

**HEALTHRIGHT INTERNATIONAL, INC.
AND SUBSIDIARY**

Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016



HEALTHRIGHT INTERNATIONAL, INC. AND SUBSIDIARY
For the Years Ended December 31, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
HealthRight International, Inc. and Subsidiary

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of HealthRight International, Inc. and Subsidiary ("HealthRight" or the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities, functional expenses and cash flows for the years 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.

Auditor's 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 from 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 entity'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 entity'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.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of HealthRight International, Inc. and Subsidiary as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BUCHBINDER TUNICK & COMPANY LLP

New York, NY
October 24, 2018

HEALTHRIGHT INTERNATIONAL, INC. AND SUBSIDIARY
Consolidated Statements of Financial Position
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Assets:		
Cash and cash equivalents	\$ 578,293	\$ 232,908
Unconditional promises to give, net	573,766	902,317
Prepaid expenses and other assets	7,809	19,266
Property assets, net	<u>213,574</u>	<u>182,207</u>
Total assets	<u>\$ 1,373,442</u>	<u>\$ 1,336,698</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	<u>\$ 274,866</u>	<u>\$ 97,226</u>
Total liabilities	<u>274,866</u>	<u>97,226</u>
Net assets:		
Unrestricted	(530,202)	66,588
Temporarily restricted	<u>1,628,778</u>	<u>1,172,884</u>
Total net assets	<u>1,098,576</u>	<u>1,239,472</u>
Total liabilities and net assets	<u>\$ 1,373,442</u>	<u>\$ 1,336,698</u>

See notes to financial statements.

HEALTHRIGHT INTERNATIONAL, INC. AND SUBSIDIARY
Consolidated Statements of Activities
For the years ended December 31, 2017 and 2016

	2017			2016		
	Total	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted
Revenue:						
United States government grants	\$ -	\$ -	\$ -	\$ 346,641	\$ -	\$ 346,641
Foreign government grants	1,829,578	-	1,829,578	740,422	-	740,422
Foundation contributions	319,632	50,400	269,232	812,586	9,785	802,801
Corporate contributions	129,218	68,888	60,330	618,934	23,619	595,315
Individual contributions	340,813	340,813	-	305,626	305,626	-
In-kind contributions	233,320	233,320	-	172,515	172,515	-
Special events	104,621	104,621	-	127,826	127,826	-
Less: direct benefit costs	(63,370)	(63,370)	-	(87,355)	(87,355)	-
Other income	90,698	90,698	-	58,836	58,836	-
Net assets released from purpose restrictions:						
Satisfaction of program restrictions	-	1,703,246	(1,703,246)	-	1,515,662	(1,515,662)
Total revenue	<u>2,984,510</u>	<u>2,528,616</u>	<u>455,894</u>	<u>3,096,031</u>	<u>2,126,514</u>	<u>969,517</u>
Expenses:						
Program services	2,386,756	2,386,756	-	1,949,461	1,949,461	-
Supporting activities:						
Management and general	645,891	645,891	-	500,280	500,280	-
Fundraising	37,804	37,804	-	148,482	148,482	-
Total expenses	<u>3,070,451</u>	<u>3,070,451</u>	<u>-</u>	<u>2,598,223</u>	<u>2,598,223</u>	<u>-</u>
Change in net assets before net gains (losses) on foreign currency transactions	(85,941)	(541,835)	455,894	497,808	(471,709)	969,517
Net (losses) on foreign currency transactions	<u>(54,955)</u>	<u>(54,955)</u>	<u>-</u>	<u>(43,855)</u>	<u>(43,855)</u>	<u>-</u>
Change in net assets	(140,896)	(596,790)	455,894	453,953	(515,564)	969,517
Net assets:						
Beginning of year	<u>1,239,472</u>	<u>66,588</u>	<u>1,172,884</u>	<u>785,519</u>	<u>582,152</u>	<u>203,367</u>
End of year	<u>\$ 1,098,576</u>	<u>\$ (530,202)</u>	<u>\$ 1,628,778</u>	<u>\$ 1,239,472</u>	<u>\$ 66,588</u>	<u>\$ 1,172,884</u>

See notes to financial statements.

