

**HealthRight International, Inc. and Subsidiary**

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

December 31, 2014

# 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, 2014 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 audit. 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. 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.

***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, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Prior Period Financial Statements***

The consolidated financial statements of HealthRight International, Inc. and Subsidiary as of December 31, 2013 were audited by other auditors whose report dated September 15, 2014, expressed an unmodified opinion on those statements.

***Other Matters***

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditure of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and the schedule of indirect cost rate are presented for purposes of additional analysis and are not required parts of the consolidated financial statements. Such information is the responsibility of management and were derived from and relate 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 25, 2015 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.

Galleros Koh LLP

Freehold, New Jersey  
September 25, 2015

## HealthRight International, Inc. and Subsidiary

### Consolidated Statements of Financial Position

	December 31	
	2014	2013
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 833,542	\$ 707,670
Receivables, net	129,461	412,295
Prepaid expenses and other assets	21,327	28,823
Total Current Assets	984,330	1,148,788
Property and equipment, net	185,816	191,644
Security deposits	-	5,000
	<b>\$ 1,170,146</b>	<b>\$ 1,345,432</b>
 <b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 63,454	53,237
Unearned revenue	18,506	80,870
Total Current Liabilities	81,960	134,107
Notes payable to related parties	62,500	93,750
Total Liabilities	144,460	227,857
Net Assets		
Unrestricted	189,187	246,780
Temporarily restricted	836,499	870,795
Total Net Assets	1,025,686	1,117,575
	<b>\$ 1,170,146</b>	<b>\$ 1,345,432</b>

See notes to consolidated financial statements

**HealthRight International, Inc. and Subsidiary**

Consolidated Statements of Activities

	Year Ended December 31, 2014			Year Ended December 31, 2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>REVENUES</b>						
United States government grants	873,454	\$ -	\$ 873,454	1,065,375	\$ -	\$ 1,065,375
Foreign government grants	-	-	-	-	4,078	4,078
International organizations grants	-	382,989	382,989	-	306,056	306,056
Foundation grants	10,029	89,647	99,676	13,600	299,399	312,999
Corporate contributions	-	383,230	383,230	9,090	288,732	297,822
Individual contributions	239,986	1,130	241,116	178,037	5,427	183,464
Donated goods and services	-	451,249	451,249	-	820,473	820,473
Special events and promotions (net of expenses of \$2,988 in 2014 and \$14,874 in 2013 )	27,712	-	27,712	426	-	426
Other income, net	2,415	-	2,415	13,817	-	13,817
Net assets released from restrictions	1,342,541	(1,342,541)	-	2,028,846	(2,028,846)	-
<b>Total Revenues</b>	<b>2,496,137</b>	<b>(34,296)</b>	<b>2,461,841</b>	<b>3,309,191</b>	<b>(304,681)</b>	<b>3,004,510</b>
<b>EXPENSES</b>						
Program services	2,290,296	-	2,290,296	3,159,719	-	3,159,719
Supporting Services						
Management and general	132,948	-	132,948	113,415	-	113,415
Fundraising	101,256	-	101,256	73,705	-	73,705
<b>Total Expenses</b>	<b>2,524,500</b>	<b>-</b>	<b>2,524,500</b>	<b>3,346,839</b>	<b>-</b>	<b>3,346,839</b>
Change in Net Assets before Other Losses	(28,363)	(34,296)	(62,659)	(37,648)	(304,681)	(342,329)
Other Losses, net	(29,230)	-	(29,230)	(14,676)	-	(14,676)
<b>Change in Net Assets</b>	<b>(57,593)</b>	<b>(34,296)</b>	<b>(91,889)</b>	<b>(52,324)</b>	<b>(304,681)</b>	<b>(357,005)</b>
<b>NET ASSETS</b>						
Beginning of year	246,780	870,795	1,117,575	299,104	1,175,476	1,474,580
End of year	\$ 189,187	\$ 836,499	\$ 1,025,686	\$ 246,780	\$ 870,795	\$ 1,117,575

