HealthRight International, Inc. and Subsidiary

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

December 31, 2013

HealthRight International, Inc. and Subsidiary

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Independent Auditors' Report

Board of Directors
HealthRight International, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of HealthRight International, Inc. and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2013 and 2012 and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

O'CONNOR DAVIES, LLP
665 Fifth Avenue, New York, NY 10022 I Tel: 212.286.2600 I Fax: 212.286.4080 I www.odpkf.com

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of HealthRight International, Inc. and Subsidiary as of December 31, 2013 and 2012, 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Indirect Cost Rate is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2014 on our consideration of HealthRight International, Inc. and Subsidiary's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HealthRight International, Inc. and Subsidiary's internal control over financial reporting and compliance.

O'Connor Davies, LLP

September 15, 2014

HealthRight Internaional, Inc. and Subsidiary

Consolidated Statements of Financial Position

	December 31	
	2013	2012
ASSETS		
Current Assets		
Cash and cash equivalents	$ 707,670	$ 966,796
Receivables, net	412,295	858,950
Prepaid expenses and other assets	28,823	35,862
Total Current Assets	1,148,788	1,861,608
Property and equipment, net	191,644	7,087
Security deposits	5,000	5,000
	$ 1,345,432	$ 1,873,695
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	$ 53,237	$ 25,435
Unearned revenue	80,870	248,680
Total Current Liabilities	134,107	274,115
Notes payable to related parties	93,750	125,000
Total Liabilities	227,857	399,115
Net Assets		
Unrestricted	246,780	299,104
Temporarily restricted	870,795	1,175,476
Total Net Assets	1,117,575	1,474,580
	$ 1,345,432	$ 1,873,695

See notes to consolidated financial statements

HealthRight International, Inc. and Subsidiary

Consolidated Statements of Activities

	Year Ended December 31, 2013			Year Ended December 31, 2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES						
United States government grants	$ 1,065,375	$ -	$ 1,065,375	$ 1,312,819	$ -	$ 1,312,819
Foreign government grants	-	4,078	4,078	-	4,137	4,137
International organizations grants	-	306,056	306,056	-	227,364	227,364
Foundation grants	13,600	299,399	312,999	23,081	1,128,618	1,151,699
Corporate contributions	9,090	288,732	297,822	37,625	80,000	117,625
Individual contributions	178,037	5,427	183,464	229,912	6,247	236,159
Donated goods and services	-	820,473	820,473	-	1,060,899	1,060,899
Special events and promotions (net of expenses of $14,874 in 2013)	426	-	426	-	-	-
Other income, net	13,817	-	13,817	14,795	-	14,795
Net assets released from restrictions	2,028,846	(2,028,846)	-	2,251,310	(2,251,310)	-
Total Revenues	3,309,191	(304,681)	3,004,510	3,869,542	255,955	4,125,497
EXPENSES						
Program services	3,159,719	-	3,159,719	3,534,955	-	3,534,955
Supporting Services						
Management and general	113,415	-	113,415	154,324	-	154,324
Fundraising	73,705	-	73,705	93,672	-	93,672
Total Expenses	3,346,839	-	3,346,839	3,782,951	-	3,782,951
Change in Net Assets before Other Losses	(37,648)	(304,681)	(342,329)	86,591	255,955	342,546
Other Losses	(14,676)	-	(14,676)	(45,805)	-	(45,805)
Change in Net Assets	(52,324)	(304,681)	(357,005)	40,786	255,955	296,741
NET ASSETS						
Beginning of year	299,104	1,175,476	1,474,580	258,318	919,521	1,177,839
End of year	$ 246,780	$ 870,795	$ 1,117,575	$ 299,104	$ 1,175,476	$ 1,474,580

