Consolidated Financial Statements and Report of Independent Certified Public Accountants

Partners In Health

June 30, 2013 and 2012

Contents

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Report of Independent Certified Public Accountants

Board of Trustees
Partners In Health

Report on the financial statements

We have audited the accompanying consolidated financial statements of Partners In Health (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the 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.

Auditor's 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 auditor's 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 Organization'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 Organization'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 financial position of Partners In Health as of June 30, 2013 and 2012, 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.

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Schedule of Expenditures of Federal Awards for the year ended June 30, 2013 as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,*) is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary 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 audits of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the 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 supplementary 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 December 24, 2013, 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 the effectiveness of 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 the Organization's internal control over financial reporting and compliance.

Grant Thornton LLP

Westborough, Massachusetts
December 24, 2013

PARTNERS IN HEALTH
Consolidated Statements of Financial Position
June 30, 2013 and 2012

	2013	2012
Assets:		
Cash and cash equivalents	$ **25,725,010**	$ 13,766,262
Contributions receivable (note E)	**1,928,665**	2,556,199
Grants receivable (note E)	**7,947,491**	5,475,161
Prepaid expenses and other assets (note C)	**4,471,164**	2,214,707
Investments, at fair value (note C)	**2,118,110**	20,649,820
Property and equipment, net (note F)	**2,562,601**	2,933,582
Total assets	**44,753,041**	47,595,731
Liabilities and Net Assets		
Accounts payable and accrued expenses	**6,265,854**	5,454,039
Total liabilities	**6,265,854**	5,454,039
Net assets:		
Unrestricted:		
Foreign currency translation adjustments	**46,667**	2,407
Undesignated	**11,191,888**	12,892,854
Board-designated: Thomas J. White Fund	**15,430,984**	13,970,491
Total unrestricted net assets	**26,669,539**	26,865,752
Temporarily restricted (note D)	**11,817,648**	15,275,940
Total net assets	**38,487,187**	42,141,692
Total liabilities and net assets	**$ 44,753,041**	**$** 47,595,731

PARTNERS IN HEALTH
Consolidated Statement of Activities
Year ended June 30, 2013

	Unrestricted			
	Undesignated	Board-designated: Thomas J. White Fund	Temporarily restricted	**Total**
Revenue and other support:				
Contributions, grants and gifts in kind:				
Individuals and family foundations	$ 36,462,600	$ 1,020,000	$ 14,741,725	$ **52,224,325**
Foundations and corporations	2,155,205	-	13,068,837	**15,224,042**
Governments, multilateral and research organizations	204,707	-	20,015,475	**20,220,182**
Special events	599,928	-	6,465	**606,393**
Gifts in kind and contributed services (note H)	65,731	-	4,196,703	**4,262,434**
Other income	374,056	-	165,701	**539,757**
Net assets released from restrictions (note D)	55,653,549	-	(55,653,549)	**-**
Total revenue and other support	95,515,776	1,020,000	(3,458,643)	**93,077,133**
Expenses (notes H and I):				
Program services	90,696,687	-	-	**90,696,687**
Development	3,719,170	-	-	**3,719,170**
General and administration	2,789,443	148,589	-	**2,938,032**
Total expenses	97,205,300	148,589	-	**97,353,889**
Excess of revenue over expense	(1,689,524)	871,411	(3,458,643)	**(4,276,756)**
Investment income, net	(11,442)	589,082	351	**577,991**
Change in net assets	(1,700,966)	1,460,493	(3,458,292)	**(3,698,765)**
Foreign currency translation adjustments	44,260	-	-	**44,260**
Net assets at beginning of year	12,895,261	13,970,491	15,275,940	**42,141,692**
Net assets at end of year	**$ 11,238,555**	**$ 15,430,984**	**$ 11,817,648**	**$ 38,487,187**

PARTNERS IN HEALTH
Consolidated Statement of Activities
Year ended June 30, 2012

	Unrestricted			
	Undesignated	Board-designated: Thomas J. White Fund	Temporarily restricted	Total
Revenue and other support:				
Contributions, grants and gifts in kind:				
Individuals and family foundations	$ 28,990,584	$ 555,000	$ 13,215,995	$ 42,761,579
Foundations and corporations	1,872,623	-	25,932,934	27,805,557
Governments, multilateral and research organizations	5,142	-	25,359,786	25,364,928
Special events	100,000	-	-	100,000
Gifts in kind and contributed services (note H)	74,891	-	4,387,194	4,462,085
Transfers from Thomas J. White Fund	4,000,000	(4,000,000)	-	-
Other income	334,468	-	150,876	485,344
Net assets released from restrictions (note D)	89,745,462	-	(89,745,462)	-
Total revenue and other support	125,123,170	(3,445,000)	(20,698,677)	100,979,493
Expenses (notes H and I):				
Program services	112,896,146	-	-	112,896,146
Development	4,171,995	-	-	4,171,995
General and administration	3,452,701	353,383	-	3,806,084
Total expenses	120,520,842	353,383	-	120,874,225
Excess of revenue over expense	4,602,328	(3,798,383)	(20,698,677)	(19,894,732)
Investment income, net	125,599	395,236	2,297	523,132
Change in net assets	4,727,927	(3,403,147)	(20,696,380)	(19,371,600)
Foreign currency translation adjustments	(396,544)	-	-	(396,544)
Net assets at beginning of year	8,563,878	17,373,638	35,972,320	61,909,836
Net assets at end of year	$ 12,895,261	$ 13,970,491	$ 15,275,940	$ 42,141,692

