

McGladrey & Pullen

Certified Public Accountants

Doctors Of The World - U.S.A., Inc.

Financial And Compliance Report

December 31, 2006

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Certified Public Accountants

Independent Auditor's Report On The Basic Financial Statements And The Supplementary Schedule Of Expenditures Of Federal Awards

To the Board of Directors
Doctors of the World - U.S.A., Inc.

We have audited the accompanying statements of financial position of Doctors of the World - U.S.A., Inc. as of December 31, 2006 and 2005, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Doctors of the World - U.S.A., Inc.'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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 Doctors of the World - U.S.A., Inc. as of December 31, 2006 and 2005, 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, 2007 on our consideration of Doctors of the World - U.S.A., Inc.'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 expressing an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of Federal awards for the year ended December 31, 2006 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.

McGladrey & Pullen, LLP

New York, New York
November 14, 2007

Doctors Of The World - U.S.A., Inc.

Statements of Financial Position
December 31, 2006 and 2005

	2006	2005
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,570,194	\$ 1,471,676
Receivables, net	817,996	548,222
Prepaid Expense	40,033	36,915
Total current assets	2,428,223	2,056,813
Property and Equipment (at cost less accumulated depreciation of \$6,242 and \$383,093)	171,940	22,354
Security Deposits	68,696	9,940
Total assets	\$ 2,668,859	\$ 2,089,107
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Current portion of notes payable	\$ 46,862	\$ 45,930
Accounts payable and accrued expenses	94,694	27,402
Total current liabilities	141,556	73,332
Notes payable, net of current portion	47,412	98,559
Net Assets:		
Unrestricted	1,195,753	866,185
Temporarily restricted	1,284,138	1,051,031
Total net assets	2,479,891	1,917,216
Total liabilities and net assets	\$ 2,668,859	\$ 2,089,107

See notes to financial statements.

Doctors Of The World - U.S.A., Inc.

Statements of Activities
Years Ended December 31, 2006 and 2005

	2006			2005		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Changes in Net Assets:						
Revenues:						
United States Government Grants	\$ -	\$ 1,946,615	\$ 1,946,615	\$ -	\$ 1,381,878	\$ 1,381,878
Foreign Government Grants	-	-	-	-	59,435	59,435
International Organizations	-	58,500	58,500	-	11,122	11,122
Foundation Grants	420,424	1,502,347	1,922,771	495,587	734,891	1,230,478
Corporate contributions	64,011	392,879	456,890	50,608	567,606	618,214
Local Government and Community Organizations	-	-	-	-	8,835	8,835
Individual contributions	358,508	22,621	381,129	463,039	350,886	813,925
Donated services	27,474	675,021	702,495	35,000	488,512	523,512
Special events and promotions income (net of expenses of \$152,936 and \$202,784 in 2006 and 2005, respectively)	293,818	-	293,818	360,660	-	360,660
Investment and other income	53,516	-	53,516	47,999	-	47,999
	<u>1,217,751</u>	<u>4,597,983</u>	<u>5,815,734</u>	<u>1,452,893</u>	<u>3,603,165</u>	<u>5,056,058</u>
Net Assets Released from Restrictions and Transfers:						
Transfers	<u>4,364,876</u>	<u>(4,364,876)</u>	<u>-</u>	<u>2,899,596</u>	<u>(2,899,596)</u>	<u>-</u>
Total revenues	<u>5,582,627</u>	<u>233,107</u>	<u>5,815,734</u>	<u>4,352,489</u>	<u>703,569</u>	<u>5,056,058</u>
Expenses:						
Program services	4,591,675	-	4,591,675	3,227,708	-	3,227,708
Management and general	321,947	-	321,947	291,003	-	291,003
Fund raising	339,437	-	339,437	296,752	-	296,752
Total expenses	<u>5,253,059</u>	<u>-</u>	<u>5,253,059</u>	<u>3,815,463</u>	<u>-</u>	<u>3,815,463</u>
Increase in net assets	<u>329,568</u>	<u>233,107</u>	<u>562,675</u>	<u>537,026</u>	<u>703,569</u>	<u>1,240,595</u>
Net Assets at beginning:						
Unrestricted	866,185	-	866,185	329,159	-	329,159
Temporarily restricted	-	1,051,031	1,051,031	-	347,462	347,462
	<u>866,185</u>	<u>1,051,031</u>	<u>1,917,216</u>	<u>329,159</u>	<u>347,462</u>	<u>676,621</u>
Net assets at end	<u>\$ 1,195,753</u>	<u>\$ 1,284,138</u>	<u>\$ 2,479,891</u>	<u>\$ 866,185</u>	<u>\$ 1,051,031</u>	<u>\$ 1,917,216</u>

See notes to financial statements.

