

HealthRight International, Inc. and Subsidiary

Financial Statements
Together with Independent Auditors' Report

December 31, 2015

HEALTHRIGHT INTERNATIONAL, INC. AND SUBSIDIARY

TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditors' Report	1
FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	5 - 6
Consolidated Statements of Cash Flows	7
Consolidated Notes to Financial Statements	8 - 14
SUPPLEMENTARY INFORMATION	
Schedule of Indirect Cost Rate	15
Schedule of Expenditures of Federal Awards	16
Notes to Schedule of Expenditures of Federal Awards	17
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	18 - 19
Schedule of Findings and Responses	20



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, 2015 and 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 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.

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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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, 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 October 6, 2016 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.'s internal control over financial reporting and compliance.

New York, New York
October 6, 2016

Galleros Koh LLP

HealthRight International, Inc. and Subsidiary

Consolidated Statements of Financial Position

	December 31	
	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 695,721	\$ 833,542
Receivables, net	103,510	129,461
Prepaid expenses and other assets	17,512	21,327
Total Current Assets	816,743	984,330
Property and equipment, net	180,601	185,816
	<u>\$ 997,344</u>	<u>\$ 1,170,146</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 59,283	63,454
Grant advances	152,542	18,506
Total Current Liabilities	211,825	81,960
Notes payable to related parties	-	62,500
Total Liabilities	<u>211,825</u>	<u>144,460</u>
Net Assets		
Unrestricted	28,555	189,187
Temporarily restricted	756,964	836,499
Total Net Assets	<u>785,519</u>	<u>1,025,686</u>
	<u>\$ 997,344</u>	<u>\$ 1,170,146</u>

See notes to consolidated financial statements

HealthRight International, Inc. and Subsidiary

Consolidated Statement of Functional Expenses
For the 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
Total	\$ 720,872	\$ 681,318	\$ 141,804	\$ 746,302	\$ 2,290,296	\$ 132,948	\$ 101,256	\$ 234,204	\$ 2,524,500

See notes to consolidated financial statements

HealthRight International, Inc. and Subsidiary

Consolidated Statements of Activities

	Year Ended December 31, 2015			Year Ended December 31, 2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES						
United States government grants	\$ -	\$ 601,595	\$ 601,595	\$ -	\$ 873,454	\$ 873,454
Foreign government grants	-	45,641	45,641	-	-	-
International organizations grants	-	527,412	527,412	-	382,989	382,989
Foundation grants	37,970	108,030	146,000	10,029	89,647	99,676
Corporate contributions	17,849	192,392	210,241	-	383,230	383,230
Individual contributions	187,079	25,103	212,182	239,986	1,130	241,116
Donated goods and services	-	276,550	276,550	-	451,249	451,249
Special events and promotions (net of expenses of \$31,452 in 2015 and \$4,888 in 2014)	185,015	-	185,015	27,712	-	27,712
Other income, net	7,604	-	7,604	2,415	-	2,415
Net assets released from restrictions	1,856,258	(1,856,258)	-	2,215,995	(2,215,995)	-
Total Revenues	2,291,775	(79,535)	2,212,240	2,496,137	(34,296)	2,461,841
EXPENSES						
Program services	2,095,703	-	2,095,703	2,290,296	-	2,290,296
Supporting Services						
Management and general	220,288	-	220,288	132,948	-	132,948
Fundraising	109,807	-	109,807	101,256	-	101,256
Total Expenses	2,425,798	-	2,425,798	2,524,500	-	2,524,500
Change in Net Assets before Other Losses	(134,023)	(79,535)	(213,558)	(28,363)	(34,296)	(62,659)
Other Losses, net	(26,609)	-	(26,609)	(29,230)	-	(29,230)
Change in Net Assets	(160,632)	(79,535)	(240,167)	(57,593)	(34,296)	(91,889)
NET ASSETS						
Beginning of year	189,187	836,499	1,025,686	246,780	870,795	1,117,575
End of year	<u>\$ 28,555</u>	<u>\$ 756,964</u>	<u>\$ 785,519</u>	<u>\$ 189,187</u>	<u>\$ 836,499</u>	<u>\$ 1,025,686</u>

