

HealthRight International, Inc. and Subsidiary

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

December 31, 2011

HealthRight International, Inc. and Subsidiary

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

December 31, 2011

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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. and Subsidiary (the Organization), as of December 31, 2011 and 2010 and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 the 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated statement of financial position of HealthRight International, Inc. and subsidiary as of December 31, 2011 and 2010, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2012 on our consideration of the Organization'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* and should be considered in assessing the results of our audit.

O'CONNOR DAVIES, LLP

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O'Connor Davies, LLP is a member firm of the PKF International Limited network of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of HealthRight International, Inc. and Subsidiary taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and other supplemental information are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

O'Connor Davies, LLP

September 25, 2012
New York, New York

HealthRight International, Inc. and Subsidiary

Consolidated Statements of Financial Position

	December 31	
	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,041,994	\$ 784,491
Receivables	433,429	277,751
Prepaid expenses	<u>12,648</u>	<u>23,524</u>
Total Current Assets	1,488,071	1,085,766
Property and equipment, net	86,229	116,554
Security deposits	<u>58,756</u>	<u>58,756</u>
	<u>\$ 1,633,056</u>	<u>\$ 1,261,076</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 13,608	\$ 31,295
Deferred rent	56,219	49,890
Unearned revenue	<u>260,390</u>	<u>415,409</u>
Total Current Liabilities	330,217	496,594
Notes payable to related parties	<u>125,000</u>	<u>-</u>
Total Liabilities	<u>455,217</u>	<u>496,594</u>
Net Assets		
Unrestricted	258,318	140,445
Temporarily restricted	<u>919,521</u>	<u>624,037</u>
Total Net Assets	<u>1,177,839</u>	<u>764,482</u>
	<u>\$ 1,633,056</u>	<u>\$ 1,261,076</u>

See notes to financial statements.

HealthRight International, Inc. and Subsidiary

Consolidated Statements of Activities

	Year Ended December 31				
	2011		2010		
	Unrestricted	Temporarily Restricted	Total	Temporarily Restricted	Total
REVENUES					
United States government grants	\$ 1,652,537	-	\$ 1,652,537	\$ 2,193,962	\$ 2,193,962
Foreign government grants	-	10,220	10,220	-	26,684
International organizations grants	-	47,397	47,397	-	50,000
Foundation grants	25,750	996,918	1,022,668	166,287	853,873
Corporate contributions	20,750	316,000	336,750	20,201	384,021
Individual contributions	221,005	271,780	492,785	303,389	680
Donated goods and services	-	1,173,855	1,173,855	-	906,945
Special events and promotions income (net of expenses of \$83,311 and \$99,610)	327,706	-	327,706	199,275	-
Other income	25,390	-	25,390	6,743	-
Net assets released from restrictions	2,520,686	(2,520,686)	-	2,145,181	(2,145,181)
Total Revenues	4,793,824	295,484	5,089,308	5,035,038	5,112,060
EXPENSES					
Program services	4,289,801	-	4,289,801	4,922,237	-
Supporting Services					
Management and general	171,673	-	171,673	268,388	-
Fundraising	214,477	-	214,477	360,190	-
Total Expenses	4,675,951	-	4,675,951	5,550,815	-
Change in Net Assets	117,873	295,484	413,357	(515,777)	77,022
NET ASSETS					
Beginning of year	140,445	624,037	764,482	656,222	547,015
End of year	\$ 258,318	\$ 919,521	\$ 1,177,839	\$ 140,445	\$ 764,482