Doctors Of The World - U.S.A., Inc.

Statement of Functional Expenses
Year Ended December 31, 2006

	Program Services									Supporting Services			Total All Services
	Kosovo Projects	Russia Projects	Ukraine Projects	Kenya Projects	Romania Projects	Tsunami - Sri Lanka	Human Rights Clinic and Other Domestic Projects	Chiapas, Nepal, and other Projects	Total	Management and General	Fund Raising	Total	
Salaries	\$ 85,905	\$ 324,973	\$ 108,427	\$ 159,643	\$ 283,421	\$ 171,534	\$ 147,605	\$ 114,297	\$ 1,395,805	\$ 194,369	\$ 238,350	\$ 432,719	\$ 1,828,524
Benefits	15,598	69,753	42,431	43,897	100,362	34,998	34,076	17,652	358,767	43,352	39,732	83,084	441,851
Volunteers/program consultants	3,139	43,331	6,370	79,150	29,386	103,446	467,642	197,783	930,247	1,439	1,576	3,015	933,262
Professional fees	23	6,276	2,924	7,318	14,290	442	6,523	12	37,808	42,997	12	43,009	80,817
Rent, maintenance, security, cleaning and utilities	18,270	59,156	31,122	33,511	54,564	15,918	23,707	6,455	242,703	7,236	3,515	10,751	253,454
Materials and supplies	8,592	38,491	7,556	9,664	17,843	27,501	1,715	6,978	118,340	2,153	24,916	27,069	145,409
Furniture and equipment	3,664	14,874	7,511	65,055	9,262	7,612	2,081	5,642	115,701	1,695	8,179	9,874	125,575
Vehicle rental/maintenance/fuel	4,421	47	-	17,542	4,905	4,904	-	1,570	33,389	-	-	-	33,389
Travel	3,806	54,059	40,640	26,101	37,759	12,674	4,100	42,525	221,664	3,261	1,645	4,906	226,570
Insurance	738	1,599	1,063	2,459	2,828	1,476	8,983	432	19,578	738	369	1,107	20,685
Postage and delivery	378	1,791	1,549	853	2,280	881	2,084	1,298	11,114	2,467	8,650	11,117	22,231
Telephone	3,132	7,488	11,857	10,199	13,311	3,542	2,394	2,411	54,334	2,475	3,484	5,959	60,293
Internet / email	3,085	3,414	1,117	2,462	5,123	520	518	1,350	17,589	273	118	391	17,980
Program Activities - Training and workshops	1,527	19,308	29,647	9,910	170,679	2,323	700	1,169	235,263	1,077	153	1,230	236,493
Staff and field management training	-	1,775	997	1,185	6,024	392	55	2,844	13,272	375	-	375	13,647
Recruiting	41	1,679	345	1,212	216	319	50	822	4,684	200	2,425	2,625	7,309
Meals and refreshments	768	5,047	3,801	851	1,720	728	307	3,240	16,462	789	476	1,265	17,727
Memberships and subscriptions	53	414	71	979	407	223	553	527	3,227	1,627	1,104	2,731	5,958
Donations/contributions	-	600	-	118	-	-	-	-	718	7,500	-	7,500	8,218
MDM affiliation	496	3,700	1,357	1,538	2,604	1,268	2,261	1,391	14,615	1,027	1,080	2,107	16,722
Gifts and Entertainment	-	3,251	-	-	-	1	294	190	3,736	1,389	893	2,282	6,018
Interest Expense	-	-	-	-	-	-	-	-	-	2,383	-	2,383	2,383
Subcontract grant expenses	-	489,196	118,150	-	45,664	-	-	24,914	677,924	-	-	-	677,924
Fees, charges and taxes	1,231	6,023	7,061	6,796	11,090	5,646	975	1,052	39,874	1,227	922	2,149	42,023
Depreciation expense	843	6,294	2,308	2,615	4,430	2,158	3,847	2,366	24,861	1,898	1,838	3,736	28,597
	<u>\$ 155,710</u>	<u>\$ 1,162,539</u>	<u>\$ 426,304</u>	<u>\$ 483,058</u>	<u>\$ 818,168</u>	<u>\$ 398,506</u>	<u>\$ 710,470</u>	<u>\$ 436,920</u>	<u>\$ 4,591,675</u>	<u>\$ 321,947</u>	<u>\$ 339,437</u>	<u>\$ 661,384</u>	<u>\$ 5,253,059</u>