PARTNERS IN HEALTH
Consolidated Statements of Functional Expenses
Years ended June 30, 2013 and 2012

	Program services									Institutional support		
2013	**Haiti**	**Rwanda**	**Peru**	**Lesotho**	**Malawi**	**Russia/ Kazakhstan**	**PACT (US)**	**Mexico/ Guatemala**	**Other (1)**	**Development**	**Administration**	**Total**
Human resources	**$ 3,184,319**	**$ 6,023,676**	**$ 2,995,760**	**$ 3,024,298**	**$ 1,344,385**	**$ 899,214**	**$ 33,403**	**$ 203,307**	**$ 8,408,379**	**$ 2,208,158**	**$ 1,072,539**	**$ 29,397,438**
Consumables	**3,959,936**	**2,807,816**	**387,627**	**814,968**	**515,537**	**619,060**	**-**	**75,545**	**181,136**	**67,023**	**40,931**	**9,469,579**
Durable goods	**2,477,600**	**444,502**	**116,996**	**71,205**	**186,321**	**14,389**	**1,115**	**58,657**	**1,243,672**	**35,515**	**174,078**	**4,824,050**
Infrastructure	**2,008,346**	**1,246,727**	**-**	**564,105**	**814,787**	**-**	**-**	**-**	**11,606**	**-**	**-**	**4,645,571**
Operations	**1,034,091**	**3,372,380**	**1,325,477**	**776,273**	**417,858**	**1,002,371**	**7,949**	**28,343**	**990,508**	**206,685**	**1,086,313**	**10,248,248**
Travel, professional services, printing and other	**1,931,765**	**593,190**	**536,757**	**216,417**	**141,222**	**209,898**	**-**	**13,830**	**2,135,417**	**1,196,589**	**561,861**	**7,536,946**
Social support payments	**23,416**	**605,890**	**35,257**	**22,628**	**46,034**	**-**	**-**	**-**	**26,377**	**-**	**2,070**	**761,672**
Grants to partner organizations	**28,148,798**	**-**	**49,462**	**-**	**-**	**1,197,190**	**638,136**	**197,200**	**234,159**	**5,200**	**240**	**30,470,385**
Total expenses	**$ 42,768,271**	**$ 15,094,181**	**$ 5,447,336**	**$ 5,489,894**	**$ 3,466,144**	**$ 3,942,122**	**$ 680,603**	**$ 576,882**	**$ 13,231,254**	**$ 3,719,170**	**$ 2,938,032**	**$ 97,353,889**

	Program services									Institutional support		
2012	Haiti	Rwanda	Peru	Lesotho	Malawi	Russia/ Kazakhstan	PACT (US)	Mexico/ Guatemala	Other (1)	Development	Administration	Total
Human resources	$ 3,845,829	$ 7,151,797	$ 3,442,949	$ 3,528,707	$ 1,780,234	$ 939,532	$ 80,179	$ 91,331	$ 8,275,885	$ 2,838,744	$ 1,408,321	$ 33,383,508
Consumables	4,501,610	2,363,780	520,461	1,046,530	678,623	368,194	-	16,063	146,553	61,726	59,854	9,763,394
Durable goods	6,131,109	269,457	137,086	314,357	214,014	59,287	-	32,724	585,655	43,740	244,863	8,032,292
Infrastructure	4,522,040	1,006,955	50,408	1,085,531	307,850	-	-	-	7,096	-	-	6,979,880
Operations	1,789,962	2,692,483	1,927,438	945,512	480,919	650,285	2,220	9,656	857,027	26,141	1,281,388	10,663,031
Travel, professional services, printing and other	3,970,721	475,098	1,056,410	351,588	155,868	169,796	-	13,212	2,004,181	1,201,644	810,990	10,209,508
Social support payments	31,283	720,435	193,147	18,842	72,448	-	-	-	179,950	-	668	1,216,773
Grants to partner organizations	37,787,086	-	20,426	-	-	1,236,952	1,056,132	212,935	312,308	-	-	40,625,839
Total expenses	$ 62,579,640	$ 14,680,005	$ 7,348,325	$ 7,291,067	$ 3,689,956	$ 3,424,046	$ 1,138,531	$ 375,921	$ 12,368,655	$ 4,171,995	$ 3,806,084	$ 120,874,225

(1) Other includes cross-site clinical and program management, procurement, medical informatics, training, communication and advocacy, and depreciation.