See notes to consolidated financial statements

HealthRight International, Inc. and Subsidiary

Consolidated Statement of FunctionalExpenses
Year Ended Decem ber 31, 2013

	Program Services						Supporting Services			
	Russia Projects	Ukraine Projects	Kenya Projects	Nepal & Vietnam Projects	Human Rights Clinic and Other Domestic Projects	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries	$ 9,753	$ 328,584	$ 176,084	$ 104,865	$ 227,973	$ 847,259	$ 83,646	$ 41,039	$ 124,685	$ 971,944
Benefits	2,857	101,742	56,978	37,648	49,619	248,844	16,490	11,742	28,232	277,076
Volunteers/program consultants	1,605	99,307	33,349	100,699	450,758	685,718	873	5,717	6,590	692,308
Professional fees	3,681	33,368	21,210	15,663	11,386	85,308	3,827	2,487	6,314	91,622
Rent, maintenance, security, cleaning and utilities	7,830	49,851	22,933	16,985	10,613	108,212	2,994	1,946	4,940	113,152
Materials and supplies	568	34,501	412,370	21,888	1,945	471,272	192	1,969	2,161	473,433
Furniture and equipment	281	21,951	9,029	3,966	791	36,018	268	3,653	3,921	39,939
Vehicle rental/maintenance/fuel	308	-	41,560	3,660	-	45,528	-	-	-	45,528
Travel	143	31,764	31,785	23,605	1,391	88,688	3	2	5	88,693
Insurance	563	4,362	2,522	2,012	12,670	22,129	537	349	886	23,015
Postage and delivery	127	1,506	1,237	474	1,319	4,663	71	1,480	1,551	6,214
Telephone	364	5,243	5,052	1,981	637	13,277	1,558	429	1,987	15,264
Internet/email	405	2,783	4,639	1,945	1,985	11,757	2,344	1,595	3,939	15,696
Training and workshops	-	118,783	77,774	30,512	7,119	234,188	-	-	-	234,188
Staff and field management training	-	-	1,350	508	490	2,348	-	-	-	2,348
Recruiting	-	-	2,733	70	70	2,873	-	-	-	2,873
Meals and refreshments	7	6,732	1,525	868	173	9,305	7	4	11	9,316
Memberships and subscriptions	17	341	814	882	748	2,802	16	874	890	3,692
Donations	-	-	1,404	-	-	1,404	-	-	-	1,404
Gifts and entertainment	28	399	127	103	80	737	27	18	45	782
Subcontract grant expenses	91,317	57,779	5,339	58,201	-	212,636	-	-	-	212,636
Fees, charges and taxes	-	9,334	2,276	1,788	1,119	14,517	285	221	506	15,023
Other	109	239	5	33	79	465	1	1	2	467
Depreciation	289	6,348	1,289	1,032	813	9,771	276	179	455	10,226
Total	$ 120,252	$ 914,917	$ 913,384	$ 429,388	$ 781,778	$ 3,159,719	$ 113,415	$ 73,705	$ 187,120	$ 3,346,839

See notes to consolidated financial statements

HealthRight International, Inc. and Subsidiary

Consolidated Statement of Functional Expenses
Year Ended December 31, 2012

	Program Services						Supporting Services			
	Russia Projects	Ukraine Projects	Kenya Projects	Nepal & Vietnam Projects	Human Rights Clinic and Other Domestic Projects	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries	$ 181,029	$ 262,641	$ 269,692	$ 146,652	$ 158,044	$ 1,018,058	$ 122,986	$ 54,393	$ 177,379	$ 1,195,437
Benefits	38,325	89,231	89,628	42,700	35,811	295,695	20,963	9,901	30,864	326,559
Volunteers/program consultants	11,925	61,443	31,014	38,313	482,051	624,746	1,152	12,724	13,876	638,622
Professional fees	6,098	8,789	11,986	8,665	3,497	39,035	2,256	1,369	3,625	42,660
Rent, maintenance, security, cleaning and utilities	12,598	31,867	15,026	11,154	88,184	158,829	1,567	951	2,518	161,347
Materials and supplies	15,695	20,354	77,431	509,722	6,058	629,260	237	2,190	2,427	631,687
Furniture and equipment	1,209	5,447	11,228	3,470	873	22,227	447	3,648	4,095	26,322
Vehicle rental/maintenance/fuel	363	-	91,265	4,850	-	96,478	-	-	-	96,478
Travel	8,631	15,042	17,139	15,118	224	56,154	124	75	199	56,353
Insurance	2,213	2,410	2,899	2,525	12,045	22,092	621	377	998	23,090
Postage and delivery	1,063	1,279	1,021	1,062	998	5,423	140	2,598	2,738	8,161
Telephone	4,480	4,470	7,700	2,839	4,067	23,556	688	800	1,488	25,044
Internet/email	1,389	1,355	4,890	2,077	1,611	11,322	541	1,550	2,091	13,413
Training and workshops	2,327	76,714	68,678	124,204	5,829	277,752	-	-	-	277,752
Staff and field management training	1,054	-	836	1,042	90	3,022	-	-	-	3,022
Recruiting	247	628	1,776	310	212	3,173	92	126	218	3,391
Meals and refreshments	34	3,569	1,951	1,115	222	6,891	13	8	21	6,912
Memberships and subscriptions	719	64	775	882	705	3,145	17	1,305	1,322	4,467
Donations	-	-	236	-	-	236	-	-	-	236
Gifts and entertainment	18	25	29	207	10	289	6	154	160	449
Subcontract grant expenses	122,667	2,629	30,632	32,099	-	188,027	-	-	-	188,027
Fees, charges and taxes	4,170	6,722	4,903	6,667	1,500	23,962	872	529	1,401	25,363
Other	587	865	987	740	337	3,516	213	132	345	3,861
Depreciation	3,751	5,359	6,301	4,505	2,151	22,067	1,389	842	2,231	24,298
Total	$ 420,592	$ 600,903	$ 748,023	$ 960,918	$ 804,519	$ 3,534,955	$ 154,324	$ 93,672	$ 247,996	$ 3,782,951