See notes to financial statements.

Doctors Of The World - U.S.A., Inc.

Statement of Functional Expenses
Year Ended December 31, 2005

	Program Services									Supporting Services			Total All Services
	Kosovo Projects	Russia Projects	Ukraine Projects	Kenya Projects	Romania Projects	Tsunami - Sri Lanka	Human Rights Clinic and Other Domestic Projects	Chiapas, Nepal, and other Projects	Total	Management and General	Fund Raising	Total	
Salaries	\$101,032	\$195,627	\$37,962	\$66,157	\$187,634	\$64,730	\$160,205	\$219,013	\$1,032,360 #	\$172,537	\$194,826	\$367,363	\$1,399,723
Benefits	8,125	41,117	9,777	16,182	52,871	15,366	33,508	46,262	223,208	36,435	30,771	67,206	290,414
Volunteers/program consultants	25,565	27,897	2,255	29,266	9,983	15,396	371,782	117,578	599,722	1,514	10,155	11,669	611,391
Professional fees	1,748	12,820	1,833	6,841	5,913	1,131	5,217	10,236	45,739	37,235	2,279	39,514	85,253
Rent, maintenance, security, cleaning and utilities	18,825	33,096	10,605	9,582	37,931	3,903	33,383	14,285	161,610	7,164	7,305	14,469	176,079
Materials and supplies	9,720	24,344	1,782	4,021	27,482	1,463	3,781	9,524	82,117	2,643	17,278	19,921	102,038
Furniture and equipment	2,319	17,356	9,031	30,762	9,436	6,304	8,172	13,088	96,468	1,296	7,815	9,111	105,579
Vehicle rental/maintenance/fuel	17,877	66	11	4,269	6,223	11	51	3,967	32,475	23	23	46	32,521
Travel	10,215	31,164	14,206	20,482	32,208	24,977	5,869	36,162	175,283	2,774	2,134	4,908	180,191
Insurance	649	2,969	445	689	1,299	419	9,804	1,485	17,759	778	846	1,624	19,383
Postage and delivery	615	933	1,019	756	969	340	1,822	1,244	7,698	2,483	9,971	12,454	20,152
Telephone	5,513	8,589	4,112	3,938	9,043	2,893	3,345	3,531	40,964	2,764	1,555	4,319	45,283
Internet / email	4,949	3,020	551	848	4,599	236	1,656	1,160	17,019	273	279	552	17,571
Program Activities - Training and workshops	8,123	78,191	6,490	40,628	33,112	850	2,628	15,438	185,460	15	6	21	185,481
Staff and field management training	835								835		425	425	1,260
Recruiting		160	576	44	236	218		10,413	11,647	1,277	1,383	2,660	14,307
Meals and refreshments	194	3,276	1,115	577	2,298	689	714	520	9,383	749	422	1,171	10,554
Memberships and subscriptions	1,619	5,626	900	1,601	3,451	1,038	4,456	3,492	22,183	1,938	2,261	4,199	26,382
Donations/contributions										7,000		7,000	7,000
MDM affiliation													
Gifts and Entertainment		3,227	12	3	138	28	100	121	3,629	535	294	829	4,458
Interest Expense										6,034		6,034	6,034
Subcontract grant expenses	798	340,402	28,787	848	11,812	516	2,314	5,792	391,269	1,021	1,041	2,062	393,331
Fees, charges and taxes	6,155	8,994	2,794	1,301	3,468	4,911	3,001	1,511	32,135	1,018	2,122	3,140	35,275
Depreciation expense	2,733	10,192	1,631	2,900	5,347	1,768	7,920	6,254	38,745	3,497	3,561	7,058	45,803
	<u>\$ 227,609</u>	<u>\$ 849,066</u>	<u>\$ 135,894</u>	<u>\$ 241,695</u>	<u>\$ 445,453</u>	<u>\$ 147,187</u>	<u>\$ 659,728</u>	<u>\$ 521,076</u>	<u>\$ 3,227,708</u>	<u>\$ 291,003</u>	<u>\$ 296,752</u>	<u>\$ 587,755</u>	<u>\$ 3,815,463</u>

See notes to financial statements.

