

**HealthRight International, Inc. and Subsidiary**

Consolidated Financial Statements

December 31, 2010 and 2009



O'Connor Davies Munns & Dobbins, llp  
ACCOUNTANTS AND CONSULTANTS

## Independent Auditors' Report

### To the Board of Directors HealthRight International, Inc.

We have audited the accompanying consolidated statements of financial position of HealthRight International, Inc. (the Organization) as of December 31, 2010 and 2009, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HealthRight International, Inc. and Subsidiary as of December 31, 2010 and 2009, 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.

*O'Connor Davies Munns & Dobbins, LLP*

New York, New York  
November 14, 2011

## HealthRight International, Inc.

### Consolidated Statements of Financial Position

December 31,

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 784,491	\$ 288,378
Receivables	277,751	851,496
Prepaid expenses	<u>23,524</u>	<u>43,951</u>
Total Current Assets	1,085,766	1,183,825
Property and equipment, net	116,554	146,064
Security deposits	<u>58,756</u>	<u>58,756</u>
	<u>\$ 1,261,076</u>	<u>\$ 1,388,645</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 81,185	\$ 99,025
Unearned revenue	415,409	37,239
NICRA liability	<u>-</u>	<u>49,144</u>
Total Liabilities	<u>496,594</u>	<u>185,408</u>
Net Assets		
Unrestricted	140,445	656,222
Temporarily restricted	<u>624,037</u>	<u>547,015</u>
Total Net Assets	<u>764,482</u>	<u>1,203,237</u>
	<u>\$ 1,261,076</u>	<u>\$ 1,388,645</u>

See notes to financial statements.

**HealthRight International, Inc.**

Consolidated Statements of Activities

Years Ended December 31,

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>REVENUES</b>						
United States government grants	\$ 2,193,962	\$ -	\$ 2,193,962	\$ 2,079,526	\$ -	\$ 2,079,526
Foreign government grant	-	26,684	26,684	-	-	-
International organizations	-	50,000	50,000	-	63,185	-
Foundation grants	166,287	853,873	1,020,160	164,784	928,447	1,093,231
Corporate contributions	20,201	384,021	404,222	19,412	450,000	469,412
Individual contributions	303,389	680	304,069	183,686	45,000	228,686
Donated services	-	906,945	906,945	-	391,786	391,786
Special events and promotions income (net of expenses of \$99,610 and \$80,064)	199,275	-	199,275	173,638	-	173,638
Investment and other income	6,743	-	6,743	9,241	-	9,241
	2,889,857	2,222,203	5,112,060	2,630,287	1,878,418	4,445,520
Net assets released from restrictions	2,145,181	(2,145,181)	-	2,194,120	(2,194,120)	-
<b>Total Revenues</b>	<b>5,035,038</b>	<b>77,022</b>	<b>5,112,060</b>	<b>4,824,407</b>	<b>(315,702)</b>	<b>4,508,705</b>
<b>EXPENSES</b>						
Program services	4,922,237	-	4,922,237	4,824,639	-	4,824,639
Supporting Services						-
Management and general	268,388	-	268,388	344,500	-	344,500
Fundraising	360,190	-	360,190	365,054	-	365,054
<b>Total Expenses</b>	<b>5,550,815</b>	<b>-</b>	<b>5,550,815</b>	<b>5,534,193</b>	<b>-</b>	<b>5,534,193</b>
Change in Net Assets	(515,777)	77,022	(438,755)	(709,786)	(315,702)	(1,025,488)
<b>NET ASSETS</b>						
Beginning of year	656,222	547,015	1,203,237	1,366,008	862,717	2,228,725
End of year	\$ 140,445	\$ 624,037	\$ 764,482	\$ 656,222	\$ 547,015	\$ 1,203,237

See notes to financial statements.