See notes to consolidated financial statements

**HealthRight International, Inc. and Subsidiary**

Consolidated Statement of Functional Expenses  
Year ended December 31, 2014

	Program Services				Supporting Services				Total Expenses
	Ukraine Projects	Kenya Projects	Nepal & Vietnam Projects	Human Rights Clinic and Other Domestic Projects	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 266,006	\$ 245,572	\$ 24,230	\$ 205,236	\$ 741,044	\$ 96,571	\$ 42,435	\$ 139,006	\$ 880,050
Benefits	79,638	35,655	9,028	37,775	162,096	22,875	14,064	36,939	199,035
Volunteers/program consultants	71,824	26,986	28,195	457,312	584,317	2,408	13,473	15,881	600,198
Professional fees	19,047	14,493	3,178	5,592	42,310	2,564	1,953	4,517	46,827
Rent, maintenance, security, cleaning and utilities	35,180	22,130	6,751	10,111	74,172	2,594	3,235	5,829	80,001
Materials and supplies	55,016	60,279	1,473	1,386	118,154	333	6,266	6,599	124,753
Furniture and equipment	10,007	5,216	2,689	1,933	19,845	517	7,917	8,434	28,279
Vehicle rental/maintenance/fuel	-	42,303	730	253	43,286	-	-	-	43,286
Travel	33,217	23,728	11,568	2,116	70,629	424	6,666	7,090	77,719
Insurance	4,060	3,788	789	12,731	21,368	754	575	1,329	22,697
Postage and delivery	1,441	995	136	829	3,401	84	715	799	4,200
Telephone	5,130	6,649	717	1,320	13,816	1,443	568	2,011	15,827
Internet/email	1,800	4,774	872	1,727	9,173	1,688	1,846	3,534	12,707
Training and workshops	70,176	167,099	14,148	4,776	256,199	-	-	-	256,199
Staff and field management training	-	605	-	225	830	-	-	-	830
Recruiting	172	448	530	400	1,550	32	25	57	1,607
Meals and refreshments	5,211	2,058	235	183	7,687	30	66	96	7,783
Memberships and subscriptions	132	464	131	974	1,701	25	882	907	2,608
Gifts and entertainment	113	102	2	4	221	2	1	3	224
Subcontract grant expenses	49,092	13,854	35,602	-	98,548	-	-	-	98,548
Fees, charges and taxes	8,400	3,438	725	1,235	13,798	530	403	933	14,731
Other	40	352	6	41	439	8	116	124	563
Depreciation	5,170	330	69	143	5,712	66	50	116	5,828
<b>Total</b>	<b>\$ 720,872</b>	<b>\$ 681,318</b>	<b>\$ 141,804</b>	<b>\$ 746,302</b>	<b>\$ 2,290,296</b>	<b>\$ 132,948</b>	<b>\$ 101,256</b>	<b>\$ 234,204</b>	<b>\$ 2,524,500</b>
					-	-	-	-	-

See notes to consolidated financial statements



**HealthRight International, Inc. and Subsidiary**

Consolidated Statement of Functional Expenses  
For the year ended December 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
<b>Total</b>	<b>\$ 120,252</b>	<b>\$ 914,917</b>	<b>\$ 913,384</b>	<b>\$ 429,388</b>	<b>\$ 781,778</b>	<b>\$ 3,159,719</b>	<b>\$ 113,415</b>	<b>\$ 73,705</b>	<b>\$ 187,120</b>	<b>\$ 3,346,839</b>

See notes to consolidated financial statements

## HealthRight International, Inc. and Subsidiary

### Consolidated Statements of Cash Flows

	Year Ended December 31	
	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (91,889)	\$ (357,005)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	5,828	10,226
Changes in operating assets and liabilities		
Receivables	282,834	446,655
Prepaid expenses and other current assets	7,496	7,039
Security deposits	5,000	-
Accounts payable and accrued expenses	10,217	27,802
Unearned revenue	<u>(62,364)</u>	<u>(167,810)</u>
Net Cash From Operating Activities	<u>157,122</u>	<u>(33,093)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>-</u>	<u>(194,783)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on notes payable to related parties	<u>(31,250)</u>	<u>(31,250)</u>
 Net Change in Cash and Cash Equivalents	125,872	(259,126)
 <b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>707,670</u>	<u>966,796</u>
 End of year	<u>\$ 833,542</u>	<u>\$ 707,670</u>

See notes to consolidated financial statements

## HEALTHRIGHT INTERNATIONAL, INC. AND SUBSIDIARY

### 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 United States of America, 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 financial statements in accordance 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 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 CONSOLIDATED FINANCIAL STATEMENTS

#### 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.

## HEALTHRIGHT INTERNATIONAL, INC. AND SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 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 2011. 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 25, 2015.

