

NYAYA HEALTH A NONPROFIT CORPORATION

FINANCIAL STATEMENTS

with

INDEPENDENT AUDITORS' REPORT

YEARS ENDED JULY 31, 2014 AND 2013

Smith  Sullivan
& Brown PC
CERTIFIED PUBLIC ACCOUNTANTS

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NYAYA HEALTH A NONPROFIT CORPORATION

REPORT ON FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2014 AND 2013

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, 2014 AND 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Nyaya Health A Nonprofit Corporation
New York, 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, 2014 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, 2014 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 2013 financial statements, and our report dated June 4, 2014, 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, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Smith, Sullivan & Brown, PC

Westborough, Massachusetts
May 21, 2015

NYAYA HEALTH A NONPROFIT CORPORATION

STATEMENTS OF FINANCIAL POSITION AS OF JULY 31, 2014 AND 2013

ASSETS

	<u>2014</u>	<u>2013</u>
<u>CURRENT ASSETS:</u>		
Cash	\$ 703,602	\$ 566,209
Grants Receivable	100,000	102,500
Prepaid Expenses	<u>40,855</u>	<u>3,500</u>
Total Current Assets	<u>844,457</u>	<u>672,209</u>
<u>NON-CURRENT ASSETS:</u>		
Grants Receivable, Non-Current	<u>-</u>	<u>100,000</u>
<u>TOTAL ASSETS</u>	<u>\$ 844,457</u>	<u>\$ 772,209</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES:</u>		
Loan Payable, Current Portion	\$ 3,448	\$ -
Accounts Payable	40,805	404
Accrued Expenses	<u>33,976</u>	<u>21,898</u>
Total Current Liabilities	<u>78,229</u>	<u>22,302</u>
<u>NON-CURRENT LIABILITIES:</u>		
Loan Payable	<u>26,745</u>	<u>-</u>
Total Non-Current Liabilities	<u>26,745</u>	<u>-</u>
<u>TOTAL LIABILITIES</u>	<u>104,974</u>	<u>22,302</u>
<u>NET ASSETS:</u>		
Unrestricted Net Assets	343,649	549,907
Temporarily Restricted Net Assets	<u>395,834</u>	<u>200,000</u>
Total Net Assets	<u>739,483</u>	<u>749,907</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 844,457</u>	<u>\$ 772,209</u>

NYAYA HEALTH A NONPROFIT CORPORATION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2014
(With Summarized Comparative Totals for 2013)

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>2014</u>	<u>TOTAL ACTIVITIES 2013</u>
<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>				
<i>Support and Revenues:</i>				
Gifts, Grants and Contributions	\$ 509,764	\$ 1,056,185	\$ 1,565,949	\$ 1,295,919
Donated Goods and Services	133,451	-	133,451	58,795
Miscellaneous Revenue	-	-	-	825
Total Support and Revenues	<u>643,215</u>	<u>1,056,185</u>	<u>1,699,400</u>	<u>1,355,539</u>
<i>Reclassification of Net Assets:</i>				
Net Assets Released from Restriction	<u>860,351</u>	<u>(860,351)</u>	<u>-</u>	<u>-</u>
<u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	<u>1,503,566</u>	<u>195,834</u>	<u>1,699,400</u>	<u>1,355,539</u>
<u>FUNCTIONAL EXPENSES:</u>				
Program Services	1,418,589	-	1,418,589	800,671
Administrative	168,794	-	168,794	93,373
Fund Raising	<u>122,441</u>	<u>-</u>	<u>122,441</u>	<u>54,150</u>
<u>TOTAL FUNCTIONAL EXPENSES</u>	<u>1,709,824</u>	<u>-</u>	<u>1,709,824</u>	<u>948,194</u>
<u>CHANGE IN NET ASSETS</u>	(206,258)	195,834	(10,424)	407,345
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>549,907</u>	<u>200,000</u>	<u>749,907</u>	<u>342,562</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 343,649</u>	<u>\$ 395,834</u>	<u>\$ 739,483</u>	<u>\$ 749,907</u>

NYAYA HEALTH A NONPROFIT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JULY 31, 2014

(With Summarized Comparative Totals for 2013)