HEALTHRIGHT INTERNATIONAL, INC. AND SUBSIDIARY
Consolidated Statements of Functional Expenses
For the years ended December 31, 2017 and 2016

	2017				2016			
	Total	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising
Expenses:								
Salaries	\$ 785,400	\$ 536,321	\$ 227,508	\$ 21,571	\$ 796,536	\$ 559,642	\$ 162,005	\$ 74,889
Payroll taxes and employee benefits	212,895	147,895	63,440	1,560	258,022	191,253	45,471	21,298
Program consultants	865,521	774,238	80,433	10,850	687,727	637,883	33,280	16,564
Professional fees	241,677	30,269	209,968	1,440	270,874	38,165	207,817	24,892
Training and workshops	259,151	257,351	1,800	-	166,951	164,100	2,276	575
Rent and utilities	34,252	28,607	5,645	-	33,168	26,934	6,234	-
Materials and supplies	61,790	56,105	3,819	1,866	51,746	42,212	3,297	6,237
Furniture and equipment	16,598	16,523	75	-	13,276	11,857	1,419	-
Program expenses - other	54,710	54,710	-	-	53,073	53,073	-	-
Vehicle expenses	8,674	8,674	-	-	27,981	27,981	-	-
Travel and meals	95,558	69,159	25,882	517	76,745	59,087	15,722	1,936
Insurance	14,091	3,491	10,600	-	17,763	10,896	6,867	-
Telephone, postage and internet	16,989	10,112	6,877	-	18,411	13,152	3,168	2,091
Recruiting	34,585	34,585	-	-	41,944	39,269	2,675	-
Donations	25,817	25,817	-	-	27,117	27,117	-	-
Ukrainian Halfway House support	199,963	199,963	-	-	13,246	13,246	-	-
Grants to other organizations	84,337	84,337	-	-	-	-	-	-
Fees, charges and taxes	9,836	3,165	6,671	-	10,055	8,516	1,539	-
Miscellaneous	37,911	34,738	3,173	-	27,834	19,324	8,510	-
Depreciation	10,696	10,696	-	-	5,754	5,754	-	-
Total expenses	\$ 3,070,451	\$ 2,386,756	\$ 645,891	\$ 37,804	\$ 2,598,223	\$ 1,949,461	\$ 500,280	\$ 148,482

See notes to financial statements.

HEALTHRIGHT INTERNATIONAL, INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows
For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ (140,896)	\$ 453,953
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	10,696	5,754
Changes in operating assets and liabilities:		
Decrease (increase) in unconditional promises to give	328,551	(798,807)
Decrease (increase) in prepaid expenses and other assets	11,457	(1,754)
Increase in accounts payable and accrued expenses	177,640	37,943
(Decrease) in contributions received in advance	<u>-</u>	<u>(152,542)</u>
Net cash provided by (used in) operating activities	<u>387,448</u>	<u>(455,453)</u>
Cash flows from investing activities:		
(Purchases of) property assets	<u>(42,063)</u>	<u>(7,360)</u>
Net cash (used in) operating activities	<u>(42,063)</u>	<u>(7,360)</u>
Net increase (decrease) in cash and cash equivalents	<u>345,385</u>	<u>(462,813)</u>
Cash:		
Beginning of year	<u>232,908</u>	<u>695,721</u>
End of year	<u>\$ 578,293</u>	<u>\$ 232,908</u>

See notes to financial statements.

HEALTHRIGHT INTERNATIONAL, INC. AND SUBSIDIARY
Notes to Financial Statements
December 31, 2017 and 2016

Note 1 - Nature of Operations

HealthRight International, Inc. (“HealthRight” or 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. The Organization owns a 100% interest in the Ukrainian Foundation for Public Health (the “Ukrainian Foundation”). On December 2, 2008, HealthRight amended its Certificate of Incorporation to change its name to HealthRight International, Inc.

Working with local partners, HealthRight’s projects build long-term solutions focused on ending TB and HIV epidemics, caring for neglected and abandoned children, maternal and infant health, and providing assistance to torture survivors. In addition to the United States of America, HealthRight has operated programs in over 30 countries. The Organization primarily receives its support from contributions from corporations and individuals. The Organization adheres to the New York Prudent Management of Institutional Funds Act and the New York State Non-Profit Revitalization Act of 2013.