See notes to consolidated financial statements

HealthRight International, Inc. and Subsidiary

Consolidated Statements of Cash Flows

	Year Ended December 31	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (357,005)	$ 296,741
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	10,226	24,298
Loss on sale of property and equipment	-	27,141
Changes in operating assets and liabilities		
Receivables	446,655	(425,521)
Prepaid expenses and other current assets	7,039	(23,214)
Accounts payable and accrued expenses	27,802	11,827
Deferred rent	-	(56,219)
Unearned revenue	(167,810)	(11,710)
Net Cash From Operating Activities	(33,093)	(156,657)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(194,783)	-
Security deposit received	-	58,756
Security deposit paid	-	(5,000)
Proceeds from sale of property and equipment	-	27,703
	(194,783)	81,459
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable to related parties	(31,250)	-
Net Change in Cash and Cash Equivalents	(259,126)	(75,198)
CASH AND CASH EQUIVALENTS		
Beginning of year	966,796	1,041,994
End of year	$ 707,670	$ 966,796

See notes to consolidated financial statements

1. Organization and Tax Status

HealthRight International, Inc. ("HealthRight"), 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. In 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 assistance to torture survivors. In addition to the U.S., HealthRight has operated programs in over 30 countries.

Ukrainian Foundation for Public Health ("Ukrainian Foundation"), a wholly owned subsidiary, 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 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. 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.

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

2. Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements include the accounts of Healthright International, Inc. and Ukrainian Foundation (collectively, the "Organization"). All significant intercompany balances and transactions are eliminated.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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 with high credit financial institution that are readily convertible to cash.

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 range from three to ten years.

Net Assets Presentation

The consolidated financial statements report amounts separately by class of net assets based on the presence or absence of donor restrictions. Unrestricted amounts are those currently available at the discretion of the board for use in the Organization's operations. Temporarily restricted amounts are those that are restricted by donors for specific purposes or particular time periods. Permanently restricted amounts are those that are established by donor restricted gifts and bequests to provide a permanent endowment. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. The Organization has no permanently restricted net assets.

Revenue Recognition

Contributions received and unconditional promises to give that are reasonably determinable are recorded as contributions at fair value in the period received and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions are recorded net of estimated uncollectible amounts. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. The Organization records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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.

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

Revenue Recognition (continued)

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 unearned revenue in the accompanying consolidated financial statements. Advances on other grants which are on a reimbursement basis are also recorded as unearned revenue in the accompanying consolidated financial statements.

Foreign Currency Translation

The Organization's functional currency is the United States Dollar. As such, assets and liabilities denominated in foreign currencies are translated at year-end exchange rates and revenue and expenses are translated at average exchange rates during the year. Gains and losses from foreign currency translation for the period are included in the consolidated statement of activities.

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.

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 2010. Currently, there are no audits in progress.

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 September 15, 2014.

3. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and receivables. The Organization maintains its cash balances in various domestic and foreign institutions. Those funds that are held by a major brokerage firm are insured by the Securities Investor Protection Corporation (SIPC). The funds held by banks are insured by the Federal Deposit Insurance Corporation (FDIC). At times, such deposits may be in excess of the insurance limits. Concentrations of credit risk with respect to receivables are generally diversified due to large number of entities and individuals composing the Organization's program and donor base and generally short collection period.

4. Cash and Cash Equivalents

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

	2013	2012
Domestic banks	$ 516,987	$ 647,559
Money market	10,456	8,411
Foreign banks and field accounts	180,227	310,826
	$ 707,670	$ 966,796

5. Receivables

Receivables at December 31 are as follows:

	2013	2012
Foundations	$ 366,879	$ 707,059
Government	23,144	101,063
Individuals	29,867	28,337
Corporation and others	90	40,125
	419,980	876,584
Discount to present value (4.25% in 2013 and 2012)	(7,685)	(17,634)
	$ 412,295	$ 858,950

Collections on the outstanding receivables (before discount to present value) at December 31, 2013 are scheduled to be received as follows:

2014	$ 323,763
2015	96,217
	$ 419,980

6. Property and Equipment

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

	2013	2012
Apartment	$ 192,812	$ -
Furniture and fixtures	10,078	11,813
Equipment	-	75,548
	202,890	87,361
Less accumulated depreciation	11,246	80,274
	$ 191,644	$ 7,087

In January, 2013, the Organization purchased an apartment 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 apartment will be used by the Organization's benefactors during the timeframe of the project, which is from January 2013 to December 2014. Subsequent to December 2014, ownership of the apartment will be turned over to the Ukrainian government coinciding with the end of the cooperation agreement.

Depreciation expense was $10,226 and $24,298 for the years ended December 31, 2013 and 2012, respectively. In addition, the Organization disposed of fully depreciated property and equipment of $79,255 during the year ended December 31, 2013.

7. Donated Goods and Services

Donated goods and services reported in the consolidated statements of activities consisted of the following:

	2013	2012
Medical supplies	$ 376,963	$ 497,332
Medical services	443,510	475,618
Rent	-	85,755
Others	-	2,194
	$ 820,473	$ 1,060,899

8. Notes Payable to Related Parties

In 2011, the Organization obtained unsecured non-interest bearing loans from members of the Board. During 2013, the members agreed to contribute 25% of the existing loan balance, and amend the repayment schedule of each member's note, with the remaining principal balance to be paid equally on December 31 of 2014, 2015 and 2016.

9. Temporarily Restricted Net Assets

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

Project/Program Location	2013	2012
Ukraine	$ 670,239	$ 707,683
Russia	-	90,640
Kenya	10,991	85,826
Vietnam	74,663	46,754
Nepal	-	7,853
Human Rights Clinic	41,733	29,625
Strategic planning	-	7,095
Kaiser Children's Fund	73,169	200,000
	$ 870,795	$ 1,175,476

Net assets released from restrictions in the years ended December 31 are as follows:

Project/Program Location	2013	2012
Ukraine	$ 804,131	$ 620,073
Russia	105,640	395,208
Kenya	457,988	94,931
Vietnam	52,091	28,575
Nepal	7,853	516,779
Human Rights Clinic	467,216	595,744
Kaiser Children's Fund	126,831	-
Other	7,096	-
	$ 2,028,846	$ 2,251,310

10. Operating Leases

The Organization’s operating lease for its office space in New York City expires June 30, 2014.

The Organization also leases office space in other locations internationally. These operating leases are renewed monthly or annually. Rent expense covering all locations for 2013 and 2012 was $104,384 and $55,402, respectively.

11. Retirement Plan

The Organization sponsors a 403(b) retirement savings plan for all eligible employees. Retirement plan expense was approximately $5,471 and $7,869 for 2013 and 2012, respectively.

12. 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 students opportunities for applied research, 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.