**HealthRight International, Inc.**

Consolidated Statement of Functional Expenses

Year Ended December 31, 2010

EXPENSES	Program Services					Supporting Services				
	Russia Projects	Ukraine Projects	Kenya Projects	Nepal, Vietnam, India & Other Projects	Human Rights Clinic and Other Domestic Projects	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries	\$ 548,466	\$ 284,006	\$ 379,900	\$ 344,467	\$ 215,301	\$ 1,772,140	\$ 193,140	\$ 269,499	\$ 462,639	\$ 2,234,779
Benefits	100,556	78,366	124,261	83,731	36,836	423,750	50,778	42,280	93,058	516,808
Volunteers/program consultants	30,197	25,158	43,379	85,267	482,177	666,178	143	3,787	3,930	670,108
Professional fees	12,332	5,674	11,532	7,954	5,258	42,750	2,654	3,562	6,216	48,966
Rent, maintenance, security, cleaning and utilities	93,616	58,600	50,589	51,815	13,462	268,082	11,991	16,092	28,083	296,165
Materials and supplies	64,717	22,740	448,551	19,292	2,086	557,386	487	7,404	7,891	565,277
Furniture and equipment	2,352	7,121	40,928	16,894	2,220	69,515	2,198	3,882	6,080	75,595
Vehicle rental /maintenance/fuel	61	3,508	120,857	2,013	-	126,439	-	-	-	126,439
Travel	23,363	26,384	64,959	27,453	706	142,865	292	323	615	143,480
Insurance	3,270	1,517	2,610	1,944	8,713	18,054	736	988	1,724	19,778
Postage and delivery	1,431	1,422	1,692	743	1,209	6,497	382	2,558	2,940	9,437
Telephone	5,526	6,595	11,934	3,620	1,098	28,773	478	725	1,203	29,976
Internet/email	2,413	4,167	5,685	2,743	769	15,777	362	578	940	16,717
Training and workshops	39,558	58,809	71,800	53,152	7,346	230,665	-	531	531	231,196
Staff and field management training	97	370	1,770	126	23	2,386	-	-	-	2,386
Recruiting	326	532	173	466	16	1,513	75	780	855	2,368
Meals and refreshments	2,105	1,254	4,428	1,475	36	9,298	359	31	390	9,688
Memberships and subscriptions	1,323	300	812	1,358	18	3,811	17	1,318	1,335	5,146
Donations	-	-	1,716	-	-	1,716	-	-	-	1,716
Gifts and entertainment	165	82	511	1,627	27	2,412	72	35	107	2,519
Subcontract grant expenses	345,119	9,952	-	68,583	-	423,654	-	-	-	423,654
Fees, charges and taxes	8,196	321	3,437	5,363	2,634	19,951	1,391	1,168	2,559	22,510
Other	5,675	1,952	47,661	6,447	985	62,720	946	2,116	3,062	65,782
Depreciation	8,381	3,888	6,691	4,984	1,961	25,905	1,887	2,533	4,420	30,325
<b>Total</b>	<b>\$ 1,299,245</b>	<b>\$ 602,718</b>	<b>\$ 1,445,876</b>	<b>\$ 791,517</b>	<b>\$ 782,881</b>	<b>\$ 4,922,237</b>	<b>\$ 268,388</b>	<b>\$ 360,190</b>	<b>\$ 628,578</b>	<b>\$ 5,550,815</b>

See notes to financial statements.

