

HealthRight International, Inc.

Financial Statements and
OMB Circular A-133 Financial Report
Together with Independent Auditors' Report

December 31, 2009

HealthRight International, Inc.

Financial Statements

December 31, 2009

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O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

Independent Auditors' Report

To the Board of Directors
HealthRight International, Inc.

We have audited the accompanying statements of financial position of HealthRight International, Inc. (the Organization), as of December 31, 2009 and 2008 and the related statements of activities, functional expenses, and cash flows for the years 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 on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 HealthRight International, Inc. as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2010 on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

O'Connor Davies Murino & Dobbins, LLP

New York, New York
October 19, 2010

HealthRight International, Inc.

Statements of Financial Position

December 31,

| | <u>2009</u> | <u>2008</u> |
|---------------------------------------|---------------------|---------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 288,378 | \$ 1,651,339 |
| Receivables | 851,496 | 545,719 |
| Prepaid expenses | <u>43,951</u> | <u>47,973</u> |
| Total Current Assets | 1,183,825 | 2,245,031 |
| Property and equipment, net | 146,064 | 151,702 |
| Security deposits | <u>58,756</u> | <u>58,756</u> |
| | <u>\$ 1,388,645</u> | <u>\$ 2,455,489</u> |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable and accrued expenses | \$ 99,025 | \$ 139,693 |
| Unearned revenue | 37,239 | 37,927 |
| NICRA liability | <u>49,144</u> | <u>49,144</u> |
| Total Liabilities | <u>185,408</u> | <u>226,764</u> |
| Net Assets | | |
| Unrestricted | 656,222 | 1,366,008 |
| Temporarily restricted | <u>547,015</u> | <u>862,717</u> |
| Total Net Assets | <u>1,203,237</u> | <u>2,228,725</u> |
| | <u>\$ 1,388,645</u> | <u>\$ 2,455,489</u> |

See notes to financial statements.

HealthRight International, Inc.

Statements of Activities

Years Ended December 31,

| | 2009 | | | 2008 | | |
|--------------------------------------------------------------------------------------------------------------------|-------------------|------------------------|---------------------|---------------------|------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| REVENUES | | | | | | |
| United States government grants | \$ 2,079,526 | \$ - | \$ 2,079,526 | \$ 1,410,631 | \$ - | \$ 1,410,631 |
| International organizations | - | 63,185 | 63,185 | 76,425 | 59,929 | 136,354 |
| Foundation grants | 164,784 | 928,447 | 1,093,231 | 186,950 | 1,375,131 | 1,562,081 |
| Corporate contributions | 19,412 | 450,000 | 469,412 | 23,831 | 375,000 | 398,831 |
| Individual contributions | 183,686 | 45,000 | 228,686 | 1,250,553 | 46,205 | 1,296,758 |
| Donated services | - | 391,786 | 391,786 | 64,508 | 582,295 | 646,803 |
| Special events and promotions income (net of expenses of \$80,064 and \$112,547 in 2009 and 2008, respectively) | 173,638 | - | 173,638 | 283,125 | - | 283,125 |
| Investment and other income | 9,241 | - | 9,241 | 72,241 | - | 72,241 |
| | <u>2,630,287</u> | <u>1,878,418</u> | <u>4,508,705</u> | <u>3,368,264</u> | <u>2,438,560</u> | <u>5,806,824</u> |
| Net assets released from restrictions | <u>2,194,120</u> | <u>(2,194,120)</u> | <u>-</u> | <u>2,734,449</u> | <u>(2,734,449)</u> | <u>-</u> |
| Total Revenues | <u>4,824,407</u> | <u>(315,702)</u> | <u>4,508,705</u> | <u>6,102,713</u> | <u>(295,889)</u> | <u>5,806,824</u> |
| | | | | | | - |
| EXPENSES | | | | | | |
| Program services | 4,824,639 | - | 4,824,639 | 4,977,708 | - | 4,977,708 |
| Supporting Services | | | | | | - |
| Management and general | 344,500 | - | 344,500 | 380,756 | - | 380,756 |
| Fundraising | 365,054 | - | 365,054 | 284,341 | - | 284,341 |
| Total Expenses | <u>5,534,193</u> | <u>-</u> | <u>5,534,193</u> | <u>5,642,805</u> | <u>-</u> | <u>5,642,805</u> |
| Change in Net Assets | (709,786) | (315,702) | (1,025,488) | 459,908 | (295,889) | 164,019 |
| NET ASSETS | | | | | | |
| Beginning of year | <u>1,366,008</u> | <u>862,717</u> | <u>2,228,725</u> | <u>906,100</u> | <u>1,158,606</u> | <u>2,064,706</u> |
| End of Year | <u>\$ 656,222</u> | <u>\$ 547,015</u> | <u>\$ 1,203,237</u> | <u>\$ 1,366,008</u> | <u>\$ 862,717</u> | <u>\$ 2,228,725</u> |

See notes to financial statements.