## HEALTHRIGHT INTERNATIONAL, INC. AND SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 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

As of December 31, cash and cash equivalents consisted of the following:

	<u>2014</u>	<u>2013</u>
Domestic banks	\$ 709,562	\$ 516,987
Money market	4,431	10,456
Foreign banks and field accounts	<u>119,549</u>	<u>180,227</u>
	<u>\$ 833,542</u>	<u>\$ 707,670</u>

#### 5. RECEIVABLES

Receivables at December 31 are as follows:

	<u>2014</u>	<u>2013</u>
Foundations	\$ 99,220	\$ 366,879
Government	-	23,144
Individuals	30,241	29,867
Corporation and others	<u>-</u>	<u>90</u>
	129,461	419,980
Discount to present value (4.25% in 2014 and 2013)	<u>-</u>	<u>(7,685)</u>
	<u>\$ 129,461</u>	<u>\$ 412,295</u>

## HEALTHRIGHT INTERNATIONAL, INC. AND SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 6. PROPERTY AND EQUIPMENT

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

	2014	2013
Apartment	\$ 192,812	\$ 192,812
Furniture and fixtures	10,078	10,078
	202,890	202,890
Less accumulated depreciation	17,074	11,246
	<u>\$ 185,816</u>	<u>\$ 191,644</u>

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. At the end of the project, ownership of the apartment will be turned over to the Ukrainian government coinciding with the end of the cooperation agreement. In 2014, the agreement was extended for another year until December 31, 2015.

Depreciation expense was \$3,693 and \$10,226 for the years ended December 31, 2014 and 2013, 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:

	2014	2013
Medical supplies	\$ 571	\$ 376,963
Medical services	450,678	443,510
	<u>\$ 451,249</u>	<u>\$ 820,473</u>

#### 8. NOTES PAYABLE TO RELATED PARTIES

In 2011, the Organization obtained unsecured non-interest bearing loans from members of the Board. During 2014 and 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, 2015 and 2016.

## HEALTHRIGHT INTERNATIONAL, INC. AND SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 9. TEMPORARILY RESTRICTED NET ASSETS

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

<u>Project/Program Location</u>	<u>2014</u>	<u>2013</u>
Ukraine	\$ 695,592	\$ 670,239
Kenya	7,564	10,991
Vietnam	90,814	74,663
Human Rights Clinic	42,529	41,733
Kaiser Children's Fund	-	73,169
	<u>\$ 836,499</u>	<u>\$ 870,795</u>

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

<u>Project/Program Location</u>	<u>2014</u>	<u>2013</u>
Ukraine	\$ 654,367	\$ 804,131
Russia	-	105,640
Kenya	4,918	457,988
Vietnam	70,750	52,091
Nepal	61,245	7,853
Human Rights Clinic	478,092	467,216
Kaiser Children's Fund	73,169	126,831
Other	-	7,096
	<u>\$ 1,342,541</u>	<u>\$ 2,028,846</u>

#### 9. OPERATING LEASES

The Organization's operating lease for its office space in New York City expires June 30, 2014. 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 11, Affiliation Agreement.

The Organization also leases office space in other locations internationally. These operating leases are renewed monthly or annually. Rent expense covering all locations for 2014 and 2013 was \$65,628 and \$104,384, respectively.



## HEALTHRIGHT INTERNATIONAL, INC. AND SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 10. RETIREMENT PLAN

The Organization sponsors a 403(b) retirement savings plan for all eligible employees. Retirement plan expense was approximately \$1,961 and \$5,471 for 2014 and 2013, respectively.

