

**BENEVOLENT HEALTHCARE  
FOUNDATION  
DBA PROJECT C.U.R.E.**

**FINANCIAL STATEMENTS**

**MAY 31, 2008**

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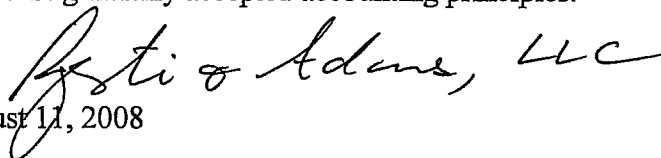
Independent Auditor's Report

Board of Directors  
Benevolent Healthcare Foundation dba Project C.U.R.E.  
Centennial, Colorado

We have audited the accompanying statements of financial position of Benevolent Healthcare Foundation dba Project C.U.R.E. as of May 31, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Benevolent Healthcare Foundation dba Project C.U.R.E. as of May 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

  
August 11, 2008

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BENEVOLENT HEALTHCARE FOUNDATION DBA PROJECT C.U.R.E.  
STATEMENTS OF FINANCIAL POSITION

<u>May 31,</u>	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 778,180	\$ 519,676
Accounts receivable	21,219	0
Inventory	37,478,901	25,527,859
Prepaid expenses	63,704	17,002
Restricted cash	1,031,351	0
Land, buildings and equipment, net of accumulated depreciation	7,363,908	10,987,450
Land and buildings held for sale	2,707,000	0
Other assets	<u>227,481</u>	<u>445,978</u>
Total Assets	<u>\$ 49,671,744</u>	<u>\$ 37,497,965</u>
<u>Liabilities and Net Assets</u>		
Accounts payable and accrued liabilities	\$ 342,818	\$ 360,959
Notes payable	972,555	7,557,548
Bonds payable	7,905,000	0
Tenant security deposits	<u>11,120</u>	<u>20,721</u>
Total liabilities	<u>9,231,493</u>	<u>7,939,228</u>
Net Assets		
Unrestricted	40,350,869	29,558,737
Temporarily restricted	<u>89,382</u>	<u>0</u>
Total net assets	<u>40,440,251</u>	<u>29,558,737</u>
Total Liabilities and Net Assets	<u>\$ 49,671,744</u>	<u>\$ 37,497,965</u>

The accompanying notes are an integral part of these financial statements.

BENEVOLENT HEALTHCARE FOUNDATION DBA PROJECT C.U.R.E.  
STATEMENTS OF ACTIVITIES

<u>For the Years Ended May 31,</u>	<u>2008</u>	<u>2007</u>
Changes in unrestricted net assets:		
<u>Support, revenue and other gains</u>		
Contributions – non-cash	\$ 38,640,341	\$ 34,500,559
Contributions – other	2,320,677	4,117,432
Rental income	303,672	277,045
Investment income	28,613	14,205
Market adjustment for assets held for sale	(697,472)	0
Other income	<u>170,327</u>	<u>70,554</u>
Total unrestricted support, revenue and other gains	<u>40,766,158</u>	<u>38,979,795</u>
<u>Expenses and losses</u>		
Program	29,293,657	29,813,112
Rental expenses	275,178	595,453
General and administrative	223,688	178,367
Fundraising	<u>181,503</u>	<u>151,574</u>
Total expenses	<u>29,974,026</u>	<u>30,738,506</u>
Changes in unrestricted net assets	<u>10,792,132</u>	<u>8,241,289</u>
Changes in temporarily restricted net assets:		
<u>Support, revenue and other gains</u>		
Contributions	<u>89,382</u>	<u>0</u>
Changes in temporarily restricted net assets	<u>89,382</u>	<u>0</u>
Increase in net assets	10,881,514	8,241,289
Net assets at beginning of year	<u>29,558,737</u>	<u>21,317,448</u>
Net assets at end of year	<u>\$ 40,440,251</u>	<u>\$ 29,558,737</u>

The accompanying notes are an integral part of these financial statements.

BENEVOLENT HEALTHCARE FOUNDATION DBA PROJECT C.U.R.E.  
STATEMENTS OF CASH FLOWS

<u>For the Years Ended May 31,</u>	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Received from contributions	\$ 2,388,840	\$ 4,117,432
Other cash received	170,327	70,554
Rental income received	303,672	277,045
Interest paid	(582,741)	(546,355)
Interest received	28,613	14,205
Paid to suppliers and employees	<u>(2,064,016)</u>	<u>(2,011,381)</u>
Net cash provided by operating activities	<u>244,695</u>	<u>1,921,500</u>
Cash flows from investing activities		
Purchase of fixed assets	(45,967)	(5,008,249)
Increase in restricted investments	<u>(1,031,351)</u>	<u>0</u>
Net cash used in investing activities	<u>(1,077,318)</u>	<u>(5,008,249)</u>
Cash flows from financing activities		
Proceeds from issuance of long-term debt	7,905,000	6,594,226
Loan fees paid	(228,880)	(69,661)
Principal payments on mortgages	<u>(6,584,993)</u>	<u>(3,203,383)</u>
Net cash provided by financing activities	<u>1,091,127</u>	<u>3,321,182</u>
Net increase in cash and cash equivalents	258,504	234,433
Cash and cash equivalents at beginning of year	<u>519,676</u>	<u>285,243</u>
Cash and cash equivalents at end of year	<u>\$ 778,180</u>	<u>\$ 519,676</u>
Reconciliation of changes in net assets to net cash provided by operating activities:		
Changes in net assets	\$ 10,881,514	\$ 8,241,289
Reconciling adjustments		
Depreciation and amortization	330,425	261,288
Loss on assets	697,472	0
Non-cash change in inventory	(11,951,042)	(6,562,384)
Change in operating assets and liabilities		
Accounts receivable	(21,219)	0
Prepaid expense	(46,702)	54,836
Other assets	378,839	(277,757)
Accounts payable and accrued liabilities	<u>(24,592)</u>	<u>204,228</u>
Net cash provided by operating activities	<u>\$ 244,695</u>	<u>\$ 1,921,500</u>