	<u>PROGRAM</u> <u>SERVICES</u>	<u>ADMINI-</u> <u>STRATIVE</u>	<u>FUND</u> <u>RAISING</u>	<u>TOTAL</u> <u>FUNCTIONAL EXPENSES</u>	
				<u>2014</u>	<u>2013</u>
Grants to Nepal Affiliate	\$ 959,333	\$ -	\$ -	\$ 959,333	\$ 558,483
Salaries and Wages	169,954	57,663	75,872	303,489	164,681
Employee Benefits	10,132	3,438	4,523	18,093	11,714
Payroll Taxes	16,774	5,691	7,488	29,953	20,500
Staff Recruitment, Development and Training	4,142	-	-	4,142	11,034
Travel and Conferences	101,773	-	-	101,773	42,286
Program Supplies	18,120	-	-	18,120	33,812
Accounting and Auditing Fees	-	26,493	-	26,493	35,984
Other Professional Fees	14,300	23,806	1,961	40,067	27,043
Occupancy Expense	13,880	4,709	6,197	24,786	22,608
Insurance	-	3,536	-	3,536	1,736
Minor Equipment and Furnishings	-	2,524	-	2,524	1,634
Food and Meals	3,496	-	-	3,496	4,153
Office, Telephone, Printing and Postage	11,543	3,848	-	15,391	3,416
Advertising	59,134	20,063	26,400	105,597	-
Website and IT Services	21,474	7,158	-	28,632	2,089
Dues, Fees, Licenses and Subscriptions	14,534	4,845	-	19,379	5,372
Miscellaneous	-	5,020	-	5,020	1,649
Total Functional Expenses	\$ 1,418,589	\$ 168,794	\$ 122,441	\$ 1,709,824	\$ 948,194

NYAYA HEALTH A NONPROFIT CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in Net Assets	\$ (10,424)	\$ 407,345
<i>Adjustments to Reconcile the Above to Net Cash Provided by Operating Activities:</i>		
<i>(Increase) Decrease in Current Assets:</i>		
Grants Receivable	2,500	(102,500)
Prepaid Expenses	(37,355)	(3,500)
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable	40,401	404
Accrued Expenses	12,078	12,523
<i>(Increase) Decrease in Non-Current Assets:</i>		
Grants Receivable, Non-Current	100,000	(100,000)
Net Adjustment	<u>117,624</u>	<u>(193,073)</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>107,200</u>	<u>214,272</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Proceeds from Loan Payable	<u>30,193</u>	<u>-</u>
Net Cash Provided by Financing Activities	<u>30,193</u>	<u>-</u>
<u>NET INCREASE IN CASH BALANCES</u>	137,393	214,272
<u>CASH BALANCES - BEGINNING OF YEAR</u>	<u>566,209</u>	<u>351,937</u>
<u>CASH BALANCES - END OF YEAR</u>	<u>\$ 703,602</u>	<u>\$ 566,209</u>

NYAYA HEALTH A NONPROFIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2014

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

Possible (also known as Nyaya Health) is a nonprofit healthcare company that delivers high-quality, low-cost healthcare to the world’s poor. We are pioneering a new approach, called durable healthcare, that brings together the best of private, public, and philanthropic models. Since 2008, Possible has treated over 222,499 patients in rural Nepal through government hospitals, clinics, community health workers, and a 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.

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, 2014

(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 FY 2013 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 2013 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, 2013, 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. Grants with expected payment dates that extend beyond one year are discounted to their present value when considered material. As of July 31, 2014 and 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, 2014

(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.

Advertising:

The costs of advertising are expensed as incurred.

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, 2014

(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 2011 are no longer subject to examination by tax authorities.

