

HealthRight International, Inc.

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

December 31, 2010

HealthRight International, Inc.

Financial Statements

December 31, 2010

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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, 2010 and 2009 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, 2010 and 2009, 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 November 14, 2011 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.

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

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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 Munne & Dobbins, LLP

November 14, 2011
New York, New York

HealthRight International, Inc.

Statements of Financial Position

December 31,

	<u>2010</u>	<u>2009</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 784,491	\$ 288,378
Receivables	277,751	851,496
Prepaid expenses	<u>23,524</u>	<u>43,951</u>
Total Current Assets	1,085,766	1,183,825
Property and equipment, net	116,554	146,064
Security deposits	<u>58,756</u>	<u>58,756</u>
	<u>\$ 1,261,076</u>	<u>\$ 1,388,645</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 81,185	\$ 99,025
Unearned revenue	415,409	37,239
NICRA liability	<u>-</u>	<u>49,144</u>
Total Liabilities	<u>496,594</u>	<u>185,408</u>
Net Assets		
Unrestricted	140,445	656,222
Temporarily restricted	<u>624,037</u>	<u>547,015</u>
Total Net Assets	<u>764,482</u>	<u>1,203,237</u>
	<u>\$ 1,261,076</u>	<u>\$ 1,388,645</u>

See notes to financial statements.

HealthRight International, Inc.

Statements of Activities

Years Ended December 31,

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES						
United States government grants	\$ 2,193,962	\$ -	\$ 2,193,962	\$ 2,079,526	\$ -	\$ 2,079,526
Foreign government grant	-	26,684	26,684	-	-	-
International organizations	-	50,000	50,000	-	63,185	-
Foundation grants	166,287	853,873	1,020,160	164,784	928,447	1,093,231
Corporate contributions	20,201	384,021	404,222	19,412	450,000	469,412
Individual contributions	303,389	680	304,069	183,686	45,000	228,686
Donated services	-	906,945	906,945	-	391,786	391,786
Special events and promotions income (net of expenses of \$99,610 and \$80,064 in 2010 and 2009, respectively)	199,275	-	199,275	173,638	-	173,638
Investment and other income	6,743	-	6,743	9,241	-	9,241
	<u>2,889,857</u>	<u>2,222,203</u>	<u>5,112,060</u>	<u>2,630,287</u>	<u>1,878,418</u>	<u>4,445,520</u>
Net assets released from restrictions	<u>2,145,181</u>	<u>(2,145,181)</u>	<u>-</u>	<u>2,194,120</u>	<u>(2,194,120)</u>	<u>-</u>
Total Revenues	<u>5,035,038</u>	<u>77,022</u>	<u>5,112,060</u>	<u>4,824,407</u>	<u>(315,702)</u>	<u>4,508,705</u>
EXPENSES						
Program services	4,922,237	-	4,922,237	4,824,639	-	4,824,639
Supporting Services						
Management and general	268,388	-	268,388	344,500	-	344,500
Fundraising	360,190	-	360,190	365,054	-	365,054
Total Expenses	<u>5,550,815</u>	<u>-</u>	<u>5,550,815</u>	<u>5,534,193</u>	<u>-</u>	<u>5,534,193</u>
Change in Net Assets	(515,777)	77,022	(438,755)	(709,786)	(315,702)	(1,025,488)
NET ASSETS						
Beginning 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>
End of year	<u>\$ 140,445</u>	<u>\$ 624,037</u>	<u>\$ 764,482</u>	<u>\$ 656,222</u>	<u>\$ 547,015</u>	<u>\$ 1,203,237</u>

See notes to financial statements.

HealthRight International, Inc.