PARTNERS IN HEALTH

Consolidated Statements of Cash Flows

Years ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	$ **(3,698,765)**	$ (19,371,600)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	**689,161**	861,533
Net realized and unrealized (gains) losses on investments	**(341,548)**	448,724
Foreign currency translation adjustments	**44,260**	(396,544)
Changes in:		
Contributions receivable	**627,534**	(1,731,069)
Grants receivable	**(2,472,330)**	2,211,975
Prepaid expenses and other assets	**(2,256,457)**	(1,679,688)
Accounts payable and accrued expenses	**811,815**	561,103
Net cash used in operating activities	(6,596,330)	(19,095,566)
Cash flows from investing activities:		
Purchases of property and equipment	**(318,180)**	(909,123)
Sales of investment securities	**19,401,645**	27,729,907
Purchases of investment securities	**(528,387)**	(1,858,987)
Net cash provided by investing activities	**18,555,078**	24,961,797
Net increase in cash and cash equivalents	**11,958,748**	**5,866,231**
Cash and cash equivalents at beginning of year	**13,766,262**	7,900,031
Cash and cash equivalents at end of year	$ **25,725,010**	$ 13,766,262
Supplemental disclosures of cash flow information:		
Other non-cash investing and financing activities:		
In-kind contributions	**4,262,434**	4,462,085
Total other non-cash investing and financing activities	**4,262,434**	**4,462,085**

NOTE A - ORGANIZATION

Partners In Health, a Nonprofit Corporation ("PIH" or the "Organization") is an international nongovernmental organization dedicated to delivering quality health care to people and communities suffering from the joint burdens of poverty and disease. PIH's work has three goals: to provide high quality care for patients, to alleviate the root causes of disease, and to share lessons learned around the world.

PIH consolidates the accounts of Socios En Salud (Peru), Partners In Health Russia, Partners In Health Kazakhstan, Inshuti Mu Buzima (Rwanda), Bo Mphato Litšebeletsong tsa Bophelo (Lesotho), Abwenzi Pa Za Umoyo (Malawi), Compañeros En Salud (Mexico), and PIH Partners In Health Canada. All of these entities are recognized charities in their respective countries.

Partner Organizations (Note I) are not consolidated in the financial statements as PIH does not have control of these organizations as defined under generally accepted accounting principles. Cash disbursements to Partner Organizations are presented as Grants to Partner Organizations in the Statement of Activities.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Consolidation

The accompanying consolidated financial statements have been prepared in conformity with account principles generally accepted in the United States of America (US GAAP). The consolidated financial statements include the accounts of PIH and affiliates located in Peru, Russia, Kazakhstan, Rwanda, Lesotho, Malawi, Mexico, and Canada. All inter organizational balances and transactions are eliminated in consolidation.

Classification of Net Assets

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- *Unrestricted undesignated net assets* – includes unrestricted funds for general operations, support used in operations after meeting initial grantor or donor restrictions, and unrestricted net assets.

- *Unrestricted board-designated net assets* – includes donated funds earmarked by the board for the purposes of assuring longer term stability and sustainability, and ensuring steady support for core programs, while allowing for planning and implementation of longer term initiatives.

- *Temporarily restricted net assets* – includes funds whose use by PIH is limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of PIH pursuant to those specifications.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies, the reported amounts of revenues and other support, and the expenses during the reporting periods. Actual results could vary from these estimates.

Significant estimates include useful lives of assets, valuation of investments, allowance for doubtful accounts, and valuation of gifts in kind.

Recognition of Revenue

Contributions received, including unconditional promises to give, are recognized as increases in net assets in the period received at their fair values. Contributions of cash and other assets are reported as restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is when a stipulation of time restriction ends or a purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. For example, grants designated for community health activities are recognized initially as restricted support and are reclassified to unrestricted net assets once the restrictions are satisfied. Pledges receivable as well as contributions that are received shortly after the fiscal year end that are dated and designated by donors for that fiscal year are recorded as contributions receivable.

Cash and Cash Equivalents

PIH considers cash on hand, deposits in banks, certificates of deposit and short-term marketable securities with an original maturity of less than 90 days to be cash and cash equivalents for purposes of the statements of cash flows. A portion of the investment portfolio is also invested in cash and cash equivalents for liquidity purposes. PIH maintains cash balances in excess of federally insured limits. The Organization has not experienced any losses in such accounts and does not believe it is exposed to significant credit risks. Cash held in foreign bank accounts was $3,540,913 and $3,354,825 at June 30, 2013 and 2012, respectively.