See notes to consolidated financial statements

HealthRight International, Inc. and Subsidiary

Consolidated Statement of Functional Expenses
Year ended December 31, 2015

	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	\$ 272,713	\$ 244,305	\$ 47,883	\$ 152,653	\$ 717,554	\$ 126,950	\$ 48,618	\$ 175,568	\$ 893,122
Benefits	101,187	42,313	24,226	33,306	201,032	30,425	14,506	44,931	245,963
Volunteers/program consultants	90,234	25,393	32,425	284,081	432,133	29,714	34,341	64,055	496,188
Professional fees	62,656	8,902	10,464	4,227	86,249	4,170	2,079	6,249	92,498
Rent, maintenance, security, cleaning and utilities	21,785	11,096	8,508	477	41,866	1,510	235	1,745	43,611
Materials and supplies	27,469	28,382	1,534	1,653	59,038	18,613	1,518	20,131	79,169
Furniture and equipment	20,598	5,464	1,298	597	27,957	589	4,436	5,025	32,982
Vehicle rental/maintenance/fuel	-	34,920	867	-	35,787	-	-	-	35,787
Travel	13,497	13,983	12,550	2,031	42,061	2,061	274	2,335	44,396
Insurance	2,656	1,511	596	15,988	20,751	657	327	984	21,735
Postage and delivery	2,931	262	90	1,040	4,323	2,519	2,246	4,765	9,088
Telephone	2,413	4,252	786	93	7,544	92	46	138	7,682
Internet/email	503	2,989	1,221	114	4,827	112	396	508	5,335
Training and workshops	126,141	36,910	15,840	7,629	186,520	-	-	-	186,520
Staff and field management training	-	2,599	337	100	3,036	-	-	-	3,036
Recruiting	16,483	327	23	156	16,989	25	13	38	17,027
Meals and refreshments	5,886	1,408	385	177	7,856	125	62	187	8,043
Memberships and subscriptions	613	800	337	500	2,250	-	-	-	2,250
Donations	2,988	222	-	-	3,210	-	-	-	3,210
Gifts and entertainment	102	17	8	9	136	8	4	12	148
Subcontract grant expenses	43,909	8,298	47,522	-	99,729	-	-	-	99,729
Fees, charges and taxes	9,135	3,616	1,509	1,515	15,775	1,734	671	2,405	18,180
Other	73,535	196	64	70	73,865	984	35	1,019	74,884
Depreciation	5,215	-	-	-	5,215	-	-	-	5,215
Total	\$ 902,649	\$ 478,165	\$ 208,473	\$ 506,416	\$ 2,095,703	\$ 220,288	\$ 109,807	\$ 330,095	\$ 2,425,798

See notes to consolidated financial statements

HealthRight International, Inc. and Subsidiary

Consolidated Statements of Cash Flows

	Year Ended	
	December 31	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (240,167)	\$ (91,889)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	5,215	5,828
Changes in operating assets and liabilities		
Receivables	25,951	282,834
Prepaid expenses and other current assets	3,815	7,496
Security deposits	-	5,000
Accounts payable and accrued expenses	(4,171)	10,217
Unearned revenue	134,036	(62,364)
Net Cash From Operating Activities	(75,321)	157,122
CASH FLOWS FROM INVESTING ACTIVITIES	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable to related parties	(62,500)	(31,250)
Net Change in Cash and Cash Equivalents	(137,821)	125,872
CASH AND CASH EQUIVALENTS		
Beginning of year	833,542	707,670
End of year	\$ 695,721	\$ 833,542

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” or “Organization”), formerly Doctors of the World-U.S.A., Inc., is an international health and human rights organization founded in 1990 by a group of volunteer physicians including the late Dr. Jonathan Mann, a pioneer in the field of health and human rights. 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 October 6, 2016.

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>2015</u>	<u>2014</u>
Domestic banks	\$ 533,636	\$ 709,562
Money market	4,431	4,431
Foreign banks and field accounts	<u>157,654</u>	<u>119,549</u>
	<u>\$ 695,721</u>	<u>\$ 833,542</u>

5. RECEIVABLES

Receivables at December 31 are as follows:

	<u>2015</u>	<u>2014</u>
Foundations	\$ 100,196	\$ 99,220
Individuals	<u>3,314</u>	<u>30,241</u>
	<u>\$ 103,510</u>	<u>\$ 129,461</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:

	2015	2014
Apartment	\$ 192,812	\$ 192,812
Furniture and fixtures	10,078	10,078
	<u>202,890</u>	<u>202,890</u>
Less accumulated depreciation	22,289	17,074
	<u>\$ 180,601</u>	<u>\$ 185,816</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 \$5,215 and \$5,828 for the years ended December 31, 2015 and 2014, 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:

	2015	2014
Medical supplies	\$ 2,801	\$ 571
Medical services	273,749	273,749
	<u>\$ 276,550</u>	<u>\$ 274,320</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 loan balance, and the remaining principal balance of \$62,500 was donated during 2015.