Doctors Of The World - U.S.A., Inc.

Statements of Cash Flows

Years Ended December 31, 2006 and 2005

	2006	2005
Cash Flows From Operating Activities:		
Increase in net assets	\$ 562,675	\$ 1,240,595
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	28,597	45,800
Changes in assets and liabilities:		
Receivables	(269,774)	(319,029)
Other assets	(61,874)	(30,066)
Accounts payable and accrued expenses	67,292	(8,357)
Net cash provided by operating activities	326,916	928,943
Cash Flows From Investing Activities:		
Acquisition of property and equipment	(178,183)	-
Net cash (used in) investing activities	(178,183)	-
Cash Flows From Financing Activities:		
Payments on notes payable	(50,215)	(109,103)
Net cash (used in) financing activities	(50,215)	(109,103)
Net increase in cash and cash equivalents	98,518	819,840
Cash and Cash Equivalents:		
Beginning	1,471,676	651,836
Ending	\$ 1,570,194	\$ 1,471,676
Supplemental Disclosures of Cash Flow Information:		
Cash paid for:		
Interest	\$ 2,383	\$ 6,034

See notes to financial statements.

Doctors Of The World - U.S.A., Inc.

Notes to Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies

Organization: Doctors of the World-U.S.A. (DOW-USA) 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.

Doctors of the World-USA works within a network of 12 Médecins du Monde delegations, and combined, MDM delegations are active in over 90 countries. Working with local partners, Doctors of the World-USA 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, Doctors of the World-USA has operated programs in over 25 countries.

Financial Statement Presentation: DOW-USA 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.

The net assets of DOW-USA are reported as follows:

- Unrestricted: Unrestricted 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: Temporarily restricted 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.

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

Revenue Recognition: Contributions and grants are recorded as revenue when received or become receivable. 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.

Functional Expenses: DOW-USA 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.

Tax Exempt Status: DOW-USA qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

Cash and Cash Equivalents: Cash and cash equivalents include demand deposits and temporary investments readily convertible to cash with high credit financial institutions. At times, such deposits may be in excess of the FDIC insurance limits.

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 ranging from three to ten years.

Doctors Of The World - U.S.A., Inc.

Notes to Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies (continued)

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 amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Note 2. Cash and Cash Equivalents

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

	<u>2006</u>	<u>2005</u>
Domestic banks	581,819	\$ 498,546
Brokerage accounts	738,448	682,895
Foreign banks and field accounts	249,927	290,235
	<u>\$ 1,570,194</u>	<u>\$ 1,471,676</u>

Note 3. Receivables, Net

Receivables consisted of the following at December 31:

	<u>2006</u>	<u>2005</u>
Grants and contributions receivable	\$ 914,996	\$ 641,222
Less: Refundable advances	97,000	93,000
	<u>\$ 817,996</u>	<u>\$ 548,222</u>

Note 4. Property and Equipment

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

	<u>2006</u>	<u>2005</u>
Leasehold improvements	\$ 110,315	\$ 185,660
Furniture and fixtures	37,617	55,369
Equipment	30,250	164,418
	178,182	405,447
Less: Accumulated depreciation	(6,242)	(383,093)
Total	<u>\$ 171,940</u>	<u>\$ 22,354</u>

Doctors Of The World - U.S.A., Inc.**Notes to Financial Statements**

Note 5. Notes Payable

Notes payable consisted of the following at December 31:

	<u>2006</u>	<u>2005</u>
A \$250,000 unsecured note, payable in monthly installments of \$4,382, including principal and interest at 2% per annum, due October 2008.	\$ 94,274	\$ 144,489
Less: Current maturities	<u>46,862</u>	<u>45,930</u>
	<u>\$ 47,412</u>	<u>\$ 98,559</u>