NOTE 4 LOAN PAYABLE

On May 6, 2014, the Organization entered into a loan agreement with SEED Energy, Inc. *dba* Sunfarmer in the amount of \$30,193. The loan is payable over an eight-year period commencing on September 30, 2014. Repayment will be in the form of thirty-two equal quarterly payments and interest will accrue at the rate of 5%. The principal portion of the loan scheduled for payment in FY 2015 is \$3,448 and the remaining non-current portion is due in subsequent years as scheduled below:

<u>Fiscal Year Ending</u>	<u>Amount</u>
July 31, 2016	\$ 3,196
July 31, 2017	3,385
July 31, 2018	3,584
July 31, 2019	3,796
Thereafter	<u>12,784</u>
Total	<u>\$26,745</u>

NOTE 5 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>2014</u>	<u>2013</u>
Time Restricted - Future Operating Expenses	\$375,000	\$200,000
Nyaya Health - Nepal	14,584	-
Training	<u>6,250</u>	-
Total	<u>\$395,834</u>	<u>\$200,000</u>

NYAYA HEALTH A NONPROFIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2014

(Continued)

NOTE 5 *(Continued)*

For the years ended July 31, 2014 and 2013, net assets were released from restriction for the following programs and purposes:

<u>Nature and Type of Restriction</u>	<u>2014</u>	<u>2013</u>
Time Restrictions Lapsed - Operating Expenses	\$153,738	\$293,475
Nyaya Health - Nepal	667,863	451,130
Research	30,000	30,000
Training	<u>8,750</u>	<u>10,874</u>
Total	<u>\$860,351</u>	<u>\$785,479</u>

NOTE 6 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.

NOTE 7 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. Since the terms of the conditions on the remaining commitment had not been met, the remaining conditional commitment as of July 31, 2014 and 2013 of \$32,000 and \$5,000, respectively, has not been recognized in the accompanying financial statements. The second and third installments of \$27,000 were received during FY 2013 and FY 2014, respectively.

Nick Simons Foundation:

During FY 2013, Nyaya received a 1:1 matching challenge grant of \$150,000. Nick Simons Foundation would match all grants of \$10,000 or more from first-time donors. The challenge period was July 1, 2013 through June 30, 2014 and payments were to be made quarterly. The conditional commitment of \$150,000 was received in FY 2014 and recognized in the accompanying financial statements.

NYAYA HEALTH A NONPROFIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2014

(Continued)

NOTE 8 OCCUPANCY

On September 4, 2012, Nyaya Health entered into a one-year lease agreement to occupy office space in New York City, NY. This agreement was renewed under the same lease terms on September 18, 2013, with the exception that the monthly payments were raised to \$1,850 from \$1,800. The renewal agreement extends through December 31, 2014. Rent expense related to this lease amounted to \$22,082 and \$19,560 for the years ended July 31, 2014 and 2013, respectively. Future lease commitments under this agreement as of July 31, 2014 were \$7,400. During FY 2014, Management also determined that it was paying below-market rates for its New York lease. Management has estimated the value of donated rent and utilities to be \$1,000 for the year ended July 31, 2014, which has been recognized as an expense with offsetting revenue and included in *Occupancy Expense* in the accompanying financial statements.

During FY 2014, Nyaya Health was not a party to any other formal lease agreements; however, periodically during the year, rent and related utility payments were made for use of space under informal agreements.

NOTE 9 DONATED GOODS AND SERVICES

For the years ended July 31, 2014 and 2013, the Organization recognized the following in-kind contributions as expenses with offsetting contribution revenue in its financial statements:

<u>Description</u>	<u>2014</u>	<u>2013</u>
Advertising	\$ 80,000	\$ -
Program Supplies	17,709	23,810
IT Services	16,519	-
Travel	640	10,650
Professional Fees	12,633	24,335
Occupancy	1,000	-
Subscriptions	<u>4,950</u>	<u>-</u>
Total	<u>\$133,451</u>	<u>\$58,795</u>

NOTE 10 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. As of July 31, 2014 and 2013, the Organization's cash balances in excess of FDIC coverage were \$449,972 and \$321,157, respectively. The Organization has not experienced any losses on such accounts and management considers credit risk on cash to be low.

Receivables:

As of July 31, 2014 and 2013, *Grants Receivable* include the balance due on a three-year commitment of \$100,000 and \$200,000, respectively. This grant represents 100% and 99% of total *Grants Receivable* as of July 31, 2014 and 2013, respectively.

NYAYA HEALTH A NONPROFIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2014

(Continued)

NOTE 10 *(Continued)*

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 11 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 12 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 May 21, 2015, the date which the financial statements were available for issue, and noted no events which met the criteria.