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>2015</u>	<u>2014</u>
Ukraine	\$ 574,138	\$ 695,592
Kenya	-	7,564
Nepal	66,726	-
Vietnam	100,506	90,814
Human Rights Clinic	15,594	42,529
	<u>\$ 756,964</u>	<u>\$ 836,499</u>

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

<u>Project/Program Location</u>	<u>2015</u>	<u>2014</u>
Ukraine	\$ 656,635	\$ 654,367
Kenya	24,870	4,918
Vietnam	80,354	70,750
Nepal	89,966	61,245
Human Rights Clinic	382,838	478,092
Kaiser Children's Fund	-	73,169
USAID	601,595	873,454
Other	20,000	-
	<u>\$ 1,856,258</u>	<u>\$ 2,215,995</u>

10. OPERATING LEASES

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 12, 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 2015 and 2014 was \$31,046 and \$65,628, respectively.

11. RETIREMENT PLAN

The Organization sponsors a 403(b) retirement savings plan for all eligible employees. Retirement plan expense was approximately \$3,124 and \$1,961 for 2015 and 2014, respectively.

HEALTHRIGHT INTERNATIONAL, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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:

- 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
December 31, 2015

Healthright International, Inc. and Subsidiary

Schedule of Indirect Cost Rate Single Rate System January 1, 2015 - December 31, 2015

DIRECT COSTS

Ukraine Projects	\$	902,649
Kenya Projects		478,165
Nepal, Vietnam and Other Projects		208,473
Human Rights Clinic and Other Domestic Projects		506,416
Fundraising		109,807
Donated goods and services		(276,550)
Allocated administrative expenses		<u>(220,799)</u>
Total Direct Costs		<u>1,708,161</u>

INDIRECT COSTS

Management and general		220,288
Donations/contributions		(3,210)
Gifts and entertainment		(148)
Allocated administrative expenses		<u>220,799</u>
Total Indirect Costs		<u>437,729</u>
Total Costs	\$	<u>2,145,890</u>

Rate = Total Indirect Costs	\$	437,729
Divided by Total Direct Costs	\$	<u>1,708,161</u>
		<u>25.63%</u>

See independent auditors' report

HealthRight International, Inc.

Schedule of Expenditures of Federal Awards
Year ended December 31, 2015

Federal Grantor/Pass-Through Grantor/ Program Title	Entity Identifying Number	CFDA Number	Federal Expenditures
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		\$ 346,259
Pass through JSI Research Advancing Partners and Communities	APC-GM-0044		<u>96,124</u>
Total USAID			442,383
U.S. Department of Health and Human Services Direct Program: Assistance for Torture Victims	N/A	93.604	<u>159,212</u>
Total Expenditures of Federal Awards			<u>\$ 601,595</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, 2015. 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's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 CFR 200*, 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, 2015, the Organization provided \$8,297 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	\$ 4,325
Chesoi Cheseria Support Group	993
Sirya Self Help Group	993
Lapkeiyo Self Help Group	993
Embokala Women Group	993
Total	<u>\$ 8,297</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, 2015, 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 October 6, 2016.

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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as finding number 2015-01 that we consider to be significant deficiencies.

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*.

Organization's Response to Findings

The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Organization's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

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.

New York, New York
October 6, 2016

Galleros Koh LLP

HEALTHRIGHT INTERNATIONAL, INC.

Schedule of Findings and Responses

Year ended December 31, 2015

2015-01 Lack of Review of Field Office Reports and Related Entries

On a monthly basis, each field office submits a monthly expense reports in foreign currencies, which are then converted to US Dollar for recording in the Head Office's (HQ) books. Bank reconciliation statements are also submitted. This practice captures the transactions at the field offices in the HQ's books. In our review of the recorded transactions, there were exceptions noted which indicated that the field office reports were not consistently reviewed and entries made in the HQ books for field office activities were incorrectly recorded. Exceptions include:

- Various adjustments had to be made to the cash accounts at year-end after noting differences between the field office bank reconciliation statements and the balances recorded at HQ.
- Bank transfers and employee withholdings were not properly classified.

We also noted differences and adjusting journal entries were proposed to correct U.S. Dollar converted cash balances of foreign accounts in HQ's books.

Criteria

Health requires the submission of monthly field office reports and bank reconciliation to HQ for review and recording of field office transactions in HQ's books. The review process as designed must be consistently implemented for the control to be operating effectively.

Cause

The personnel transition in the Finance Department caused back log in the review and recording of field office transactions.

Effect

Several adjusting journal entries were needed to field office related accounts.

Recommendation

We recommend that the Finance Department reviews field offices' monthly reports along with bank reconciliations to ensure that all transactions are recorded HQ's books. Also, entries made in HQ's books should be periodically reviewed by someone other than the preparer of the entries to minimize corrections or adjustments at year-end.

View of Responsible Official

Management concurs with this finding and will implement the recommendation.