HealthRight International, Inc. and Subsidiary

Consolidated Statement of Functional Expenses
Year Ended December 31, 2011

EXPENSES	Program Services						Supporting Services			Total Expenses
	Human Rights			Management and			Total Supporting Services	Total		
	Russia Projects	Ukraine Projects	Kenya Projects	Nepal & Vietnam Projects	Clinic and Other Domestic Projects	General			Fundraising	
Salaries	\$ 224,983	\$ 263,352	\$ 227,860	\$ 295,441	\$ 164,462	\$ 121,578	\$ 152,340	\$ 273,918	\$ 1,450,016	
Benefits	52,886	94,694	66,228	80,401	34,245	32,508	21,678	54,186	382,640	
Volunteers/program consultants	7,547	32,155	13,578	52,756	488,939	783	9,166	9,949	604,924	
Professional fees	8,091	9,750	10,526	14,432	5,692	2,256	2,817	5,073	53,564	
Rent, maintenance, security, cleaning and utilities	42,116	54,119	37,273	77,889	12,379	8,743	10,922	19,665	243,441	
Materials and supplies	23,356	30,075	699,288	108,346	3,729	162	5,196	5,358	870,152	
Furniture and equipment	1,549	5,328	8,319	15,764	595	845	3,803	4,648	36,203	
Vehicle rental/maintenance/fuel	39	912	74,774	2,417	-	-	-	-	78,142	
Travel	11,480	20,010	33,615	21,357	1,173	11	217	228	87,863	
Insurance	1,750	1,787	1,647	3,509	9,819	492	615	1,107	19,619	
Postage and delivery	601	2,108	1,784	1,426	1,708	154	2,179	2,333	9,960	
Telephone	4,195	6,313	13,036	2,410	738	1,037	155	1,192	27,884	
Internet/email	1,129	1,552	6,436	2,755	691	136	334	470	13,033	
Training and workshops	15,034	80,682	46,137	191,043	8,618	-	-	-	341,514	
Staff and field management training	-	-	45	1,968	-	-	-	-	2,013	
Recruiting	177	178	1,601	343	251	50	487	537	3,087	
Meals and refreshments	178	1,027	2,636	535	3	3	3	6	4,385	
Memberships and subscriptions	185	302	1,005	1,309	523	17	1,315	1,332	4,656	
Donations	-	-	6,412	49	-	-	-	-	6,461	
Gifts and entertainment	101	57	433	1,502	23	17	20	37	2,153	
Subcontract grant expenses	218,939	5,936	14,621	121,751	-	-	-	-	361,247	
Fees, charges and taxes	8,714	6,609	5,982	16,140	1,774	1,355	1,323	2,678	41,897	
Other	240	180	-	352	-	-	-	-	772	
Depreciation	5,426	5,372	5,106	8,827	2,161	1,526	1,907	3,433	30,325	
Total	\$ 628,716	\$ 622,498	\$ 1,278,342	\$ 1,022,722	\$ 737,523	\$ 171,673	\$ 214,477	\$ 386,150	\$ 4,675,951	
	\$ 628,716	622,499	1278343	1022722	737523	171,671	214,479	386,150	4,675,953	

See notes to financial statements.

HealthRight International, Inc. and Subsidiary

Consolidated Statement of Functional Expenses
Year Ended December 31, 2010

EXPENSES	Program Services						Supporting Services			
	Russia Projects	Ukraine Projects	Kenya Projects	Vietnam, India & Other Projects	Human Rights		Management and General	Fundraising	Total Supporting Services	Total Expenses
					Clinic and Other Domestic Projects	Total Program Services				
Salaries	\$ 548,466	\$ 284,006	\$ 379,900	\$ 344,467	\$ 215,301	\$ 1,772,140	\$ 193,140	\$ 269,499	\$ 462,639	\$ 2,234,779
Benefits	100,566	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
Total	\$ 1,299,245	\$ 602,718	\$ 1,445,876	\$ 791,517	\$ 782,881	\$ 4,922,237	\$ 268,388	\$ 360,190	\$ 628,578	\$ 5,550,815

See notes to financial statements

HealthRight International, Inc. and Subsidiary

Consolidated Statements of Cash Flows

	<u>Year Ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 413,357	\$ (438,755)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	30,325	30,325
Changes in operating assets and liabilities		
Receivables	(155,678)	573,745
Prepaid expenses	10,876	20,427
Accounts payable and accrued expenses	(17,687)	(29,851)
Deferred rent	6,329	12,011
Unearned income	(155,019)	378,170
NICRA liability	<u>-</u>	<u>(49,144)</u>
Net Cash From Operating Activities	<u>132,503</u>	<u>496,928</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	<u>-</u>	<u>(815)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable to related parties	<u>125,000</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	<u>257,503</u>	<u>496,113</u>
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>784,491</u>	<u>288,378</u>
End of year	<u>\$ 1,041,994</u>	<u>\$ 784,491</u>

See notes to financial statements.

HealthRight International, Inc. and Subsidiary

Notes to Consolidated Financial Statements
December 31, 2011 and 2010

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. In December 2, 2008, the Organization amended its Certificate of Incorporation to change its name to HealthRight International, Inc.

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.

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.

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 accounts 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 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 period. 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
December 31, 2011 and 2010

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 range from three to ten years.