Reclassifications

The Organization's financial statements include prior year comparative information, some of which has been reclassified to conform with the current year presentation. The Organization has reclassified the cash balance held in a money market account from investments to cash and cash equivalents. In order to conform to the current year's presentation, this reclassification has been applied to the prior year balance. The balance in this account was $17,796,427 and $7,820,120 at June 30, 2013 and 2012, respectively. There is no net change to total assets as a result of this change in classification.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value Measurements

Fair value is the price that PIH would receive upon selling an asset in an orderly transaction to an independent buyer in the principal or most advantageous market of the investment. FASB Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

Level 1 – quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities;

Level 2 - Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants would use in valuing a portfolio instrument. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3 - Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect PIH's own assumptions about the factors market participants would use in valuing a portfolio instrument, and would be based on the best information available.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, PIH utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. Because PIH uses net asset values reported by fund managers as a practical expedient to estimate the fair values of its investment held through limited partnerships and other funds, classification of these investments within the fair value hierarchy is based on PIH's ability to timely redeem its interest rather than on inputs used. See "Investments" below and Note C for further discussion.

Changes in valuation techniques may result in transfers in or out of current assigned level within the hierarchy. PIH recognizes transfers between fair value hierarchy levels at the approximate date or change in circumstances that causes the transfer. There were no significant transfers between the levels within the fair value hierarchy during fiscal 2013 or 2012.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investments

Investments are reported at estimated fair value. If an investment is held directly by PIH and an active market with quoted prices exists, PIH reports the fair value as the market price of an identical security. Shares in mutual funds are based on share values reported by the funds as of the last business day of the fiscal year. PIH also holds shares or units in traditional institutional funds, as well as in alternative investments in private equity funds. The private equity funds generally hold assets that require the estimation of fair values in the absence of readily determinable market values. Because of the inherent uncertainties of valuation, the estimated fair values may differ significantly from the value that would have been reported had a ready market for the investment existed and the differences could be material. Such valuations are determined by fund managers and generally consider variables, such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held.

The fair value of fixed income securities is estimated using various techniques, which may consider recently executed transactions in securities of the issuer or comparable issuers, market price quotations (where observable), bond spreads, fundamental data relating to the issuer, and credit default swap spreads adjusted for any basis difference between cash and derivative instruments.

PIH has applied the accounting guidance in Accounting Standards Updates No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* (ASU 2009-12), which permits the use of net asset value ("NAV") or its equivalent reported by each underlying alternative investment fund as a practical expedient to estimate the fair value of the investment. These investments are generally redeemable or may be liquidated at NAV under the original terms of the subscription agreements or operations of the underlying funds. However, it is possible that these redemption rights may be restricted by the funds in the future in accordance with the underlying fund agreements, as applicable. Changes in market conditions, the economic environment, or the funds' liquidity provisions may significantly impact the NAV of the funds and, consequently, the fair value of PIH's interests in the funds. Although certain investments may be sold in a secondary market, the secondary market is not active and individual transactions are not necessarily observable. It is therefore possible that if PIH were to sell a fund in the secondary market, the sale could occur at an amount materially different than the reported value.

Property and Equipment

Property and equipment is stated at cost, or if donated, at fair value at the date of donation. PIH provides for depreciation and amortization using the straight-line method over the estimated useful lives of the applicable assets, which are 25 to 40 years for buildings and improvements, 3 to 15 years for vehicles and equipment, and 7 to 10 years for capitalized software. Repairs and maintenance are expensed as incurred.

PIH deploys a portion of its funds for the construction and equipping of hospitals and healthcare centers on behalf of local governments. These facilities are used by PIH and the local governments in partnership to deliver health care services. PIH also funds the construction of wells and schools for communities and homes for patients in great need. PIH considers these facilities, including the furniture and equipment contained therein, the property of the local government or the relevant individuals, and thus associated construction, renovation, and equipment costs are expensed as incurred.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Foreign Currency Translation

The functional currency for each affiliate is the local currency. The translation into U.S. dollars is performed for statement of financial position accounts using exchange rates in effect at the statements of financial position date and for revenue and expense accounts using a weighted average exchange rate for the fiscal year. The resulting translation adjustments are recorded in unrestricted net assets.

Functional Expenses

All direct costs of fundraising are expensed as incurred and are included in development expenses in the statements of activities and functional expenses.

Income Taxes

PIH is an organization described under Section 501(c)(3) of the Internal Revenue Code ("IRC") and is exempt from income taxes under IRC Section 501(a). PIH has determined that it has taken no significant uncertain tax positions and accordingly no provision for income taxes has been recorded.