Statement of Functional Expenses

Year Ended December 31, 2010

EXPENSES	Program Services					Supporting Services				2010 Total
	Russia Projects	Ukraine Projects	Kenya Projects	Nepal, Vietnam, India & Other Projects	Human Rights Clinic and Other Domestic Projects	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 548,466	\$ 284,006	\$ 379,900	\$ 344,467	\$ 215,301	\$ 1,772,140	\$ 193,140	\$ 269,499	\$ 462,639	\$ 2,234,779
Benefits	100,556	78,366	124,261	83,731	36,836	423,750	50,778	42,280	93,058	516,808
Volunteers/program consultants	30,197	25,158	43,379	85,267	482,177	666,178	143	3,787	3,930	670,108
Professional fees	12,332	5,674	11,532	7,954	5,258	42,750	2,654	3,562	6,216	48,966
Rent, maintenance, security, cleaning and utilities	93,616	58,600	50,589	51,815	13,462	268,082	11,991	16,092	28,083	296,165
Materials and supplies	64,717	22,740	448,551	19,292	2,086	557,386	487	7,404	7,891	565,277
Furniture and equipment	2,352	7,121	40,928	16,894	2,220	69,515	2,198	3,882	6,080	75,595
Vehicle rental /maintenance/fuel	61	3,508	120,857	2,013	-	126,439	-	-	-	126,439
Travel	23,363	26,384	64,959	27,453	706	142,865	292	323	615	143,480
Insurance	3,270	1,517	2,610	1,944	8,713	18,054	736	988	1,724	19,778
Postage and delivery	1,431	1,422	1,692	743	1,209	6,497	382	2,558	2,940	9,437
Telephone	5,526	6,595	11,934	3,620	1,098	28,773	478	725	1,203	29,976
Internet/email	2,413	4,167	5,685	2,743	769	15,777	362	578	940	16,717
Program activities - Training and workshops	39,558	58,809	71,800	53,152	7,346	230,665	-	531	531	231,196
Staff and field management training	97	370	1,770	126	23	2,386	-	-	-	2,386
Recruiting	326	532	173	466	16	1,513	75	780	855	2,368
Meals and refreshments	2,105	1,254	4,428	1,475	36	9,298	359	31	390	9,688
Memberships and subscriptions	1,323	300	812	1,358	18	3,811	17	1,318	1,335	5,146
Donations/contributions	-	-	1,716	-	-	1,716	-	-	-	1,716
Gifts and entertainment	165	82	511	1,627	27	2,412	72	35	107	2,519
Subcontract grant expenses	345,119	9,952	-	68,583	-	423,654	-	-	-	423,654
Fees, charges and taxes	8,196	321	3,437	5,363	2,634	19,951	1,391	1,168	2,559	22,510
Other expense	5,675	1,952	47,661	6,447	985	62,720	946	2,116	3,062	65,782
Depreciation expense	8,381	3,888	6,691	4,984	1,961	25,905	1,887	2,533	4,420	30,325
Total	\$ 1,299,245	\$ 602,718	\$ 1,445,876	\$ 791,517	\$ 782,881	\$ 4,922,237	\$ 268,388	\$ 360,190	\$ 628,578	\$ 5,550,815

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
Interest expense	-	-	-	-	-	-	-	-	-	-	-
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
											5,587,888

See notes to financial statements.

HealthRight International, Inc.

Statements of Cash Flows

Years Ended December 31,

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (438,755)	\$ (1,025,488)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	30,325	30,031
Changes in operating assets and liabilities		
Receivables	573,745	(305,777)
Prepaid expenses	20,427	4,022
Accounts payable and accrued expenses	(17,840)	(40,668)
Unearned income	378,170	(688)
NICRA liability	(49,144)	-
	<u>496,928</u>	<u>(1,338,568)</u>
Net Cash From Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	<u>(815)</u>	<u>(24,393)</u>
Net Change in Cash and Cash Equivalents	<u>496,113</u>	<u>(1,362,961)</u>
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>288,378</u>	<u>1,651,339</u>
End of year	<u>\$ 784,491</u>	<u>\$ 288,378</u>

See notes to financial statements.

HealthRight International, Inc.

Notes to Financial Statements

1. Organization and Tax Status

HealthRight International, Inc. (the Organization), formerly Doctors of the World-U.S.A., Inc., 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.

HealthRight, through its wholly owned subsidiary, Ukrainian Foundation for Public Health (Ukrainian Foundation), facilitate related efforts to improve health and support services for vulnerable populations for the purpose of resource mobilization for developing, supporting, and providing charitable care and support to vulnerable and at-risk population groups, including, but not limited to, women, children, youth, and families in a difficult life situation through access to social, psychological, pedagogical and other types of services in order to enhance their medical, psychosocial, or material condition and to gain equal opportunities for development and participation in society. For the year ended December 31, 2010, expenses incurred by Ukrainian Foundation totaling \$40,868 are included in HealthRight's financial statements.

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

2. Summary of Significant Accounting Policies

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.

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.

HealthRight International, Inc.

Notes to Financial Statements

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

Basis of Presentation *(continued)*

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.

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.

HealthRight International, Inc.

Notes to Financial Statements

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

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.