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.

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.

HealthRight International, Inc. and Subsidiary

Notes to Consolidated Financial Statements
December 31, 2011 and 2010

2. Summary of Significant Accounting Policies (continued)

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 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 2008.

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, 2012.

3. Cash and Cash Equivalents

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

	<u>2011</u>	<u>2010</u>
Domestic banks	\$ 681,844	\$ 609,572
Money market	4,901	2,332
Foreign banks and field accounts	<u>355,249</u>	<u>172,588</u>
	<u>\$ 1,041,994</u>	<u>\$ 784,492</u>

HealthRight International, Inc. and Subsidiary

Notes to Consolidated Financial Statements
December 31, 2011 and 2010

3. Cash and Cash Equivalents (continued)

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.

4. Property and Equipment

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

	<u>2011</u>	<u>2010</u>
Leasehold improvements	\$ 110,315	\$ 110,315
Furniture and fixtures	45,131	45,131
Equipment	<u>75,548</u>	<u>75,548</u>
	230,994	230,994
Less accumulated depreciation	<u>144,765</u>	<u>114,440</u>
	<u>\$ 86,229</u>	<u>\$ 116,554</u>

5. Donated Goods and Services

The Organization received donated medical supplies of approximately \$686,720 and \$394,585 for 2011 and 2010. The Organization also received donated medical services of approximately \$487,135 and \$512,360 for 2011 and 2010, which have also been reflected as donated services and volunteers/program consultants stipend expense in the accompanying consolidated financial statements.

6. Notes payable to Related Parties

In 2011, the Organization obtained unsecured non-interest bearing loans from members of the Board. There are no periodic payments required under these loans, and the maturity date of these loans payable is February 28, 2014.

HealthRight International, Inc. and Subsidiary

Notes to Consolidated Financial Statements
December 31, 2011 and 2010

7. Temporarily Restricted Net Assets

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

<u>Project/Program Location</u>	<u>2011</u>	<u>2010</u>
Russia	\$ 219,343	\$ 286,574
Kenya	49,394	34,264
Vietnam	329	16,711
Nepal	68,900	-
Ukraine	348,080	278,739
Human Rights Clinic	26,380	-
Strategic planning	7,095	7,749
Children programs	200,000	-
	<u>\$ 919,521</u>	<u>\$ 624,037</u>

Net assets released from restrictions as of December 31 are as follows:

<u>Project/Program Location</u>	<u>2011</u>	<u>2010</u>
Russia	\$ 502,087	\$ 530,099
Kenya	758,590	498,906
Vietnam	76,602	130,617
Nepal	-	4,674
Ukraine	627,618	447,819
Human Rights Clinic	530,135	528,742
Other programs	25,654	4,324
	<u>\$ 2,520,686</u>	<u>\$ 2,145,181</u>

8. Operating Leases

The Organization has an operating lease for its New York City office that expires in March 2017. Future minimum lease payments are as follows:

2012	\$ 180,216
2013	185,622
2014	191,191
2015	196,927
2016	202,834
Thereafter	<u>51,841</u>
	<u>\$ 1,008,631</u>

The Organization leases office space in other locations internationally. These operating leases are renewed monthly or annually. Rent expense covering all locations for 2011 and 2010 was \$224,427 and \$271,745, respectively.

HealthRight International, Inc. and Subsidiary

Notes to Consolidated Financial Statements
December 31, 2011 and 2010

9. Retirement Plan

The Organization sponsors a 403(b) retirement savings plan for all eligible employees. Retirement plan expense was approximately \$8,261 and \$4,848 for 2011 and 2010.

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HealthRight International, Inc. and Subsidiary

Supplemental Information

December 31, 2011

HealthRight International, Inc. and Subsidiary

Schedule of Indirect Cost Rate
Single Rate System
January 1, 2011 - December 31, 2011

DIRECT COSTS

Russia Projects	\$ 628,716
Ukraine Projects	622,498
Kenya Projects	1,278,342
Nepal, Vietnam and Other Projects	1,022,722
Human Rights Clinic and Other Domestic Projects	737,523
Fundraising	214,477
Donated goods and services	(1,173,855)
Allocated administrative expenses	<u>(465,543)</u>
Total Direct Costs	<u>2,864,880</u>

INDIRECT COSTS

Management and general	171,673
Donations/contributions	(6,461)
Gifts and entertainment	(2,153)
Allocated administrative expenses	<u>465,543</u>
Total Indirect Costs	<u>628,602</u>
Total Costs	<u>\$ 3,493,482</u>

Rate = Total Indirect Costs	\$ 628,602
Divided by Total Direct Costs	<u>\$ 2,864,880</u>
	<u>21.94%</u>

See independent auditors' report.