PIH recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority.

PIH has applied this more-likely-than-not threshold to all tax positions for which the statute of limitations remained open and determined there were no material unrecognized tax benefits as of that date. In addition, there have been no material changes in unrecognized benefits since adoption.

It is the PIH's policy to record estimated interest and penalties (if any) as part of management and general expense. Management believes that the PIH's income tax returns for fiscal years 2009 and prior are no longer subject to examination by taxing authorities.

NOTE C - INVESTMENTS

The following table summarizes PIH's investments in accordance with the fair value hierarchy as of June 30, 2013:

	June 30, 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments:				
Cash and cash equivalents	**$ 1,231,367**	**$ -**	**$ -**	**$ 1,231,367**
U.S. Equity, Large Value	**1,348**	**-**	**-**	**1,348**
Private Equity	**-**	**-**	**885,395**	**885,395**
Total	**$ 1,232,715**	**$ -**	**$ 885,395**	**$ 2,118,110**

The following table summarizes PIH's investments in accordance with the fair value hierarchy as of June 30, 2012:

	June 30, 2012			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash and cash equivalents	$ 3,874,928	$ -	$ -	$ 3,874,928
Fixed income:				
U.S. Fixed Income, Core	-	9,954,308	-	9,954,308
Equities:				
U.S. Equity, Large Growth	2,499,969	-	-	2,499,969
U.S. Equity, Large Value	814,099	-	-	814,099
U.S. Equity Small Capitalization	150,820	-	-	150,820
Commodity Related Securities	550,311	-	-	550,311
Non-U.S. Equity, Developed	1,550,985	-	-	1,550,985
Non-U.S. Equity, Emerging	484,164	-	-	484,164
Private Equity	-	-	770,236	770,236
Total	$ 9,925,276	$ 9,954,308	$ 770,236	$ 20,649,820

NOTE C – INVESTMENTS - Continued

All investments have daily liquidity, except the private equity investments, which are illiquid. The fixed income investments are included in Level 2 because their prices are determined based on market data for similar securities rather than direct observable prices.

The private equity fund investments classified in Level 3 consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Because the NAV reported by each fund is used as a practical expedient to estimate the fair value of PIH's interest therein, its classification in Level 3 is based on PIH's ability to redeem its interest at or near the date of the statement of financial position. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

The following table presents PIH's activity for the fiscal year ended June 30, 2013 for investments in Level 3:

		Private equity funds
Level 3 rollforward:		
Beginning value as of July 1, 2012	$	**770,236**
Purchases		**44,313**
Dispositions		**(15,392)**
Dividends/Interest		**58,884**
Net unrealized gains		**27,353**
Fair Value at June 30, 2013	$	**885,394**

The following table presents PIH's activity for the fiscal year ended June 30, 2012 for investments in Level 3:

		Private equity funds
Level 3 rollforward:		
Beginning value as of July 1, 2011	$	624,888
Purchases		130,169
Dispositions		-
Dividends/Interest		81,419
Net unrealized gains		(66,240)
Fair Value at June 30, 2012	$	770,236

NOTE C – INVESTMENTS - Continued

In 2002, a board-designated fund was established to set aside monies for the purpose of providing a stable stream of funding for PIH projects. This fund, called the Thomas J. White Fund ("TJW"), is used as a primary repository of funds raised for longer term support. At June 30, 2013 and 2012, the fund's balance was $15,442,965 and $13,970,491, respectively, and is recorded in board-designated unrestricted net assets in the consolidated statements of financial position. The large majority of this fund is invested in cash and cash equivalents, with the balance invested in private equity funds.

The composition of investment return is as follows:

	Year ended June 30,	
	2013	2012
Interest and dividends	**$ 236,443**	$ 971,856
Net realized gains (losses)	**483,613**	(841,926)
Net change in unrealized gains (losses)	**(142,065)**	393,202
Total investment return, net	**$ 577,991**	$ 523,132

Prior to the end of the fiscal year, PIH liquidated stock donations amounting to $2,569,671. The funds from these sales were not received until after June 30, 2013. This investment receivable is included in the balance of prepaid expenses and other assets.

Commitments

Private equity investments are generally made through limited partnerships. Under the terms of these agreements, PIH is obligated to remit additional funding periodically as capital or liquidity calls are exercised by the manager. These partnerships have a limited existence, generally ten years, and such agreements may provide for annual extensions for the purpose of disposing portfolio positions and returning capital to investors. However, depending on market conditions, the inability to execute the fund's strategy, and other factors, a manager may extend the terms of a fund beyond its originally anticipated existence or may wind the fund down prematurely. PIH cannot anticipate such changes because they are based on unforeseen events, but should they occur, they may result in less liquidity or return from the investment than originally anticipated. As a result, the timing and amount of future capital or liquidity calls expected to be exercised in any particular future year is uncertain. The aggregate amount of unfunded commitments as of June 30, 2013 was $251,240.