HealthRight International, Inc.

Statement of Functional Expenses

Year Ended December 31, 2009

| EXPENSES | Program Services | | | | | | Supporting Services | | | | 2009 Total |
|-----------------------------------------------------|---------------------|---------------------|---------------------|--------------------------------|-------------------------------------------------|----------------------------------------------------------|------------------------------|------------------------------|-------------------|---------------------------------|---------------------|
| | Russia Projects | Ukraine Projects | Kenya Projects | Chiapas, Mexico Projects | Nepal, Vietnam, India & Other Projects | Human Rights Clinic and Other Domestic Projects | Total Program Services | Management and General | Fundraising | Total Supporting Services | |
| Salaries | \$ 600,633 | \$ 198,946 | \$ 397,285 | \$ 101,595 | 230,739 | \$ 209,958 | \$ 1,739,156 | \$ 191,451 | \$ 259,983 | \$ 451,434 | \$ 2,190,590 |
| Benefits | 125,947 | 70,196 | 138,882 | 21,677 | 55,998 | 36,006 | 448,706 | 58,781 | 50,180 | 108,961 | 557,667 |
| Volunteers/program consultants | 100,797 | 56,314 | 75,990 | 27,312 | 43,652 | 407,095 | 711,160 | 28,082 | 9,910 | 37,992 | 749,152 |
| Professional fees | 1,781 | 1,828 | 5,346 | 220 | 518 | 8,551 | 18,244 | 35,000 | 2,353 | 37,353 | 55,597 |
| Rent, maintenance, security, cleaning and utilities | 88,189 | 46,157 | 53,069 | 14,038 | 44,871 | 13,875 | 260,199 | 13,941 | 14,773 | 28,714 | 288,913 |
| Materials and supplies | 68,993 | 25,043 | 50,735 | 5,692 | 19,393 | 5,245 | 175,101 | 1,197 | 10,076 | 11,273 | 186,374 |
| Furniture and equipment | 5,299 | 1,676 | 107,245 | 11,245 | 10,314 | 3,139 | 138,918 | 1,136 | 1,021 | 2,157 | 141,075 |
| Vehicle rental /maintenance/fuel | 712 | 332 | 88,273 | 7,556 | 5,701 | 90 | 102,664 | - | - | - | 102,664 |
| Travel | 32,022 | 15,836 | 44,924 | 18,047 | 30,058 | 1,008 | 141,895 | 93 | 470 | 563 | 142,458 |
| Insurance | 1,635 | 467 | 1,062 | 222 | 523 | 12,768 | 16,677 | 4,501 | 379 | 4,880 | 21,557 |
| Postage and delivery | 2,612 | 1,487 | 2,802 | 745 | 1,803 | 1,396 | 10,845 | 1,882 | 3,837 | 5,719 | 16,564 |
| Telephone | 7,997 | 6,898 | 15,847 | 3,520 | 2,361 | 1,099 | 37,722 | 1,142 | 780 | 1,922 | 39,644 |
| Internet/email | 2,557 | 3,028 | 7,336 | 389 | 773 | 368 | 14,451 | 591 | 305 | 896 | 15,347 |
| Program activities - Training and workshops | 10,475 | 40,186 | 79,299 | 9,393 | 14,427 | 5,075 | 158,855 | 15 | 111 | 126 | 158,981 |
| Staff and field management training | 186 | 134 | 11,879 | 253 | 303 | 220 | 12,975 | - | 6,125 | 6,125 | 19,100 |
| Recruiting | 221 | 414 | 3,002 | 492 | 1,036 | 150 | 5,315 | 162 | 8 | 170 | 5,485 |
| Meals and refreshments | 2,987 | 1,083 | 4,210 | 1,194 | 2,141 | 761 | 12,376 | 2,237 | 63 | 2,300 | 14,676 |
| Memberships and subscriptions | 3,921 | 940 | 2,714 | 447 | 1,054 | 2,111 | 11,187 | 99 | 1,400 | 1,499 | 12,686 |
| Donations/contributions | 1,982 | 566 | 5,836 | 292 | 635 | 368 | 9,679 | 433 | 459 | 892 | 10,571 |
| Gifts and entertainment | 568 | 142 | 443 | 61 | 1,786 | 82 | 3,082 | 708 | 275 | 983 | 4,065 |
| Subcontract grant expenses | 644,839 | 3,301 | - | - | 75,697 | - | 723,837 | - | - | - | 723,837 |
| Fees, charges and taxes | 3,068 | 2,365 | 1,068 | 2,107 | 1,046 | 121 | 9,775 | 716 | 74 | 790 | 10,565 |
| Other expense | 2,929 | 11,347 | 13,414 | 5,623 | 2,646 | 295 | 36,254 | 165 | 175 | 340 | 36,594 |
| Depreciation expense | 9,922 | 2,835 | 6,443 | 1,347 | 3,175 | 1,844 | 25,566 | 2,168 | 2,297 | 4,465 | 30,031 |
| Total | \$ 1,720,272 | \$ 491,521 | \$ 1,117,104 | \$ 233,467 | \$ 550,650 | \$ 711,625 | \$ 4,824,639 | \$ 344,500 | \$ 365,054 | \$ 709,554 | \$ 5,534,193 |