The accompanying notes are an integral part of these financial statements.

BENEVOLENT HEALTHCARE FOUNDATION DBA PROJECT C.U.R.E.  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Benevolent Healthcare Foundation, dba Project C.U.R.E., Centennial, Colorado was formed and organized as a nonprofit organization in Colorado since 2000. Project C.U.R.E. was formed in 1987 and operated under Benevolent Brotherhood Foundation until June 2001. At that time the assets of Project C.U.R.E. were transferred into the Benevolent Healthcare Foundation. Project C.U.R.E. is the sole member of two Colorado limited liability companies, Benevolent Healthcare Foundation of Denver, LLC and Benevolent Healthcare Foundation of Nashville, LLC. These entities are included in the accompanying financial statements.

Project C.U.R.E. provides medical equipment and supplies to communities throughout the world that have a need for these items. Project C.U.R.E. currently delivers its products to almost 100 countries and averages two 40 foot cargo container shipments each week. At May 31, 2007, Project C.U.R.E. either owned or leased warehouses in Denver, Houston, Nashville, Phoenix, Albuquerque and St. Paul.

Project C.U.R.E. is exempt from income tax under Section 501(c)(3) of the U. S. Internal Revenue Code (Code) and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code. Project C.U.R.E. has been classified as a publicly supported organization which is not a private foundation under Section 509(a) of the Code.

Basis of Presentation

The financial statements are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly actual results could differ from those estimates.

Revenue Recognition

Contributions are recognized as revenue when they are received or unconditionally pledged.

Project C.U.R.E. reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donor restricted contributions whose restrictions are met in the same reporting periods are reported as unrestricted support in the statement of activities.

BENEVOLENT HEALTHCARE FOUNDATION DBA PROJECT C.U.R.E.  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Project C.U.R.E. reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Project C.U.R.E. reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributions of services shall be recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Allocation of Expenses

The costs of providing the various programs and supporting activities of Project C.U.R.E. have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting activities.

Cash and Cash Equivalents

Project C.U.R.E. considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Restricted cash and cash equivalents are limited in use as a result of the bond issue. A bond reserve totaling \$790,500 is required to be maintained and be used only for the payment of any delinquent principal or interest. The bond indentures also requires monthly payments into a restricted account in order to satisfy the next scheduled principal and interest payment, the account is currently funded in the amount of \$152,044. There are also \$88,808 of bond proceeds which must be used for certain construction projects in the Nashville warehouse. Restricted cash and cash equivalents are invested in the Colorado Surplus Asset Fund Trust (CSAFE) and the AIM Trust Treasury Portfolio. CSAFE is operated similarly to a money market fund and each share is equal in value to \$1.00. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions of each pooled investment. CSAFE invests in U.S. agencies, commercial paper and money market funds. Restricted cash invested with CSAFE total \$981,797 at May 31, 2008. Restricted cash invested with AIM Trust Treasury Portfolio was \$49,555 at May 31, 2008.

Inventory

Inventory substantially consists of donated medical supplies that can no longer be used nor sold for medical purposes in the United States of America. The inventory has been valued at wholesale prices obtained from professional supply books and catalogs dated with values from the year 2000. All of the inventory on hand is held exclusively for shipment to developing countries at no charge to them.

Land, Buildings, Equipment and Depreciation

Expenditures for land, buildings and equipment are capitalized at cost. Donated assets are capitalized at their fair value on the date of gift. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Project C.U.R.E. does not have a capitalization policy.



BENEVOLENT HEALTHCARE FOUNDATION DBA PROJECT C.U.R.E.  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Costs

Advertising and promotion costs are expensed as incurred.

Other Matters

Management has determined that current operational cash needs will occasionally result in cash and money market accounts balances in excess of insured limits. They are selective in choosing financial institutions with which to maintain accounts.