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 will remain as separate, independent organizations. Those elements include:

1. Co-location (includes a one year lease commitment for the Organization to pay NYU $10,000 for use of certain of it's facilities for office space and other administrative services. The agreement allows for the option to renew these arrangements through 2017 at annual rentals of $7,500,$5,000 and $2,500, respectively)
2. Shared expertise among NYU faculty and HealthRight staff
3. Student Engagement
4. Curricular opportunities
5. Governance
6. Programming
7. HealthRight Executive Director

* * * * *

HealthRight International, Inc. and Subsidiary

OMB Circular A-133 Schedules and Reports

December 31, 2013

Healthright International, Inc. and Subsidiary

Schedule of Indirect Cost Rate
Single Rate System
January 1, 2013 - December 31, 2013

DIRECT COSTS	
Russia Projects	$ 120,252
Ukraine Projects	914,917
Kenya Projects	913,384
Nepal, Vietnam and Other Projects	429,388
Human Rights Clinic and Other Domestic Projects	781,778
Fundraising	73,705
Donated goods and services	(820,473)
Allocated administrative expenses	(283,965)
Total Direct Costs	2,128,986
INDIRECT COSTS	
Management and general	113,415
Donations/contributions	(1,404)
Gifts and entertainment	(782)
Allocated administrative expenses	283,965
Total Indirect Costs	395,194
Total Costs	$ 2,524,180

Rate = Total Indirect Costs	$ 395,194
Divided by Total Direct Costs	2,128,986
	18.56%

See independent auditors' report

HealthRight International, Inc. and Subsidiary

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2013

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
U.S. Agency for International Development			
USAID Foreign Assistance for Programs Overseas			
Partnership for Maternal and Neonatal Health in Nepal	N/A	98.001	$ 374,039
Partnership for Maternal and Neonatal Health Plus in Kenya	N/A	98.001	487,986
Total U.S. Agency for International Development			862,025
U.S. Department of Health and Human Services			
Assistance for Torture Victims	N/A	93.604	151,885
Assistance for Torture Victims	N/A	93.604	51,465
Total U.S. Department of Health and Human Services			203,350
Total Expenditures of Federal Awards			$ 1,065,375

See notes to schedule of expenditures of federal awards

HealthRight International, Inc. and Subsidiary

Notes to Schedule of Expenditure of Federal Awards
Year Ended December 31, 2013

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, 2013. 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 Non-Profit 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 consolidated statement of financial position, changes in net assets or cash flows of the Organization.

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.

3. Subrecipients

For the year ended December 31, 2013, the Organization provided $29,212 of funds received from CFDA 98.001, USAID Foreign Assistance for Programs Overseas to subrecipients.

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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*

Independent Auditors' Report

Board of Directors
HealthRight International, Inc.

We have audited, in accordance with the 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, the consolidated financial statements of HealthRight International, Inc. and Subsidiary (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 15, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

O'CONNOR DAVIES, LLP
665 Fifth Avenue, New York, NY 10022 I Tel: 212.286.2600 I Fax: 212.286.4080 I www.odpkf.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from 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 the consolidated 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

O'Connor Davies, LLP

September 15, 2014

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Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditors' Report

Board of Directors
HealthRight International, Inc.

Report on Compliance for Each Major Federal Program

We have audited HealthRight International, Inc. and Subsidiary's (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, 2013. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Reponsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

O'CONNOR DAVIES, LLP
665 Fifth Avenue, New York, NY 10022 I Tel: 212.286.2600 I Fax: 212.286.4080 I www.odpkf.com

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the consolidated financial statements of the Organization as of and for the year ended December 31, 2013, and have issued our report thereon dated September 15, 2014, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

O'Connor Davies, LLP

September 15, 2014

HealthRight International, Inc. and Subsidiary

Schedule of Findings and Questioned Costs
Year Ended December 31, 2013

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	____ yes __x__ no
Significant deficiency(ies) identified?	____ yes __x__ none reported
Noncompliance material to financial statements noted?	____ yes __x__ no

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	____ yes __x__ no
Significant deficiency(ies) identified?	____ yes __x__ none reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)?	____ yes __x__ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
98.001	USAID Foreign Assistance for Programs Overseas

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	__x__ yes ____ no

Section II – Financial Statement Findings

During our audit, we noted no material findings for the year ended December 31, 2013.

Section III – Federal Award Findings and Questioned Costs

During our audit, we noted no instance of noncompliance and none of the costs reported in the federal financially assisted programs are questioned costs or recommended to be disallowed.