A summary of future maturities of notes payable is as follows:

2007	\$ 46,862
2008	<u>47,412</u>
	<u>\$ 94,274</u>

Note 6. Temporarily Restricted Net Assets

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

<u>Project / Program</u>	<u>2006</u>	<u>2005</u>
General Operations	\$ 23,340	\$ 23,340
Human Rights Clinic	-	15,000
Russia	386,310	85,758
Chiapas	142,038	35,789
Nepal	-	47,637
Tsunami - Sri Lanka	28,430	367,976
Kosovo	122,382	249,322
Romania/Bulgaria	64,258	195,709
Ukraine	156,880	-
Kenya	330,000	-
International Action Network on Small Arms	<u>30,500</u>	<u>30,500</u>
	<u>\$ 1,284,138</u>	<u>\$ 1,051,031</u>

Doctors Of The World - U.S.A., Inc.

Notes to Financial Statements

Note 7. Leases

DOW-USA leased office space in New York City under an operating lease which expired in July 2006. In May 2006, DOW-USA entered into a 10½ 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 expense for the years ended December 31, 2006 and 2005 was \$165,335 and \$146,125, respectively. Future minimum lease payments are as follows:

2007	\$	155,456
2008		160,119
2009		164,923
2010		169,871
2011		174,967
Thereafter		<u>1,008,630</u>
	\$	<u>1,833,966</u>

Additionally, DOW-USA leases office space in Kosovo on a month-to-month basis and St. Petersburg, Russia and Romania on an annual basis.

Note 8. Contributions

During 2006 and 2005, DOW-USA received legal services approximating \$27,474 and \$35,000, respectively, which have been reflected as donated services and legal expense in the accompanying financial statements. The value of these services rendered was supplied by the donor. During 2006 and 2005, DOW-USA also received medical services approximating \$675,021 and \$488,512, respectively, which have also been reflected as donated services and program consultants/volunteer stipend expense in the accompanying financial statements.

Note 9. Retirement Plan

Effective January 2000, DOW-USA sponsors a 403(b) retirement savings plan for all eligible employees. Retirement plan expense for the years ended December 31, 2006 and 2005 was approximately \$43,111 and \$24,916, respectively.

Note 10. Concentration of Credit Risk

Financial instruments that potentially subject DOW-USA to concentrations of credit risk consist principally of cash deposits in financial institutions, which at times exceed insurance limits, and foreign bank accounts.

Doctors Of The World - U.S.A., Inc.

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2006

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Actual Federal Expenditures 2006</u>
USAID Romania TB Project GHS-A-00-03-00016-00	98.001	\$ 659,629
USAID DCOF (Russia At Risk Youth Program) 118-A-00-04-00064	98.001	490,170
USAID Prevention of Abandonment of Children born to HIV+ Mothers (Mama+) - Ukraine 121-A-00-05-00706-00	98.001	337,453
USAID Subgrant from Indiana University* Expanding the MTCT Plus Initiative via Columbia University's USAID award GPO-A-00-03-0000	98.001	316,648
USAID Subgrant from World Learning* Communication, Social Mobilization and Advocacy for TB Control in High-Burden Communities World Learning Grant: GSM-026 Subgrant of USAID Grant GPO-A-00-04-00021-00	98.001	25,533
USAID Child Survival and Health Grant Program Partnership for Maternal and Neonatal Health in Kenya GHS-A-00-06-00011-00	98.001	30,511
TVRA - Safe Horizon* Torture Victims Relief Act - ZT 68438	93.604	69,137
TVRA - Survivors of International Torture* Torture Victims Relief Act	93.604	15,534
Center for Victims of Torture (CVT)* Human Rights Clinic - PAST Program	93.604	<u>2,000</u>
TOTAL		<u>\$ 1,946,615</u>

* Subgranted Federal funds received via contractual agreement with subgranting organization

Doctors Of The World - U.S.A., Inc.

Notes to the Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Doctors of the World - U.S.A., 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.

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's 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
Doctors of the World - U.S.A., Inc.

