community-based care. Nyaya Health currently delivers comprehensive healthcare in Far Western Nepal at all tiers of the health care delivery system including Bayalpata Hospital, a network of community-level clinics and a surgical referral network.

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.

NYAYA HEALTH A NONPROFIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2013

(Continued)

NOTE 3 *(Continued)*

Financial Statement Presentation:

As required by the *FASB Accounting Standards Codification*TM, 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.

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.

The financial statements included certain 2012 comparative information. Specifically, with respect to the Statement of Activities, such prior year information is not presented by net asset class and, in the Statement of Functional Expenses, FY 2012 expenses by line item are presented in total rather than by functional category. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended July 31, 2012, from which the summarized information was derived.

Grants Receivable:

Grants Receivable reflect the balances due on grant commitments which are restricted for future years. The portion of grants receivable which is scheduled for payment in the coming fiscal year is classified as current, while commitments that exceed one year are classified as non-current. As of July 31, 2013, the full balance of *Grants Receivable, Non-Current* is due within five years.

Grants with expected payment dates that extend beyond one year are discounted to their present value when considered material. As of July 31, 2013, these amounts are considered fully collectible; accordingly, these financial statements do not contain a provision for uncollectible receivables from grants. If amounts owed become uncollectible, they will be charged to activities when that determination is made. For the years presented, the Organization reported no loss on uncollectible amounts.

NYAYA HEALTH A NONPROFIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2013

(Continued)

NOTE 3 *(Continued)*

Contributions, Gifts and Grants:

As required by the *FASB Accounting Standards Codification*TM, 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*TM, 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.

Functional Expenses:

As required by the *FASB Accounting Standards Codification*TM, 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, 2013

(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 2010 are no longer subject to examination by tax authorities.

Reclassifications:

Certain amounts in the prior year summarized comparative information have been classified to conform to the current year presentation. Reclassifications made to the prior year summarized information have no impact on total net assets or changes in net assets.

NOTE 4 TEMPORARILY RESTRICTED NET ASSETS

For the years presented, temporarily restricted net assets reflects donations restricted for the following donor-specified purposes:

<u>Nature of Restriction</u>	<u>2013</u>	<u>2012</u>
Time Restricted - Future Operating Expenses	<u>\$200,000</u>	<u>\$193,475</u>

For the year ended July 31, 2013, net assets were released from restriction for the following programs and purposes:

<u>Nature and Type of Restriction</u>	<u>Amount</u>
Time Restrictions Lapsed - Operating Expenses	\$293,475
Research	30,000
Training	10,874
Nyaya Health - Nepal	<u>451,130</u>
Total	<u>\$785,479</u>

For the year ended July 31, 2012, there were no net assets released from restriction.

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 \$558,483 and \$405,985 were made for the years ended July 31, 2013 and 2012, respectively.

NYAYA HEALTH A NONPROFIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2013

(Continued)

NOTE 6 CONDITIONAL COMMITMENTS

Pro Victimis Foundation:

During 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. The second installment of \$27,000 was received during FY 2013. Since the terms of the conditions on the remaining commitment had not been met as of July 31, 2013, the conditional commitment of \$32,000 has not been recognized in the accompanying financial statements.

Nick Simons Foundation:

During FY 2013, Nyaya received a 1:1 matching challenge grant of \$150,000. Nick Simons Foundation will match all grants of \$10,000 or more from first-time donors. The challenge period is July 1, 2013 through June 30, 2014 and payments will be made quarterly. The conditional commitment of \$150,000 was not recognized in the accompanying financial statements.

NOTE 7 OCCUPANCY

On September 4, 2012, Nyaya Health entered into a one-year lease agreement to occupy office space in New York City, NY, which was renewed under the same lease terms subsequent to year end. The lease required the Organization to make monthly payments of \$1,800. Rent expense related to this lease amounted to \$19,560 for the year ended July 31, 2013, and as of July 31, 2013, future lease commitments under this agreement were \$1,800. Nyaya Health rented an additional office at times throughout the year to accommodate increased seasonal staff.

During FY 2012, 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.

NOTE 8 DONATED GOODS AND SERVICES

For the years ended July 31, 2013 and 2012, the Organization recognized the following in-kind contributions as expenses with offsetting contribution revenue in its financial statements:

	<u>2013</u>	<u>2012</u>
Program Supplies	\$23,810	\$23,600
Computer Consulting	-	2,500
Travel	10,650	1,533
Professional Fees	24,335	12,550
Occupancy	-	3,000
Total	<u>\$58,795</u>	<u>\$43,183</u>

NYAYA HEALTH A NONPROFIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2013

(Continued)

NOTE 9 CONCENTRATIONS

Cash:

NYAYA Health is subject to concentrations in credit risk relating primarily to cash which is held in a major financial institution. The Federal Deposit Insurance Corporation (“FDIC”) insures balances up to \$250,000 per depositor (through July 31, 2013, non-interest bearing accounts were insured in full). As of July 31, 2013 and 2012, the Organization’s cash balances in excess of FDIC coverage was \$321,157. The Organization has not experienced any losses on such accounts and management considers credit risk on cash to be low.

Receivable:

As of July 31, 2013, *Grants Receivable* includes the balance due on a three-year commitment of \$200,000. This grant represents 99% of total *Grants Receivable*.

Revenue:

A grant commitment from one organization in the amount of \$300,000 represents 23% of the Organization’s total support and revenue for the year ended July 31, 2013.

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 June 4, 2014, the date which the financial statements were available for issue, and noted the following events which met the criteria.

Name Change:

As discussed in Note 1, on March 18, 2014, Nyaya Health began publicly doing business as “Possible”. In addition, the Organization filed for trademark rights which become official May 16, 2014.