See notes to financial statements.

HealthRight International, Inc.

Statement of Functional Expenses

Year Ended December 31, 2008

| EXPENSES | Program Services | | | | | | | Supporting Services | | | | 2008 Total |
|-----------------------------------------------------|--------------------|---------------------|---------------------|---------------------|--------------------------------|-------------------------------------------------|----------------------------------------------------------|------------------------------|------------------------------|-------------------|---------------------------------|---------------------|
| | Kosovo Projects | Russia Projects | Ukraine Projects | Kenya Projects | Chiapas, Mexico Projects | Nepal, Vietnam, India & Other Projects | Human Rights Clinic and Other Domestic Projects | Total Program Services | Management and General | Fundraising | Total Supporting Services | |
| Salaries | \$ 75 | \$ 624,088 | \$ 160,314 | \$ 405,407 | \$ 151,466 | \$ 184,532 | \$ 128,760 | \$ 1,654,642 | \$ 217,226 | \$ 193,433 | \$ 410,659 | \$ 2,065,301 |
| Benefits | 24 | 148,674 | 67,408 | 134,531 | 29,365 | 49,924 | 32,488 | 462,414 | 55,997 | 38,709 | 94,706 | 557,120 |
| Volunteers/program consultants | 91,389 | 125,461 | 34,382 | 163,782 | 69,494 | 70,658 | 408,209 | 963,375 | 6,885 | 11,767 | 18,652 | 982,027 |
| Professional fees | - | 13,776 | 6,350 | 10,825 | 2,426 | 4,517 | 1,742 | 39,636 | 67,539 | 2,433 | 69,972 | 109,608 |
| Rent, maintenance, security, cleaning and utilities | 32 | 90,916 | 59,552 | 60,680 | 17,121 | 30,968 | 8,267 | 267,536 | 12,838 | 11,543 | 24,381 | 291,917 |
| Materials and supplies | - | 78,025 | 21,635 | 20,157 | 14,436 | 10,993 | 2,114 | 147,360 | 1,944 | 7,000 | 8,944 | 156,304 |
| Furniture and equipment | - | 14,951 | 1,705 | 99,232 | 16,285 | 18,203 | 548 | 150,924 | 1,098 | 3,817 | 4,915 | 155,839 |
| Vehicle rental /maintenance/fuel | 178 | 170 | 2,149 | 61,281 | 6,518 | 730 | - | 71,026 | - | - | - | 71,026 |
| Travel | 2,681 | 66,184 | 27,513 | 76,543 | 13,697 | 62,954 | 1,433 | 251,005 | 1,604 | 38 | 1,642 | 252,647 |
| Insurance | - | 630 | 184 | 310 | 79 | 129 | 12,085 | 13,417 | 3,741 | 80 | 3,821 | 17,238 |
| Postage and delivery | - | 6,994 | 3,563 | 5,627 | 1,385 | 2,807 | 2,296 | 22,672 | 2,905 | 6,013 | 8,918 | 31,590 |
| Telephone | 292 | 13,169 | 7,596 | 19,480 | 3,958 | 2,389 | 1,545 | 48,429 | 2,661 | 913 | 3,574 | 52,003 |
| Internet/email | - | 5,010 | 2,186 | 6,310 | 382 | 801 | 393 | 15,082 | 363 | 296 | 659 | 15,741 |
| Program activities - Training and workshops | 55 | 42,282 | 31,454 | 145,487 | 16,491 | 9,076 | 2,280 | 247,125 | - | - | - | 247,125 |