NOTE 2 – LAND, BUILDINGS, EQUIPMENT AND DEPRECIATION

	<u>2008</u>	<u>2007</u>
Buildings	\$ 6,492,000	\$ 9,540,443
Leasehold improvements	12,991	12,991
Machinery and equipment	90,571	64,019
Vehicles	<u>72,266</u>	<u>56,000</u>
	6,667,828	9,673,453
Accumulated depreciation	<u>(481,920)</u>	<u>(686,976)</u>
	6,185,908	8,986,477
Land	<u>1,178,000</u>	<u>2,000,973</u>
	<u>\$ 7,363,908</u>	<u>\$ 10,987,450</u>

Project C.U.R.E. has capital assets in both Denver and Nashville which are actively being marketed. These assets are classified as held for sale on the Statement of Financial Position. The value of those assets is approximately \$2,707,000. During the year ended May 31, 2008, these assets were recorded at their estimated fair market value. As a result, a loss of \$697,472 was recognized on these assets. Because of the inherent uncertainties in estimating the fair value of these assets, it is at least reasonably possible that the estimates used will change within the near term.

Depreciation expense for the twelve months ended May 31, 2008 and 2007 was \$261,887 and \$232,007, respectively.

NOTE 3 – NOTES PAYABLE

	<u>2008</u>	<u>2007</u>
Mortgage payable to a bank dated February 2005 in the amount of \$1,179,000, collateralized by a first deed of trust on property owned by Benevolent Healthcare Foundation of Denver, LLC, with a fixed interest rate of 7.5%. Monthly payments requirements of \$8,436 include interest and principal, with a balloon payment due at maturity in February 2010.	\$ 972,555	\$ 992,610

BENEVOLENT HEALTHCARE FOUNDATION DBA PROJECT C.U.R.E.  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 – NOTES PAYABLE (CONTINUED)

Mortgage payable to a bank dated September 2006 in the amount of \$3,200,000, collateralized by a first deed of trust on property owned by Benevolent Healthcare Foundation of Denver, LLC, with a fixed interest rate of 8.25%. \$ 0 \$ 3,170,713

Mortgage payable to public finance company in the amount of \$2,494,225, collateralized by a first deed of trust on property owned by Benevolent Healthcare Foundation of Denver, LLC, with a fixed interest rate of 8.57%. 0 2,494,225

Line of credit payable to a bank dated February 2007 with a variable interest rate of 8.25%. 0 900,000  
\$ 972,555 \$ 7,557,548

Annual aggregate principal payments applicable to mortgages payable for the years subsequent to May 31, 2008 are:

2009	\$ 29,289
2010	<u>943,266</u>
	<u>\$ 972,555</u>

Interest expense for the years ended May 31, 2008 and 2007 was \$582,741 and \$546,355.

NOTE 4 – BONDS PAYABLE

During 2008, the Colorado Health Facilities Authority (COHFA) issued health facilities revenue bonds, totaling \$7,905,000 on behalf of Project C.U.R.E. As collateral for the bonds, Project C.U.R.E. entered into a loan agreement with COHFA providing a deed of trust on certain property owned in Denver, Colorado. The bonds mature on February 15, 2028. Interest is paid semi-annually at a rate of 7.375%. Project C.U.R.E. will make interest only payments until 2014. Beginning in 2015, Project C.U.R.E. may redeem the bonds early, with a redemption price of 103% of the bond. This percentage decreases 1% each year until the bonds may be redeemed in 2018 for 100% of the bond's face value.

There are no principal payment requirements in the next five fiscal years. Principal repayment requirements start in the fiscal year ending May 31, 2014.

Interest expense for the year ended May 31, 2008 was \$127,832.

BENEVOLENT HEALTHCARE FOUNDATION DBA PROJECT C.U.R.E.  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – NON-CASH CONTRIBUTIONS

Non-cash contributions consist of the following donated goods, services, and facilities:

	<u>2008</u>	<u>2007</u>
C.U.R.E. Kits	\$ 615,000	\$ 663,000
Medical Supplies	37,522,061	33,281,465
Transportation	104,046	68,264
Warehouse and office rental	<u>364,234</u>	<u>487,830</u>
	<u>\$ 38,605,341</u>	<u>\$ 34,500,559</u>

NOTE 6 – LEASE COMMITMENTS

Project C.U.R.E. leases warehouses and office space under verbal agreements that the monthly rent will be an in-kind donation to Project C.U.R.E. Lease expense for 2008 and 2007 was \$364,234 and \$478,830.

Project C.U.R.E. also lease equipment under two noncancelable operating leases. Total remaining payments at May 31, 2008, are as follows:

2009	\$ 17,040
2010	17,040
2011	17,040
2012	<u>8,520</u>
	<u>\$ 59,640</u>

Rental expense under operating leases was \$8,520 and \$0, respectively, for the years ended May 31, 2008

NOTE 7 – RETIREMENT PLAN

Project C.U.R.E has a tax-sheltered annuity plan under Internal Revenue Code Section 403(b) available to its employees. There were no employer contributions for the years ended May 31, 2008 and 2007.

NOTE 8 – CONCENTRATIONS

For the year ended May 31, 2008, eight donors contributed more than 5% of total cash contributions. In addition, 28% of cash contributions were received from four of these donors. For the year ended May 31, 2007, 46% of cash contributions were received from four donors. The Organization monitors its cash flow so that it does not rely on large donations to perform its exempt purpose.