**HealthRight International, Inc.**

Consolidated Statement of Functional Expenses

Year Ended December 31, 2009

EXPENSES	Program Services						Supporting Services				Total Expenses
	Russia Projects	Ukraine Projects	Kenya Projects	Chiapas, Mexico Projects	Nepal, Vietnam, India & Other Projects	Human Rights Clinic and Other Domestic Projects	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 600,633	\$ 198,946	\$ 397,285	\$ 101,595	\$ 230,739	\$ 209,958	\$ 1,739,156	\$ 191,451	\$ 259,983	\$ 451,434	\$ 2,190,590
Benefits	125,947	70,196	138,882	21,677	55,998	36,006	448,706	58,781	50,180	108,961	557,667
Volunteers/program consultants	100,797	56,314	75,990	27,312	43,652	407,095	711,160	28,082	9,910	37,992	749,152
Professional fees	1,781	1,828	5,346	220	518	8,551	18,244	35,000	2,353	37,353	55,597
Rent, maintenance, security, cleaning and utilities	88,189	46,157	53,069	14,038	44,871	13,875	260,199	13,941	14,773	28,714	288,913
Materials and supplies	68,993	25,043	50,735	5,692	19,393	5,245	175,101	1,197	10,076	11,273	186,374
Furniture and equipment	5,299	1,676	107,245	11,245	10,314	3,139	138,918	1,136	1,021	2,157	141,075
Vehicle rental /maintenance/fuel	712	332	88,273	7,556	5,701	90	102,664	-	-	-	102,664
Travel	32,022	15,836	44,924	18,047	30,058	1,008	141,895	93	470	563	142,458
Insurance	1,635	467	1,062	222	523	12,768	16,677	4,501	379	4,880	21,557
Postage and delivery	2,612	1,487	2,802	745	1,803	1,396	10,845	1,882	3,837	5,719	16,564
Telephone	7,997	6,898	15,847	3,520	2,361	1,099	37,722	1,142	780	1,922	39,644
Internet/email	2,557	3,028	7,336	389	773	368	14,451	591	305	896	15,347
Training and workshops	10,475	40,186	79,299	9,393	14,427	5,075	158,855	15	111	126	158,981
Staff and field management training	186	134	11,879	253	303	220	12,975	-	6,125	6,125	19,100
Recruiting	221	414	3,002	492	1,036	150	5,315	162	8	170	5,485
Meals and refreshments	2,987	1,083	4,210	1,194	2,141	761	12,376	2,237	63	2,300	14,676
Memberships and subscriptions	3,921	940	2,714	447	1,054	2,111	11,187	99	1,400	1,499	12,686
Donations	1,982	566	5,836	292	635	368	9,679	433	459	892	10,571
Gifts and entertainment	568	142	443	61	1,786	82	3,082	708	275	983	4,065
Subcontract grant expenses	644,839	3,301	-	-	75,697	-	723,837	-	-	-	723,837
Fees, charges and taxes	3,068	2,365	1,068	2,107	1,046	121	9,775	716	74	790	10,565
Other	2,929	11,347	13,414	5,623	2,646	295	36,254	165	175	340	36,594
Depreciation	9,922	2,835	6,443	1,347	3,175	1,844	25,566	2,168	2,297	4,465	30,031
<b>Total</b>	<u>\$ 1,720,272</u>	<u>\$ 491,521</u>	<u>\$ 1,117,104</u>	<u>\$ 233,467</u>	<u>\$ 550,650</u>	<u>\$ 711,625</u>	<u>\$ 4,824,639</u>	<u>\$ 344,500</u>	<u>\$ 365,054</u>	<u>\$ 709,554</u>	<u>\$ 5,534,193</u>
											5,587,888

See notes to financial statements.

## HealthRight International, Inc.

### Consolidated Statements of Cash Flows

Years Ended December 31,

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (438,755)	\$ (1,025,488)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	30,325	30,031
Changes in operating assets and liabilities		
Receivables	573,745	(305,777)
Prepaid expenses	20,427	4,022
Accounts payable and accrued expenses	(17,840)	(40,668)
Unearned income	378,170	(688)
NICRA liability	(49,144)	-
	<u>496,928</u>	<u>(1,338,568)</u>
Net Cash From Operating Activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	<u>(815)</u>	<u>(24,393)</u>
Net Change in Cash and Cash Equivalents	<u>496,113</u>	<u>(1,362,961)</u>
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>288,378</u>	<u>1,651,339</u>
End of year	<u>\$ 784,491</u>	<u>\$ 288,378</u>

See notes to financial statements.

# HealthRight International, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### 1. Organization and Tax Status

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

Working with local partners, the Organization's projects build long-term solutions focused on ending the TB and HIV epidemics, caring for neglected and abandoned children, maternal and infant health, and assistance to torture survivors. In addition to the US, the Organization has operated programs in over 30 countries.

In December 2, 2008, through the majority vote of the Organization's Board of Directors, the Organization approved the resolution to amend its Certificate of Incorporation to change its name to HealthRight International, Inc.