NOTE D – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2013 and 2012 are available for the following purposes:

	June 30, 2013	June 30, 2012
Patient care	**$ 7,273,068**	$ 7,266,767
Training	**1,977,707**	867,481
Infrastructure	**885,477**	4,404,533
Advocacy	**323,631**	-
Research	**72,792**	252,623
Other	**1,284,973**	2,484,536
Total temporarily restricted net assets	**$ 11,817,648**	$ 15,275,940

For the years ended June 30, 2013 and 2012, net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes:

	June 30, 2013	June 30, 2012
Purpose restrictions accomplished:		
Zanmi Lasante (Haiti)	**$ 31,733,978**	$ 67,028,299
Socios En Salud (Peru)	**4,276,019**	3,974,352
Partners In Health-Russia & Kazakhstan	**3,641,997**	3,763,166
Inshuti Mu Buzima (Rwanda)	**7,565,688**	5,715,152
Bo Mphato Litšebeletsong tsa Bophelo (Lesotho)	**662,372**	1,362,665
Abwenzi Pa Za Umoyo (Malawi)	**286,530**	563,671
Medical Informatics	**453,959**	827,764
PACT (Boston)	**68,655**	241,852
Compañeros En Salud (Mexico)	**450,782**	105,445
Other	**6,513,569**	6,163,096
Net assets released from restrictions	**$ 55,653,549**	$ 89,745,462

NOTE E – RECEIVABLES

Contributions receivable represent pledges receivable as well as contributions received shortly after the fiscal year end for which they were notified by donors prior to year end. All contributions receivable are expected to be collected in fiscal year 2014.

NOTE E – RECEIVABLES - Continued

Grants receivable represent amounts accrued for work completed under grant contracts with governments, multilateral and research institutions, and institutional foundations. All amounts are due within the fiscal year and, therefore, are recorded at face value without discounting.

As of June 30, 2013 and June 30, 2012, the contribution and grants receivable balances included $8,442,165 and $4,572,097, respectively, in revenue to be billed. There was no allowance for doubtful accounts recorded as of June 30, 2013 and 2012.

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	June 30,	
	2013	2012
Land	**$ 726,231**	$ 755,869
Building and improvements	**720,578**	685,836
Equipment and furniture	**1,995,288**	1,930,911
Vehicles	**2,606,324**	2,359,844
Capitalized software	**533,757**	531,538
Total property and equipment, gross	**6,582,178**	6,263,998
Less accumulated depreciation and amortization	**(4,019,577)**	(3,330,416)
Total property and equipment, net	**$ 2,562,601**	$ 2,933,582

Depreciation and amortization of $689,161 and $861,533 for the years ended June 30, 2013 and 2012, respectively, are included as expenses in the consolidated statements of activities.

PIH leases certain office space under non-cancelable leases. Total rental expense under such arrangements amounted to $1,334,425 and $1,425,000 for the years ended June 30, 2013 and 2012, respectively. During the year ended June 30, 2013 and 2012, PIH recorded $49,605 and $170,000, respectively, of deferred rent expense.

NOTE F – PROPERTY AND EQUIPMENT - Continued

Future minimum lease rentals as of June 30, 2013 are as follows:

Years ending June 30,		
2014	$	740,998
2015		702,389
2016		725,746
2017		731,222
2018		758,605
Thereafter		891,428
Total future minimum lease payments	$	4,550,388

NOTE G – LINE OF CREDIT

PIH maintains a $4 million line of credit with RBS Citizens, N.A. d/b/a Citizens Bank primarily for seasonal liquidity needs in advance of the calendar year end giving period. Borrowings accrue interest at a fluctuating per annum interest rate equal to the one month LIBOR Advantage Rate plus 3.0% (0.195% at June 30, 2013). PIH must repay the full principal and interest outstanding no less than once during each fiscal year for a period of sixty consecutive calendar days. PIH must also maintain a minimum of net liquid assets of at least $4,000,000 as defined in the agreement. The line is subject to an internal annual review by Citizens Bank each January. There were no outstanding borrowings on the line at June 30, 2013 and June 30, 2012. At June 30, 2013 and 2012, PIH was in compliance with all financial covenants.