The Ukrainian Foundation facilitates 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 difficult life situations through access to social, psychological, pedagogical and other types of services in order to enhance their medical, psycho-social, or material conditions and to gain equal opportunities for development and participation in society. The Ukrainian Foundation is a charitable organization incorporated by HealthRight in Ukraine and is regulated by the Constitution of Ukraine and the Law of Ukraine on charity and charitable organizations.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

HEALTHRIGHT INTERNATIONAL, INC. AND SUBSIDIARY
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

Consolidated Financial Statements Presentation

The consolidated financial statements of the Organization report information regarding its financial position and activities according to the following three classes of net assets:

- (a) Unrestricted net assets - have no donor restrictions and have met all legal and donor requirements.
- (b) Temporarily restricted net assets - are temporarily restricted by donor stipulations and requirements.
- (c) Permanently restricted net assets - are permanently restricted by donor stipulations and requirements.

On September 17, 2010, the Organization adopted the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). Accordingly, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Accounting Standards Codification ("ASC") No. 958-205, *Not-for-Profit Entities*, requires the portion of a donor-restricted endowment fund that is not classified as permanently restricted to be classified as temporarily restricted net assets until appropriated for expenditure. As of December 31, 2017 and 2016, the Organization did not have any permanently restricted net assets.

Basis of Consolidation

The consolidated financial statements include the accounts of the Organization and its wholly owned subsidiary, the Ukrainian Foundation for Public Health (the "Ukrainian Foundation"). All significant intercompany accounts and transactions between the entities have been eliminated in the consolidation.

Use of Estimates

The preparation of financial statements in accordance 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

HEALTHRIGHT INTERNATIONAL, INC. AND SUBSIDIARY
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash equivalents represent short-term investments that have an original maturity at the time of acquisition of three months or less.

Property Assets

Property assets are stated at cost. Depreciation of property assets is provided on the straight-line method over the estimated useful lives of 5 to 40 years.

Contributions

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of donor restrictions. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets as applicable. Amounts are reclassified to unrestricted net assets from temporarily restricted net assets when restrictions expire by passage of time or the fulfillment of the stipulated purpose.

Unconditional Promises to Give

Unconditional promises to give are recognized as revenue in the period received.

Donated Good and Services

Donated goods and services are measured at their fair value as determined by management. During the year ended December 31, 2017, the value of contributed services (medical evaluations) meeting the requirements for recognition totaled \$233,320 (\$172,515 in 2016) and was recorded as a program expense. The value of contributed goods during the years ended December 31, 2017 and 2016 were deemed immaterial.

Foreign Currency Transactions

Transaction gains and losses of the Organization arise from foreign exchange rate fluctuations on certain contributions and financial activities denominated in currencies other than the U.S. dollar are included in the consolidated statements of activities.

HEALTHRIGHT INTERNATIONAL, INC. AND SUBSIDIARY
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying consolidated statements of activities and consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events

The Organization has evaluated subsequent events and transactions through October 24, 2018, the date that the consolidated financial statements were available to be issued.

Note 3 - Tax Status

The Organization has been determined by the Internal Revenue Service (the "IRS") to be a Section 501(c)(3) educational organization exempt from federal income taxes. As such, contributions to the School entitle donors to the maximum charitable contribution deduction allowed under the Internal Revenue Code (the "IRC").

The Organization files an annual Form 990, *Return of Organization Exempt from Income Tax*, with the IRS. At December 31, 2017, the Organization's Form 990s for the years 2013 through 2016 remain eligible for examination by the IRS.

Note 4 - Concentrations of Credit Risk

Cash is a financial instrument that potentially subjects the Organization to concentrations of credit risk. While the Organization attempts to limit any financial exposure by maintaining accounts at high quality financial institutions, its deposit balances may, at times, exceed federally insured limits. The Organization has not experienced any losses on such accounts.

HEALTHRIGHT INTERNATIONAL, INC. AND SUBSIDIARY
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 5 - Property Assets

As of December 31, 2017 and 2016, property assets, at cost, consist of the following:

	2017	2016
Halfway houses	\$ 192,812	\$ 192,812
Furniture and fixtures	51,395	9,332
	244,207	202,144
Less: accumulated depreciation	(30,633)	(19,937)
Net property assets	\$ 213,574	\$ 182,207

Depreciation expense amounted to \$10,696 and \$5,754 for the years ended December 31, 2017 and 2016, respectively.

In January, 2013, the Organization purchased halfway houses at a cost of \$192,812, in accordance with the Charitable Donation Agreement between the Charitable Foundation for Development of Ukraine (“CFDU”) and the International Charitable Fund “Ukrainian Foundation for Public Health” (“UFPH”). The halfway houses will be used by the Organization’s benefactors as long as the program services are provided. Ownership of the halfway houses will be turned over to the Ukrainian government when the program services are no longer provided. As of December 31, 2017, program services are continuing to be provided and are expected to continue through at least December 31, 2018.