The accompanying consolidated financial statements includes accounts of Ukrainian Foundation for Public Health (Ukrainian Foundation), its wholly owned subsidiary, Ukrainian Foundation facilitates related efforts to improve health and support services for vulnerable populations for the purpose of resource mobilization for developing, supporting, and providing charitable care and support to vulnerable and at-risk population groups, including, but not limited to, women, children, youth, and families in 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.

The Organization 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 account of Healthright International, Inc and Ukrainian Foundation. All significant intercompany balances and transactions are eliminated.

#### *Basis of Presentation*

The consolidated financial statements report amounts separately by class of net assets. 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 stipulated by donors for specific purposes. 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.



## **HealthRight International, Inc. and Subsidiary**

### Notes to Consolidated Financial Statements

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

##### ***Use of Estimates***

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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.

##### ***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 readily convertible to cash with high credit financial institutions.

##### ***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 ranged from three to ten years.

##### ***Revenue Recognition***

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is received. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is when a stipulated time restriction ends or the purpose restriction is accomplished temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Restrictions on gifts of property and equipment or contributions restricted for the purpose of those assets expire when the assets are placed in service unless the donor stipulated otherwise.

## HealthRight International, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

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

##### *Revenue Recognition (continued)*

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.

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 deferred revenues 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; 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 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 2007.

## HealthRight International, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

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

##### *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 November 14, 2011. All required disclosures and/or recognition have been made.

#### 3. Cash and Cash Equivalents

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

	<u>2010</u>	<u>2009</u>
Domestic banks	\$ 631,911	\$ 166,509
Money market	2,332	27,473
Foreign banks and field accounts	<u>150,248</u>	<u>94,398</u>
	<u>\$ 784,491</u>	<u>\$ 288,380</u>

The Organization maintains its cash balances in various domestic and foreign institutions. Those funds held by a major brokerage firm are insured by the Securities Investor Protection Corporation (SIPC). The balances held by banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, such deposits may be in excess of the FDIC insurance limits.

#### 4. Property and Equipment

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

	<u>2010</u>	<u>2009</u>
Leasehold improvements	\$ 110,315	\$ 110,315
Furniture and fixtures	45,131	45,131
Equipment	<u>75,548</u>	<u>75,119</u>
	230,994	230,565
Less accumulated depreciation	<u>114,440</u>	<u>84,502</u>
	<u>\$ 116,554</u>	<u>\$ 146,063</u>

## HealthRight International, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

#### 5. Donated Services

The Organization received donated medical services of approximately \$512,360 and \$391,786 for 2010 and 2009, which have also been reflected as donated services and program consultants/volunteer stipend expense in the accompanying consolidated financial statements. The Organization also received donated medical supplies and others of approximately \$394,585 for 2010.

#### 6. Temporarily Restricted Net Assets

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

<u>Project/Program</u>	<u>2010</u>	<u>2009</u>
General Operations	\$ 7,749	\$ 23,340
Russia	286,574	262,137
Kenya	34,264	125,000
Vietnam	16,711	-
Nepal	-	9,600
International Action Network on Small Arms	-	30,500
Ukraine	278,739	223,406
Mexico	-	23,751
HRC	-	150,000
India	-	14,983
	<u>\$ 624,037</u>	<u>\$ 862,717</u>

Net assets released from restrictions after satisfying purpose restrictions were \$2,145,181 and \$2,194,120 for 2010 and 2009.

## HealthRight International, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

#### 7. Operating Leases

The Organization has an operating lease agreement for office space for its New York City head office's operations. This operating lease expires in March 2017. Future minimum lease payments are as follows:

2011	\$ 174,967
2012	180,216
2013	185,622
2014	191,191
2015	196,927
Thereafter	<u>254,675</u>
	<u>\$ 1,183,598</u>

Additionally, the Organization leases office space in all its program countries. These operating leases are renewed monthly or annually. Rent expense for 2010 and 2009 were \$271,745 and \$263,513, respectively.

#### 8. Retirement Plan

The Organization sponsors a 403(b) retirement savings plan for all eligible employees. Retirement plan expense was approximately \$4,848 and \$25,486 for 2010 and 2009.