NOTE H – GIFTS IN KIND AND CONTRIBUTED SERVICES

PIH receives donations of medicines and other goods, and contributed legal services without charge. The estimated fair value of these donations is recorded as contributions in the consolidated statements of activities and allocated to program services, development or administration according to the nature of the item contributed as follows:

	June 30,			
		2013		**2012**
Donated medicines and goods	**$**	**2,390,174**	$	4,112,023
Contributed services		**1,872,260**		350,062
Estimated fair value of donations	**$**	**4,262,434**	$	4,462,085

NOTE H – GIFTS IN KIND AND CONTRIBUTED SERVICES - Continued

PIH works in close collaboration with Harvard Medical School (HMS) and Brigham and Women's Hospital (BWH) for purposes of patient care, research, and dissemination of knowledge in the area of global public health. Certain physicians and staff members of HMS and BWH reside within the PIH field sites for varying time periods and conduct work that supports these partner organizations' shared goals of improving the state of health in areas of extreme poverty. PIH also collaborates on research projects with HMS and BWH from time to time, serving as a sub-recipient on certain grants and as a principal recipient on others.

PIH also has relationships with various hospitals that provide healthcare and pathology services for PIH patients for minimal fees or free of charge.

NOTE I – GRANTS TO PARTNER ORGANIZATIONS

Grants to partner organizations are recorded in the consolidated statements of activities under Program Services and include the following:

	June 30,	
	2013	2012
Zanmi Lasante in Haiti	**$ 27,903,644**	$ 37,075,849
Brigham and Women's Hospital	**663,164**	1,056,132
Partner organizations in Russia	**1,197,190**	1,236,952
Fundacion Socios En Salud in the Dominican Republic	**346,019**	305,209
Centres GHESKIO	**-**	300,000
Other	**360,368**	651,697
	$ 30,470,385	$ 40,625,839

Grants to Zanmi Lasante in Haiti are for costs of operations, including salaries and benefits, pharmaceuticals, construction, equipment and furnishings, social support, etc. Grants to Zanmi Lasante during fiscal year 2013 are approximately $9.2 million lower than fiscal 2012 on account of large capital expenditures in fiscal 2012 related to the construction of Hospital Universitaire de Mirebalais. Grants to Brigham and Women's Hospital are for the Prevention and Access to Care and Treatment Program (PACT) in Boston, MA primarily for salary support for program staff and community healthcare workers. The grant to PIH's partner organization in the Dominican Republic was for the general operations of cross-border initiative between the Dominican Republic and Haiti in which vulnerable populations are provided treatment and the community is educated about HIV/AIDS. The grant to Centres GHESKIO was for the storage, delivery, and distribution of 100,000 doses of a cholera vaccine to low-income community members in Port-au-Prince, Haiti.

NOTE I – GRANTS TO PARTNER ORGANIZATIONS - Continued

In 2009, the Tomsk Oblast Country Coordinating Mechanism (CCM) in cooperation with PIH applied for a continuation of a Global Fund grant and, beginning December 1, 2009, this 6-year grant was launched. The grant amount is for 9,248,300 Euros. This grant allows the Tomsk TB service in collaboration with PIH to provide treatment of all forms of drug-resistant tuberculosis and to disseminate knowledge of MDR-TB management to 20 territories in Siberia and Far-East regions of Russia.

PIH Russia dispenses 90% of these funds to six sub-recipients: the Tomsk TB Dispensary and the Tomsk TB Hospital, which provide TB and MDR-TB treatment to all TB patients throughout the region; the Tomsk Oblast Penitentiary System, which funds and operates the treatment of all TB infected patients currently incarcerated in the region; the Russian Red Cross, which distributes medications and social support to patients in the more remote, rural areas of Tomsk Oblast; the Tomsk anti-AIDS center, which screens HIV+ patients for TB and provide tuberculosis prophylaxis; and Novosibirsk TB Research Institute (TBRI), which organizes TB and MDR-TB trainings for the 20 territories in Siberia and Far East of Russia, all under the supervision of the TBRI.

NOTE J – FISCAL SPONSOR TRANSACTIONS

PIH receives donations and disburses funds on behalf of several organizations who work in coincident or contiguous areas to PIH projects, who are pursuing similar missions, and who do not yet have the infrastructure for this financial processing. As of June 30, 2013, PIH was holding $60,187 in cash on behalf of fiscal sponsorees.

NOTE K – DERIVATIVES AND FOREIGN CURRENCY TRANSACTIONS

The Organization’s use of derivatives is limited to one foreign currency contract. PIH entered into a forward contract during fiscal year 2013 to hedge against foreign currency fluctuations related to the South African Rand (RAND). Included in accrued expenses and net change in unrealized losses as of June 30, 2013 is $131,284 related to the unrealized loss on the derivative instrument.

The following is a summary of the foreign currency contract outstanding as of June 30, 2013.

Country	Maturity Dates	Forward Position in U.S. Dollars	Local Currency
South Africa	July 16, 2013 - January 16, 2014	1,400,000	12,733,740 RAND

NOTE L – SUBSEQUENT EVENTS

In connection with the preparation of the consolidated financial statements, PIH evaluated subsequent events after the consolidated balance sheet date of June 30, 2013 through December 24, 2013, which was the date the consolidated financial statements were available to be issued.