| Staff and field management training | - | 2,072 | 951 | 14,050 | 155 | 249 | 111 | 17,588 | 985 | 29 | 1,014 | 18,602 |
| Recruiting | - | 729 | 617 | 5,359 | 48 | 1,830 | 155 | 8,738 | 23 | 3,184 | 3,207 | 11,945 |
| Meals and refreshments | - | 6,312 | 1,503 | 3,243 | 1,180 | 3,108 | 283 | 15,629 | 1,212 | 504 | 1,716 | 17,345 |
| Memberships and subscriptions | - | 3,754 | 944 | 3,482 | 517 | 835 | 1,372 | 10,904 | 306 | 1,525 | 1,831 | 12,735 |
| Donations/contributions | - | 2,157 | 528 | 9,213 | 366 | 687 | 263 | 13,214 | 408 | 367 | 775 | 13,989 |
| Gifts and entertainment | - | 4,955 | 317 | 591 | 324 | 1,640 | 209 | 8,036 | 159 | 143 | 302 | 8,338 |
| Interest expense | - | 1,498 | 386 | 1,043 | 268 | 431 | 192 | 3,818 | 298 | 268 | 566 | 4,384 |
| Subcontract grant expenses | - | 454,658 | 2,785 | - | - | 34,734 | - | 492,177 | - | - | - | 492,177 |
| Fees, charges and taxes | - | 6,842 | 6,672 | 2,536 | 1,051 | 1,865 | 395 | 19,361 | 638 | 547 | 1,185 | 20,546 |
| Other expense | - | 1,279 | 1,198 | 918 | 860 | 1,981 | 5,325 | 11,561 | 203 | 183 | 386 | 11,947 |
| Depreciation expense | - | 8,644 | 2,227 | 6,018 | 1,545 | 2,495 | 1,110 | 22,039 | 1,723 | 1,549 | 3,272 | 25,311 |
| Total | \$ 94,726 | \$ 1,723,230 | \$ 444,119 | \$ 1,256,105 | \$ 349,417 | \$ 498,536 | \$ 611,575 | \$ 4,977,708 | \$ 380,756 | \$ 284,341 | \$ 665,097 | \$ 5,642,805 |

See notes to financial statements.

HealthRight International, Inc.

Statements of Cash Flows

Years Ended December 31,

| | <u>2009</u> | <u>2008</u> |
|----------------------------------------------------------------------------------------|--------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (1,025,488) | \$ 164,019 |
| Adjustments to reconcile change in net assets to net cash from operating activities | | |
| Depreciation | 30,031 | 25,311 |
| Changes in operating assets and liabilities | | |
| Receivables | (305,777) | (45,941) |
| Prepaid expenses | 4,022 | (12,065) |
| Accounts payable and accrued expenses | (40,668) | 72,327 |
| Unearned income | (688) | 37,927 |
| NICRA liability | <u>-</u> | <u>(47,856)</u> |
| Net Cash From Operating Activities | <u>(1,338,568)</u> | <u>193,722</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property and equipment | <u>(24,393)</u> | <u>(9,666)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments on notes payable | <u>-</u> | <u>(43,059)</u> |
| Net Change in Cash and Cash Equivalents | <u>(1,362,961)</u> | <u>140,997</u> |
| CASH AND CASH EQUIVALENTS | | |
| Beginning of year | <u>1,651,339</u> | <u>1,510,342</u> |
| End of year | <u>\$ 288,378</u> | <u>\$ 1,651,339</u> |
| Supplemental Disclosures of Cash Flow Information: | | |
| Cash paid for interest | \$ - | \$ 394 |

See notes to financial statements.