#### 11. 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:

- a) Co-location (includes a one year lease commitment for the Organization to pay NYU \$10,000 for use of certain of its 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)
- b) Shared expertise among NYU faculty and HealthRight staff
- c) Student Engagement
- d) Curricular opportunities
- e) Governance
- f) Programming
- g) HealthRight Executive Director

**HealthRight International, Inc. and Subsidiary**  
**Supplemental Schedules and OMB Circular A-133 Reports**  
**December 31, 2014**

## Healthright International, Inc. and Subsidiary

### Schedule of Indirect Cost Rate Single Rate System January 1, 2014 - December 31, 2014

#### **DIRECT COSTS**

Ukraine Projects	\$ 720,872
Kenya Projects	681,318
Nepal, Vietnam and Other Projects	141,804
Human Rights Clinic and Other Domestic Projects	746,302
Fundraising	101,256
Donated goods and services	(451,249)
Allocated administrative expenses	<u>(272,062)</u>
Total Direct Costs	<u>1,668,241</u>

#### **INDIRECT COSTS**

Management and general	132,948
Gifts and entertainment	(224)
Allocated administrative expenses	<u>272,062</u>
Total Indirect Costs	<u>404,786</u>
Total Costs	<u>\$ 2,073,027</u>

Rate = Total Indirect Costs	\$ 404,786
Divided by Total Direct Costs	<u>\$ 1,668,241</u>
	<u>24.26%</u>

See independent auditors' report

**HealthRight International, Inc.**

Schedule of Expenditures of Federal Awards  
Year ended December 31, 2014

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Entity Identifying Number</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Agency for International Development (USAID) Foreign Assistance for Programs Overseas		98.001	
Direct Program: Partnership for Maternal and Neonatal Health Plus in Kenya	N/A		\$ 544,660
Pass through JSI Research Advancing Partners and Communities	APC-GM-0044		<u>132,887</u>
Total USAID			677,547
U.S. Department of Health and Human Services Direct Program: Assistance for Torture Victims	N/A	93.604	<u>195,907</u>
Total Expenditures of Federal Awards			<u>\$ 873,454</u>

See notes to schedule of expenditures of federal awards

## HEALTHRIGHT INTERNATIONAL, INC. AND SUBSIDIARY

### NOTES TO SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

#### 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, 2014. 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, 2014, the Organization provided \$13,854 of funds received from CFDA 98.001, USAID Foreign Assistance for Programs Overseas to the following subrecipients:

<u>Subgrantee</u>	<u>Amount</u>
Sobon CBO	\$ 9,243
Chesoi Cheseria Support Group	1,140
Sirya Self Help Group	1,157
Lapkeiyo Self Help Group	1,157
Embokala Women Group	1,157
	<hr/>
Total	<u>\$ 13,854</u>



**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, 2014, 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 25, 2015.

**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.

### **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.

Galleros Koh LLP

Freehold, New Jersey  
September 25, 2015



**Report on Compliance For Each Major Federal Program and Report on Internal Control  
Over Compliance 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.'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, 2014. 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 Responsibility***

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.



***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, 2014.

***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.

Galleros Koh LLP

Freehold, New Jersey  
September 25, 2015

**HEALTHRIGHT INTERNATIONAL, INC.**

Schedule of Findings and Questioned Costs

Year ended December 31, 2014

**Section I – Summary of Auditors’ Results**

***Financial Statements***

Type of auditor's 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 Program(s)***

Internal control over major programs:

- Material weakness(es) identified           yes   X  no
- Significant deficiency(ies) identified           yes   X  none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance OMB Circular A-133, Section 510 (a)           yes   X  no

Identification of major programs:

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

Dollar Threshold used to: Distinguish Type A and Type B Programs \$300,000

Auditee qualified as a low-risk auditee under OMB Circular A-133:   X  yes       no

**HEALTHRIGHT INTERNATIONAL, INC.**

Schedule of Findings and Questioned Costs

Year Ended December 31, 2014

**Section II – Financial Statement Findings**

None noted.

**Section III – Federal Awards 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.

**HEALTHRIGHT INTERNATIONAL, INC.**

Summary Schedule of Prior Year Audit Findings

Year ended December 31, 2014

There was no prior year finding.