HEALTHRIGHT INTERNATIONAL, INC. AND SUBSIDIARY
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 6 - Unconditional Promises to Give

At December 31, 2017 and 2016, pledges receivable consisted of:

	<u>2017</u>	<u>2016</u>
Amounts due in:		
Less than one year	\$ 466,207	\$ 569,552
One to five years	<u>125,155</u>	<u>371,950</u>
Unconditional promises to give	591,362	941,502
Less:		
Discount to present value	<u>(17,596)</u>	<u>(39,185)</u>
Unconditional promises to give, net	<u>\$ 573,766</u>	<u>\$ 902,317</u>

Unconditional promises to give are discounted at a rate of 2.58%.

Note 7 - Temporarily Restricted Net Assets

As of December 31, 2017 and 2016, the Organization's temporarily restricted net assets consisted of the following:

	<u>2017</u>	<u>2016</u>
Restricted by program:		
HIV Prevention - Ukraine	\$ 540,748	\$ 703,524
Primary Health Care Reform for Adolescents - Ukraine	301,834	-
Pre-exposure Prophylaxis Demonstration Project - Kenya	182,862	197,014
Teacher Implemented Child and Family Violence Prevention - Nepal	76,113	255,661
Ukraine - Halfway House support	446,869	-
Ukraine - other	26,047	16,685
Health and Psychological Needs of Long Island's Vulnerable Immigrants	<u>54,305</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 1,628,778</u>	<u>\$ 1,172,884</u>

HEALTHRIGHT INTERNATIONAL, INC. AND SUBSIDIARY
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 8 - Lease Commitment

Effective July 1, 2014, the Organization entered into an affiliation agreement with New York University. Such agreement includes the use of certain office facilities. See Note 10, Affiliation Agreement.

The Organization also leases office space in other locations internationally. These operating leases are renewed monthly. Rent expense covering all locations was \$19,518 and \$22,039 in 2017 and 2016, respectively.

Note 9 - Retirement Plan

The Organization sponsors a 403(b) retirement savings plan for all eligible employees. Pension expense for the years ended December 31, 2017 and 2016 was \$4,509 and \$2,378, respectively.

Note 10 - Affiliation Agreement

The Organization entered into an Affiliation Agreement (the "Agreement") with New York University ("NYU"), an unrelated not-for-profit education corporation in February 2014.

The Agreement creates an affiliation between the Organization and NYU (the "Affiliation") to work together to facilitate NYU faculty and student opportunities for applied research, an expanded curriculum, and enhanced in-service learning in the field of global public health. The Organization will benefit from the Affiliation by securing its U.S. operations, and gaining the involvement of specialists and researchers in its programs, with the Organization's belief that the presence of an operating global non-governmental, non-profit organization on a university campus is an innovative, exciting and cost-effective approach which offers both parties to this agreement expanded opportunities to accomplish their independent but complementary missions. The leaders of both parties have concluded that the Affiliation is beneficial to both.

HEALTHRIGHT INTERNATIONAL, INC. AND SUBSIDIARY
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 10 - Affiliation Agreement (Continued)

The Affiliation revolves around seven (7) key elements, all working toward a common goal of building lasting access to health for excluded communities. These elements are based on the foundational element that both NYU and the Organization remain as separate, independent organizations. Those elements include:

- a) Co-location
- b) Shared expertise among NYU faculty and HealthRight staff
- c) Student engagement
- d) Curricular opportunities
- e) Governance
- f) Programming
- g) HealthRight Executive Director

Note 11 - Going Concern

As indicated in the accompanying financial statements, the Organization showed a balance of \$(530,202) in its unrestricted net assets as of December 31, 2017. This factor would create uncertainty about the Organization as a going concern. The board of directors of the Organization has evaluated this condition and determined that the merger of the Peter C. Alderman Foundation, Inc. into the Organization on April 19, 2018 alleviates this uncertainty.

Note 12 - Subsequent Event

On April 19, 2018, the Attorney General of the State of New York approved a December 28, 2017 Certificate of Merger of the Peter C. Alderman Foundation, Inc. (the "Foundation") into the Organization submitted by the Foundation's Board of Directors. The name of the surviving corporation is HealthRight International, Inc. Therefore, as of April 19, 2018, the Foundation no longer exists.