HealthRight International, Inc. and Subsidiary

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2011

<u>Federal Grantor/Program Title</u>	<u>Grant ID Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Agency for International Development (USAID) Foreign Assistance for Programs Overseas		98.001	
Direct Programs:			
Russia At Risk Families - Yakaterinberg	N/A		\$ 108,054
Partnership for the Prevention and Treatment of Malaria in the North Rift Valey Province, Kenya	N/A		480,426
Partnership for Maternal and Neonatal Health in Nepal	N/A		<u>624,566</u>
Total Direct Programs			<u>1,213,046</u>
Pass-through Programs:			
Subgrant from World Learning Intergrating Family Planning and Maternal and Newborn Care Services in Rural Nepal	GSM-082		15,274
Subgrant from PACT, Inc. Vietnam Community Reach	486-A-00-06-00007-00		<u>233,657</u>
Total Indirect Programs			<u>248,931</u>
Total USAID			1,461,977
U.S. Department of Health and Human Services Assistance for Torture Victims	N/A	93.604	<u>190,561</u>
Total Expenditures of Federal Awards			<u>\$ 1,652,538</u>

See independent auditors' report and notes to schedule of expenditure of federal awards

HealthRight International, Inc. and Subsidiary

Notes to Schedule of Expenditure of Federal Awards Year Ended December 31, 2011

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, 2011. 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, 2011, the Organization provided \$148,448 of funds received from CFDA 98.001, Foreign Assistance for Programs Overseas to subrecipients.

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards***

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

We have audited the consolidated financial statements of HealthRight International, Inc. and Subsidiary (the "Organization") as of and for the year ended December 31, 2011, and have issued our report thereon dated September 25, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Organization is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, Board of Directors, management, others within the entity, federal awarding agencies and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

O'Connor Davies, LLP

September 25, 2012
New York, New York

**Report on Compliance With Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control Over Compliance in Accordance With
OMB Circular A-133**

Independent Auditors' Report

**Board of Directors
HealthRight International, Inc.**

Compliance

We have audited HealthRight International, Inc. and Subsidiary's ("the Organization") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2011. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion, HealthRight International, Inc. and Subsidiary complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, Board of Directors, management, others within the entity, federal awarding agencies and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

O'Connor Davies, LLP

September 25, 2012
New York, New York

HealthRight International, Inc. and Subsidiary

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2011**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting

Material weakness(es) identified?

_____ yes x no

Significant deficiency(ies) identified?

_____ yes x none reported

Noncompliance material to financial statements noted?

_____ yes x no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ yes x no

Significant deficiency(ies) identified?

_____ yes x none reported

Type of auditors' report issued on compliance
for major programs:

Unqualified

Any audit findings disclosed that are required
to be reported in accordance with OMB Circular
A-133, Section .510(a)?

_____ yes x no

Identification of major programs:

 CFDA Number(s)

 Name of Federal Program or Cluster

98.001

Foreign Assistance for Programs Overseas

Dollar threshold used to distinguish
between Type A and Type B programs:

 \$300,000

Auditee qualified as low-risk auditee?

_____ yes x no

HealthRight International, Inc. and Subsidiary

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2011**

Section II – Financial Statement Findings

During our audit, we noted no material findings for the year ended December 31, 2011.

Section III – Federal Award Findings and Questioned Costs

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

Section IV – Schedule of Prior Year Findings

2010-01 Review of Accounting Functions and Segregation of Duties

Condition: During the audit we noted certain accounting functions that needed review for improved efficiency and to ensure segregation of duties:

- The accountant in the Head Office prepared the field offices' bank reconciliations, and review of the statements by someone other than the preparer was not noted
- Access to the general ledger system was not limited to functions assigned.

Current Status: This condition has been corrected.

2010-02 Reporting Requirement

Condition: HealthRight failed to submit the Data Collection Form/A-133 Report on time for two consecutive years

Current Status: This condition has been corrected.

2010-03 Cash Management

Condition: HealthRight's advances at December 31, 2010 approximate 2 months of its program needs.

Current Status: This condition has been corrected.