HealthRight International, Inc.

Notes to Financial Statements

1. **Organization and Tax Status**

HealthRight International, Inc. (the Organization), is an international health and human rights organization founded in 1990 by a group of volunteer physicians including the late Dr. Jonathan Mann, a pioneer in the field of health and human rights.

Working with local partners, the Organization's projects build long-term solutions focused on ending the TB and HIV epidemics, caring for neglected and abandoned children, maternal and infant health, and assistance to torture survivors. In addition to the US, the Organization has operated programs in over 30 countries.

In December 2, 2008, through the majority vote of the Organization's Board of Directors, the Organization approved the resolution to amend its Certificate of Incorporation to change its name to HealthRight International, Inc.

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

2. **Summary of Significant Accounting Policies**

Accounting Changes

In July 2009, the Financial Accounting Standards Board (FASB) Accounting Standards Codification became the single source of generally accepted accounting principles (GAAP) in the United States. The Accounting Standards Codification (ASC) did not change GAAP, however, it introduced a new structure to the accounting literature and changed references to accounting standards and other authoritative accounting guidance. Application of the ASC did not have an effect on the Organization's financial condition, changes in net assets or cash flows.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Organization is required to report 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.

HealthRight International, Inc.

Notes to Financial Statements

2. Summary of Significant Accounting Policies *(continued)*

Basis of Presentation

Unrestricted net assets include the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. These assets are committed to the operations of the organization.

Temporarily restricted net assets include contributions and other assets received with donor stipulations that limit the use of the donated asset. When donor restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is received. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is when a stipulated time restriction ends or the purpose restriction is accomplished temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Restrictions on gifts of fixed assets or contributions restricted for the purpose of those assets expire when the asset is placed in service unless the donor stipulated otherwise.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, provided by individuals possessing those skills, and that would typically need to be purchased if not provided by donation, are recorded at their fair values in the period services are rendered.

HealthRight International, Inc.

Notes to Financial Statements

2. Summary of Significant Accounting Policies *(continued)*

Revenue Recognition

Government grants are recognized as the related expenses are incurred. Amounts received from these grants, which have not yet been earned under the terms of the agreement are recorded as deferred revenues in the accompanying financial statements.

Functional Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support services are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated in accordance with grant provisions and/or other equitable bases.

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. Cash and cash equivalents include demand deposits and temporary investments readily convertible to cash with high credit financial institutions.

Fair Value of Financial Instruments

The Organization follows FASB 157 “Fair Value Measurements” which established a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 assets have the highest priority and include assets with quoted prices in an active markets. As of and for the years ended December 31, 2009 and 2008 all of the Organization’s cash equivalents were Level 1 investments.

Property, Equipment and Depreciation

Property and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets which ranged from three to ten years.

HealthRight International, Inc.

Notes to Financial Statements

2. Summary of Significant Accounting Policies *(continued)*

Accounting for Uncertainty in Income Taxes

The Organization adopted FASB guidance on uncertain income tax positions in its financial statements. The Organization's accounting policy is to provide liabilities for uncertain tax positions when a liability is probable and estimable. Management is not aware of any violation of its tax status as an organization exempt from income taxes, nor of any exposure to unrelated business income tax. The Organization is no longer subject to audits by the applicable taxing jurisdictions for periods prior to 2006.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 19, 2010.

3. Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at December 31:

| | <u>2009</u> | <u>2008</u> |
|----------------------------------|-------------------|--------------------|
| Domestic banks | \$ 168,648 | \$1,359,091 |
| Money market | 27,473 | 49,830 |
| Foreign banks and field accounts | <u>111,219</u> | <u>242,417</u> |
| | <u>\$ 307,340</u> | <u>\$1,651,338</u> |

The Organization maintains its cash balances in various domestic and foreign institutions. Those funds held by a major brokerage firm are insured by the Securities Investor Protection Corporation (SIPC). The balances held by banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, such deposits may be in excess of the FDIC insurance limits.

HealthRight International, Inc.