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.

Accounting for Uncertainty in Income Taxes

The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition. The Organization is no longer subject to audits by the applicable taxing jurisdictions for periods prior to 2007.

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 November 14, 2011. All required disclosures and/or recognition have been made.

HealthRight International, Inc.

Notes to Financial Statements

3. Cash and Cash Equivalents

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

	<u>2010</u>	<u>2009</u>
Domestic banks	\$ 631,911	\$ 166,509
Money market	2,332	27,473
Foreign banks and field accounts	<u>150,248</u>	<u>94,398</u>
	<u>\$ 784,491</u>	<u>\$ 288,380</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.

4. Property and Equipment

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

	<u>2010</u>	<u>2009</u>
Leasehold improvements	\$ 110,315	\$ 110,315
Furniture and fixtures	45,131	45,131
Equipment	<u>75,548</u>	<u>75,119</u>
	230,994	230,565
Less accumulated depreciation	<u>114,440</u>	<u>84,502</u>
	<u>\$ 116,554</u>	<u>\$ 146,063</u>

5. Donated Services

Organization received medical services of approximately \$512,360 and \$391,786 for the years ended December 31, 2010 and 2009, which have also been reflected as donated services and program consultants/volunteer stipend expense in the accompanying financial statements. The Organization also received donated medical supplies and others of approximately \$394,585 for the year ended December 31, 2010.

HealthRight International, Inc.

Notes to 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>2010</u>	<u>2009</u>
General Operations	\$ 7,749	\$ 23,340
Russia	286,574	262,137
Kenya	34,264	125,000
Vietnam	16,711	-
Nepal	-	9,600
International Action Network on Small Arms	-	30,500
Ukraine	278,739	223,406
Mexico	-	23,751
HRC	-	150,000
India	-	14,983
	<u>\$ 624,037</u>	<u>\$ 862,717</u>

Net assets released from restrictions after satisfying purpose and time restrictions were \$2,145,181 and \$2,194,120 for the years ended December 31, 2010 and 2009, 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, 2010 and 2009 were \$271,745 and \$263,513, respectively.

Future minimum lease payments are as follows:

2011	\$ 174,967
2012	180,216
2013	185,622
2014	191,191
2015	196,927
Thereafter	<u>254,675</u>
	<u>\$ 1,183,598</u>

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

HealthRight International, Inc.

Notes to Financial Statements

8. Retirement Plan

Effective January 2000, the Organization sponsors a 403(b) retirement savings plan for all eligible employees. Retirement plan expenses were approximately \$4,848 and \$25,486 for the years ended December 31, 2010 and 2009, respectively.

HealthRight International, Inc.

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2010

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		\$ 521,142
Russia At Risk Families - Yakaterinberg	118-A-00-10-00043-00		60,007
Partnership for Maternal and Neonatal Health in Kenya	GHS-A-00-06-00011-00		358,411
Partnership for the Prevention and Treatment of Malaria in the North Rift Valey Province, Kenya	GHN-A-00-09-00008-00		436,860
Partnership for Maternal and Neonatal Health in Nepal	GHS-A-00-06-00011-00		<u>349,057</u>
Total Direct Programs			<u>1,725,477</u>
Pass-through Programs:			
Subgrant from Family Health International Providing Integrated HIV/AIDS Interventions	623-A-00-06-00022-00		20,879
Subgrant from PACT, Inc. Vietnam Community Reach	486-A-00-06-00007-00		209,384
Pass-through from Center for Disease Control and Prevention U.S. Civilian Research and Development Foundation Ukraine HIV Survey	UAB1-31006-KV-08		<u>20,291</u>
Total Indirect Programs			<u>250,554</u>
Total USAID			1,976,031
U.S. Department of Health and Human Services Assistance for Torture Victims	90ZT0091	93.604	<u>217,931</u>
Total			<u><u>\$ 2,193,962</u></u>

See note to the schedule of expenditures of federal awards.

HealthRight International, Inc.

Notes to Schedule of Expenditure of Federal Awards

NOTE 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (“the Schedule”) includes the federal grant activity of the Organization under programs of the federal government for the year ended December 31, 2010. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

NOTE 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Nonprofit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3 - Nonmonetary Assistance

Nonmonetary assistance is reported in the schedule based on the amount disbursed or received. As of December 31, 2010, the Organization received no nonmonetary assistance.