Supplemental Information

PARTNERS IN HEALTH
Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures through 6/30/2013
United States Agency for International Development		
USAID Foreign Assistance for Programs Overseas - Dominican Republic Cross Border Initiative	98.001	$ 326,938
USAID Foreign Assistance for Programs Overseas - TB CARE II	98.001	1,926,442
USAID Foreign Assistance for Programs Overseas - CHSGP Russia	98.001	168,505
USAID Foreign Assistance for Programs Overseas - Russia Health Care Foundation Sub-award	98.001	437,555
Total USAID Foreign Assistance for Programs Overseas		2,859,440
Total United States Agency for International Development		2,859,440
United States Department of Health and Human Services		
Centers for Disease Control and Prevention:		
Global AIDS - PEPFAR	93.067	8,764,960
Centers for Disease Control and Prevention_Investigations and Technical Assistance - Community Based Cholera Treatment in Haiti "CDC Cholera"	93.283	485,831
Research and Development Cluster		
Passed through Harvard Medical School:		
Mental Health Research Grants - Becker R21	93.242	55,534
Mental Health Research Grants - Family Based Prevention of Mental Health Problems in HIV/AIDs affected children	93.242	130,421
Allergy, Immunology and Transplantation Research - Harvard University Center for AIDS Research (CFAR)	93.855	22,666
Allergy, Immunology and Transplantation Research - Randomized Trial of High-Dose Rifampin in Patients with New Smear-Positive TB	93.855	582,051
Passed through Brigham and Women's Hospital:		
Allergy, Immunology and Transplantation Research - Host and Microbial Risk Factors for Drug Sensitive and Resistant Tuberculosis Prevalence, Risk Factors, and Consequences of complex M TB	93.855	1,622,436
Small Rural Hospital Improvement Grant Program - Infections "Cohen DP2"	93.301	12,368
Mental Health Research Grants - CASA R01	93.242	464,769
Child Health and Human Development Extramural Research - Haiti Nutrition and Food Security Interventions in Comprehensive HIV Care	93.865	60,007
Innovative Interdisciplinary Approaches to Sustainable Airborne Infection Control	93.989	11,913
Immune Response to Viobrio Cholera Infection and Vaccination in Haiti	93.855	90,443
UWASH ITECH - Developing User Interface Application Model	93.266	39,332
Total Research and Development		3,091,940
Total United States Department of Health and Human Services		12,342,731
Total Expenditures of Federal Awards		$ 15,202,171

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") summarizes the federal expenditures of the Organization under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget "OMB" Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

For purposes of the Schedule, federal awards include all grants, contracts, and similar agreements entered into directly between the Organization and agencies and departments of the federal government and all sub-awards to the Organization by nonfederal organizations pursuant to federal grants, contracts and similar agreements.

Expenditures reported in the Schedule are reported on the accrual basis of accounting.

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Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Partners In Health

We have audited, 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, the consolidated financial statements of Partners In Health (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 24, 2013.

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 design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 Organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

Compliance and other matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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*.

Intended purpose

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 report is not suitable for any other purpose.

Grant Thornton LLP

Westborough, Massachusetts
December 24, 2013

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Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance Related to Major Programs (OMB Circular A-133) and on Internal Control Over Compliance

Board of Trustees
Partners In Health

Report on compliance for each major federal program

We have audited the compliance of Partners In Health (the "Organization") with the types of compliance requirements described in the U.S. Office of Management and Budget's *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs

Management's responsibility

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

Auditor's responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The above-mentioned standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on each major federal program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on internal control over compliance

Management of the Organization is responsible for designing, implementing, and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal program to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the Organization's internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Grant Thornton LLP

Westborough, Massachusetts
December 24, 2013

PARTNERS IN HEALTH
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2013

Section 1 **Summary of Auditor's Results**

Financial Statements

1. Type of auditor's report issued:	Unqualified
2. Internal control over financial reporting:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified that are not considered to be material weaknesses?	No
3. Noncompliance material to the financial statements noted?	No

Federal Awards

1. Internal control over major programs:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified that are not considered to be material weaknesses?	No
2. Type of auditor's report issued on compliance for major programs:	Unqualified
3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	Yes

4. Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
98.001	USAID Foreign Assistance for Programs Overseas
93.067	Global Aids
93.283	Centers for Disease Control and Prevention
Various	R&D Cluster

5. Dollar threshold used to distinguish between Type A and Type B programs:	$456,065
6. Auditee qualified as a low-risk auditee?	Yes

Section 2

Financial Statement Findings

No financial statement findings noted

Section 3

Federal Award Findings and Questioned Costs

No federal award findings and questioned costs noted.