We have audited the financial statements of Doctors of the World - U.S.A., Inc. (DOW-USA) as of and for the year ended December 31, 2006, and have issued our report thereon dated November 14, 2007. 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 DOW-USA'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 DOW-USA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the DOW-USA's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the DOW-USA's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the DOW-USA's financial statements that is more than inconsequential will not be prevented or detected by the DOW-USA's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the DOW-USA's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether DOW-USA'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".

This report is intended solely for the information and use of the audit committee, 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.

McGladrey & Pullen, LLP

New York, New York
November 14, 2007

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report On Compliance With Requirements Applicable To Each Major Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133

To the Board of Directors
Doctors of the World - U.S.A., Inc.

Compliance

We have audited the compliance of Doctors of the World - U.S.A., Inc. (DOW-USA) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major Federal programs for the year ended December 31, 2006. DOW-USA's major Federal Programs are identified in the summary of auditor's 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 DOW-USA's management. Our responsibility is to express an opinion on DOW-USA'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 DOW-USA'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 DOW-USA's compliance with those requirements.

In our opinion, DOW-USA complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended December 31, 2006.

Internal Control Over Compliance

The management of DOW-USA 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 DOW-USA'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, 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 DOW-USA's internal control over compliance.

Internal Control Over Compliance (Continued)

A control deficiency in an DOW-USA's internal control over compliance exists when the design or operations of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the DOW-USA's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the DOW-USA's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the DOW-USA's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 for the information and use of the audit committee, management, the United States Agency for International Development and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

New York, New York
November 14, 2007

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report On Indirect Cost Rate Proposal

To the Board of Directors
Doctors of the World - U.S.A., 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 statements taken as a whole.

McGladrey & Pullen, LLP

New York, New York
November 14, 2007

Doctors Of The World - U.S.A., Inc.

Schedule of Indirect Cost Rate

Single Rate System

January 1, 2006 to December 31, 2006

Direct Costs:

Kosovo Projects	\$ 155,710
Russia Projects	1,162,539
Ukraine Project	426,304
Romania Projects	818,168
Tsunami - Sri Lanka	398,506
Chiapas, Nepal, and Other Programs	436,920
Africa Projects	483,058
Human Rights and other Domestic Projects	710,470
Fund raising	339,437
In-Kind services	(675,021)
Allocated administrative expenses	(484,196)

Total direct costs 3,771,895

Indirect Costs:

Management and general	321,947
Inkind legal expenses	(27,474)
Interest expense	(2,383)
Donations / Contributions	(8,218)
Allocated administrative expenses	484,196

Total indirect costs 768,068

Total costs \$ 4,539,963

Rate = Total Indirect Costs \$ 768,068 divided by
Total Direct Costs \$ 3,771,895 20.36%

Doctors Of The World – U.S.A., Inc.

Schedule of Findings and Questioned Costs

Summary of Independent Auditor’s Result

1. The auditor’s report expresses an unqualified opinion on the financial statements of Doctors of the World - U.S.A., Inc.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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”.
3. No instances of noncompliance material to the financial statements of Doctors of the World - U.S.A., Inc. were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major Federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor’s report on compliance for the major Federal award programs for Doctors of the World - U.S.A., Inc. expresses an unqualified opinion on its major programs.
6. There are no audit findings relative to the major Federal award programs for Doctors of the World - U.S.A., Inc. that are required to be reported in accordance with Section 510(a) of Circular A-133.
7. The programs tested as major programs are:

DCOF (Russia at Risk Youth Program) (Award # 118-A-00-04-00064)	CFDA No. 98-001
Prevention of Abandonment of Children born to HIV+ Mothers (Mama+) - Ukraine (Award # 121-A-00-05-00706-00)	CFDA No. 98-001
USAID Subgrant from Indiana University Expanding the MTCT Plus Initiative (Award # GPO-A-00-03-0000 via Columbia University)	CFDA No. 98-001
8. The threshold dollar used for distinguishing Type A and B programs was \$300,000.
9. Doctors of the World - U.S.A., Inc. was determined to be a low-risk auditee.
10. FINDINGS – FINANCIAL STATEMENTS AUDIT IS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED “GOVERNMENT AUDITING STANDARDS”

None Reported

FINDINGS AND QUESTIONED COSTS – FOR FEDERAL AWARDS

None Reported

Doctors Of The World - U.S.A., Inc.

Summary Schedule of Prior Audit Findings

No prior year findings reported.