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 consolidated financial statements of HealthRight International, Inc. (the "Organization") as of and for the year ended December 31, 2010, and have issued our report thereon dated November 14, 2011. 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 a 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings in questioned costs as items 2010-01 that we consider to be significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 its 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 November 14, 2011.

The Organization's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs and Appendix A – Corrective Action Plan. We did not audit the Organization's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, Board of Directors, management, others within the entity, federal awarding agencies and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

O'Connor Davies Hanna & Dobbins, LLP

November 14, 2011
New York, New York



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

**Report on Compliance With Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control Over Compliance in Accordance With
OMB Circular A-133**

Independent Auditors' Report

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

We have audited HealthRight International, Inc. ("the Organization") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2010. The Organization's major federal programs are 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 each of its major federal programs 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 Nonprofit 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 of the Organization's compliance with those requirements.

In our opinion, HealthRight International, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported with the OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2010-02 and 2010-03.

Internal Control Over Compliance

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 to determine the 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 of 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.

The Organization's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Organization's responses and, accordingly, we express no opinion on the responses.

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 Munne & Dobbins, LLP

November 14, 2011
New York, New York



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

November 14, 2011
New York, New York

HealthRight International, Inc.

Schedule of Indirect Cost Rate

Single Rate System

January 1, 2010 - December 31, 2010

DIRECT COSTS

Russia Projects	\$	1,299,245
Ukraine Projects		602,718
Kenya Projects		1,445,876
Nepal, Vietnam, India and Other Projects		791,517
Human Rights Clinic and Other Domestic Projects		782,881
Fundraising		360,190
Donated In-Kind Services		(906,945)
Allocated administrative expenses		<u>(640,703)</u>
Total Direct Costs		<u>3,734,779</u>

INDIRECT COSTS

Management and General		268,388
Donations/Contributions		(1,716)
Gifts and Entertainment		(2,519)
Allocated Administrative Expenses		<u>640,703</u>
Total Indirect Costs		<u>904,856</u>
Total Costs	\$	<u><u>4,639,635</u></u>

Rate = Total Indirect Costs \$ 904,856 divided by

Total Direct Costs \$ 3,734,779
24.23%

HealthRight International, Inc.

Schedule of Findings and Questioned Costs

Year Ended December 31, 2010

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?

✓ 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?

_____ 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
93.604	Assistance for Torture Victims

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, 2010

Section II – Financial Statement Findings

2010-01 Review of Accounting Functions and Segregation of Duties

Condition: During the audit we noted certain accounting functions that needed review for improved efficiency and to ensure segregation of duties:

- The accountant in the Head Office prepared the field offices bank reconciliation, and there was no review of the statements by someone other than the preparer, and
- Access to the general ledger system was not limited to functions assigned.

Cause: Accounting functions and assigned responsibilities were not reviewed and updated in view of personnel changes and reductions.

Effect: The bank reconciliation process was time consuming and delayed the completion of field office reports. Incompatible functions and access rights to the general ledger system exist.

Recommendation: We recommend that the Head Office implement a procedure where monthly bank reconciliations statements in its original currency be prepared by the field offices as part of their monthly reporting package and reviewed by the field's Program director and Head Office controller.

We also recommend that HealthRight reviews the accounting functions and staff assignments to ensure proper segregation of duties. With limited staff in the Accounting Department, another level of review may be introduced to compensate the lack of segregation.

Management's response: See Corrective Action Plan – Appendix A

HealthRight International, Inc.

Schedule of Findings and Questioned Costs

Year Ended December 31, 2010

Section III – Federal Award Findings and Questioned Costs

During the year ended December 31, 2010, we did not identify any federal award findings and questioned costs.

2010-02 Reporting Requirement

Condition: HealthRight failed to submit the Data Collection form on time for two consecutive years

Questioned Costs: None

Criteria: Data Collection Forms are due nine months after the end of HealthRight's fiscal year.

Recommendation: We recommend that HealthRight file the Data Collection Form in a timelier manner.

Management's response: See Corrective Action Plan – Appendix A

2010-03 Cash Management

Condition: HealthRight's advances at December 31, 2010 approximates two months of its program operating needs.

Questioned Costs: None

Criteria: When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government. When funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement.

Recommendation: We recommend that HealthRight implement procedures to minimize time lag between drawdown of funds and disbursements to comply with Grant requirements.

Management's response: See Corrective Action Plan – Appendix A

Section IV – Prior Year Findings

None reported.