Notes to Financial Statements

4. Property and Equipment

As of December 31, property and equipment consisted of the following:

| | <u>2009</u> | <u>2008</u> |
|-------------------------------|-------------------|-------------------|
| Leasehold improvements | \$ 110,315 | \$ 110,315 |
| Furniture and fixtures | 45,131 | 45,131 |
| Equipment | <u>75,119</u> | <u>50,726</u> |
| | 230,565 | 206,172 |
| Less accumulated depreciation | <u>84,501</u> | <u>54,470</u> |
| | <u>\$ 146,064</u> | <u>\$ 151,702</u> |

5. Donated Services

The Organization received legal services approximating \$0 and \$61,760 for the years ended December 31, 2009 and 2008, which have been reflected as donated services and legal expenses in the accompanying financial statements. The value of these services rendered was supplied by the donor. The Organization also received medical services approximating \$391,786 and \$ 562,808 for the years ended December 31, 2009 and 2008, which have also been reflected as donated services and program consultants/volunteer stipend expense in the accompanying financial statements.

6. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes as of December 31:

| <u>Project/Program</u> | <u>2009</u> | <u>2008</u> |
|--------------------------------------------|-------------------|-------------------|
| General Operations | \$ - | \$ 23,340 |
| Russia | 225,108 | 262,137 |
| Kenya | 34,982 | 125,000 |
| Nepal | - | 9,600 |
| International Action Network on Small Arms | - | 30,500 |
| Ukraine | 286,925 | 223,406 |
| Mexico | - | 23,751 |
| HRC | - | 150,000 |
| India | - | 14,983 |
| | <u>\$ 547,015</u> | <u>\$ 862,717</u> |

HealthRight International, Inc.

Notes to Financial Statements

6. Temporarily Restricted Net Assets *(continued)*

Net assets released from restrictions after satisfying purpose and time restrictions were \$2,194,120 and \$2,734,449 for the years ended December 31, 2009 and 2008, respectively.

7. Operating Leases

The Organization leased office space in New York City under an operating lease which expired in July 2006. In May 2006, the Organization entered into a 10 ½ year operating lease agreement for a new office space for its New York City head office operations with a lease commencement date of October 1, 2006. Rent expenses for the years ended December 31, 2009 and 2008 were \$263,513 and \$138,404, respectively.

Future minimum lease payments are as follows:

| | |
|------------|---------------------|
| 2010 | \$ 169,871 |
| 2011 | 174,967 |
| 2012 | 180,216 |
| 2013 | 185,622 |
| Thereafter | <u>642,793</u> |
| | <u>\$ 1,353,469</u> |

Additionally, the Organization leases office space in all its program countries.

8. Retirement Plan

Effective January 2000, the Organization sponsors a 403(b) retirement savings plan for all eligible employees. Retirement plan expenses were approximately \$25,486 and \$47,580 for the years ended December 31, 2009 and 2008, respectively.

HealthRight International, Inc.

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2009

| Federal Grantor/Program Title | Grant ID Number | Federal CFDA Number | Federal Expenditures |
|--------------------------------------------------------------------------------------------------------------------------------------------|----------------------|---------------------------|-------------------------|
| U.S. Agency for International Development (USAID) Foreign Assistance for Programs Overseas | | 98.001 | |
| Direct Programs: | | | |
| Russia At Risk Youth Program | 118-A-00-04-00064 | | \$ 811,504 |
| Partnership for Maternal and Neonatal Health in Kenya | GHS-A-00-06-00011-00 | | 473,369 |
| Partnership for the Prevention and Treatment of Malaria in the North Rift Valey Province, Kenya | GHN-A-00-09-00008-00 | | 23,063 |
| Partnership for Maternal and Neonatal Health in Nepal | GHS-A-00-06-00011-00 | | <u>28,542</u> |
| Total Direct Programs | | | <u>1,336,478</u> |
| Indirect Programs: | | | |
| Subgrant from Family Health International Providing Integrated HIV/AIDS Interventions | 623-A-00-06-00022-00 | | 250,377 |
| Subgrant from PACT, Inc. Vietnam Community Reach | 486-A-00-06-00007-00 | | 218,777 |
| Subgrant from World Learning Communication, Social Mobilization and Advocacy for Tuberculosis Control in High Burden Communities | A-00-04-00021-01 | | 152,787 |
| Pass-through from Center for Disease Control and Prevention, U.S. Civilian Research and Development Foundation Ukraine HIV Survey | UAB1-31006-KV-08 | | <u>61,771</u> |
| Total Indirect Programs | | | <u>683,712</u> |
| Total USAID | | | 2,020,190 |
| U.S. Department of Health and Human Services Assistance for Torture Victims | 90ZT0091 | 93.604 | <u>59,336</u> |
| Total | | | <u>\$ 2,079,526</u> |

See note to the schedule of expenditures of federal awards.

HealthRight International, Inc.

Notes to Financial Statements

1. **Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of HealthRight International, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.



O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

**To the Board of Directors
HealthRight International, Inc.**

We have audited the financial statements of Healthright International, Inc. (the Organization), as of and for the year ended December 31, 2009 have issued our report thereon dated October 19, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Organization in a separate letter dated October 19, 2010.

This report is intended solely for the information and use of the Board of Directors, management, the United States Agency for International Development, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

O'Connor Davies Munro & Dobbins, LLP

New York, New York
October 19, 2010



O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

**Report on Compliance with Requirements Applicable to Each Major Program
and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

**Board of Directors
HealthRight International, Inc.**

Compliance

We have audited the compliance of HealthRight International, Inc. (the Organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular, *OMB Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Organization's compliance with those requirements.

In our opinion, HealthRight International, Inc. complied, in all material respects, with the requirements referred to above that are applicable to their major federal program for the year ended December 31, 2009.

Internal Control Over Compliance

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement for a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, the United States Agency for International Development, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

O'Connor Davies Munno & Dobbins, LLP

New York, New York
October 19, 2010



O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

Independent Auditor's Report On Indirect Cost Rate Proposal

**Board of Directors
HealthRight International, Inc.**

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying indirect cost rate proposal is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

O'Connor Davies Munns & Dobbins, LLP

New York, New York
October 19, 2010

HealthRight International, Inc.

Schedule of Indirect Cost Rate

Single Rate System

January 1, 2009 - December 31, 2009

DIRECT COSTS

| | | |
|-------------------------------------------------|----|------------------|
| Russia Projects | \$ | 1,720,272 |
| Ukraine Projects | | 491,521 |
| Kenya Projects | | 1,117,104 |
| Chiapas, Mexico Projects | | 233,467 |
| Nepal, Vietnam, India and Other Projects | | 550,650 |
| Human Rights Clinic and Other Domestic Projects | | 711,625 |
| Fundraising | | 365,054 |
| Donated In-Kind Services | | (391,786) |
| Allocated administrative expenses | | <u>(654,821)</u> |
| Total Direct Costs | | <u>4,143,086</u> |

INDIRECT COSTS

| | | |
|-----------------------------------|----|------------------|
| Management and General | | 344,500 |
| Donations/Contributions | | (10,571) |
| Gifts and Entertainment | | (4,065) |
| Allocated Administrative Expenses | | <u>654,821</u> |
| Total Indirect Costs | | <u>984,685</u> |
| Total Costs | \$ | <u>5,127,771</u> |

Rate = Total Indirect Costs \$ 984,685 divided by

Total Direct Costs \$ 4,143,086

23.77%

HealthRight International, Inc.

Schedule of Findings and Questioned Costs

Year Ended December 31, 2009

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting

Material weakness(es) identified?

___ yes ___ no

Significant deficiency(ies) identified not
considered to be material weakness(es)?

___ yes ___ none reported

Noncompliance material to financial statements noted?

___ yes ___ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

___ yes ___ no

Significant deficiency(ies) identified not
considered to be material weakness(es)?

___ yes ___ none reported

Type of auditors' report issued on compliance
for major programs:

Unqualified

Any audit findings disclosed that are required
to be reported in accordance with Circular
A-133, Section .510(a)?

___ yes ___ no

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|-------------------------------------------|
| 98.001 | Foreign Assistance for Programs Overseas |

Dollar threshold used to distinguish
between Type A and Type B programs:

___ \$300,000 ___

Auditee qualified as low-risk auditee?

___ yes ___ no

HealthRight International, Inc.

Schedule of Findings and Questioned Costs

Year Ended December 31, 2009

Section II – Financial Statement Findings

During the year ended December 31, 2009, we did not identify any financial statement findings and questioned costs.

Section III – Federal Award Findings and Questioned Costs

During the year ended December 31, 2009, we did not identify any federal award findings and questioned costs.

Section IV – Prior Year Findings

None reported.