

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

**FINANCIAL STATEMENTS**

**MAY 31, 2009**

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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, 2009 and 2008, 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, 2009 and 2008, 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.

*Poysti & Adams, LLC*  
August 1, 2009

400 South Colorado Boulevard, Suite 690 • Denver, Colorado 80246  
303 733-3796 • FAX 303 733-6230 • [www.pnacpa.com](http://www.pnacpa.com)

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

<u>May 31,</u>	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 856,124	\$ 778,180
Accounts receivable	18,073	21,219
Inventory	45,761,000	37,478,901
Prepaid expenses	68,817	63,704
Restricted cash	1,077,140	1,031,351
Land, buildings and equipment, net of accumulated depreciation	7,136,285	7,363,908
Land and buildings held for sale	2,707,000	2,707,000
Other assets	<u>214,575</u>	<u>227,481</u>
Total Assets	<u>\$ 57,839,014</u>	<u>\$ 49,671,744</u>
<u>Liabilities and Net Assets</u>		
Accounts payable and accrued liabilities	\$ 329,296	\$ 342,818
Notes payable	940,666	972,555
Bonds payable	7,905,000	7,905,000
Tenant security deposits	<u>17,600</u>	<u>11,120</u>
Total liabilities	<u>9,192,562</u>	<u>9,231,493</u>
Net Assets		
Unrestricted	48,380,870	40,350,869
Temporarily restricted	<u>265,582</u>	<u>89,382</u>
Total net assets	<u>48,646,452</u>	<u>40,440,251</u>
Total Liabilities and Net Assets	<u>\$ 57,839,014</u>	<u>\$ 49,671,744</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>2009</u>	<u>2008</u>
Changes in unrestricted net assets:		
<u>Support, revenue and other gains</u>		
Contributions – non-cash	\$ 46,813,949	\$ 38,640,341
Contributions – other	2,545,149	2,320,677
Rental income	238,715	303,672
Investment income	24,876	28,613
Market adjustment for assets held for sale	0	(697,472)
Other income	0	170,327
Net assets released from restrictions	<u>213,992</u>	<u>0</u>
Total unrestricted support, revenue and other gains	<u>49,836,681</u>	<u>40,766,158</u>
<u>Expenses and losses</u>		
Program	41,112,135	29,293,657
Rental expenses	199,659	275,178
General and administrative	139,845	223,688
Fundraising	<u>355,041</u>	<u>181,503</u>
Total expenses	<u>41,806,680</u>	<u>29,974,026</u>
Changes in unrestricted net assets	<u>8,030,001</u>	<u>10,792,132</u>
Changes in temporarily restricted net assets:		
<u>Support, revenue and other gains</u>		
Contributions	390,192	89,382
Net assets released from restrictions	<u>(213,992)</u>	<u>0</u>
Changes in temporarily restricted net assets	<u>176,200</u>	<u>89,382</u>
Total changes in net assets	8,206,201	10,881,514
Net assets at beginning of year	<u>40,440,251</u>	<u>29,558,737</u>
Net assets at end of year	<u>\$ 48,646,452</u>	<u>\$ 40,440,251</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>2009</u>	<u>2008</u>
Cash flows from operating activities		
Received from contributions	\$ 2,955,607	\$ 2,388,840
Other cash received	0	170,327
Rental income received	245,195	303,672
Interest paid	(605,666)	(582,741)
Interest received	24,876	28,613
Paid to suppliers and employees	<u>(2,459,890)</u>	<u>(2,064,016)</u>
Net cash provided by operating activities	<u>160,122</u>	<u>244,695</u>
Cash flows from investing activities		
Purchase of fixed assets	(4,500)	(45,967)
Increase in restricted investments	<u>(45,789)</u>	<u>(1,031,351)</u>
Net cash used in investing activities	<u>(50,289)</u>	<u>(1,077,318)</u>
Cash flows from financing activities		
Proceeds from issuance of long term debt	0	7,905,000
Loan fees paid	0	(228,880)
Principal payments on long term debt	<u>(31,889)</u>	<u>(6,584,993)</u>
Net cash provided by (used in) financing activities	<u>(31,889)</u>	<u>1,091,127</u>
Net increase in cash and cash equivalents	77,944	258,504
Cash and cash equivalents at beginning of year	<u>778,180</u>	<u>519,676</u>
Cash and cash equivalents at end of year	<u>\$ 856,124</u>	<u>\$ 778,180</u>
Reconciliation of changes in net assets to net cash provided by operating activities:		
Changes in net assets	\$ 8,206,201	\$ 10,881,514
Reconciling adjustments		
Depreciation and amortization	287,817	330,425
Loss on revaluation of fixed assets	0	697,472
Non-cash change in inventory	(8,282,099)	(11,951,042)
Donated fixed assets	(44,250)	0
Change in operating assets and liabilities		
Accounts receivable	3,146	(21,219)
Prepaid expense	(5,113)	(46,702)
Other assets	1,462	378,839
Accounts payable and accrued liabilities	<u>(7,042)</u>	<u>(24,592)</u>
Net cash provided by operating activities	<u>\$ 160,122</u>	<u>\$ 244,695</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 during 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, 2009, Project C.U.R.E. either owned or leased warehouses in Colorado, Arizona, Florida, Kentucky, New Mexico, New York, Pennsylvania, Tennessee, and Texas.

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.

Shipping and Handling

The organization receives donations to pay for the cost of shipping and handling. Shipping and handling costs are included in program expenditures.

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 \$196,404. There are also \$90,236 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). 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 \$1,077,140 at May 31, 2009.

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.

Investments are secured at fair market value

In accordance with FASB Statement No. 157 *Fair Value Measurements*, all of the Company's investments are valued using Level 1, Quoted Prices in Active Markets for Identical Assets inputs. The Company reviews its holdings on a regular basis to determine if any investment has experienced an other-than-temporary decline in fair value.

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.

NOTE 2 – LAND, BUILDINGS, EQUIPMENT AND DEPRECIATION

	<u>2009</u>	<u>2008</u>
Buildings	\$ 6,492,000	\$ 6,492,000
Leasehold improvements	12,991	12,991
Machinery and equipment	124,070	90,571
Vehicles	<u>53,518</u>	<u>72,266</u>
	6,682,579	6,667,828
Accumulated depreciation	<u>(724,294)</u>	<u>(481,920)</u>
	5,958,285	6,185,908
Land	<u>1,178,000</u>	<u>1,178,000</u>
	<u>\$ 7,136,285</u>	<u>\$ 7,363,908</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 revalued at their estimated fair values. 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, 2009 and 2008 was \$276,373 and \$261,887.

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

NOTE 3 – NOTES PAYABLE

	<u>2009</u>	<u>2008</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.	<u>\$ 940,666</u>	<u>\$ 972,555</u>

Interest expense for the years ended May 31, 2009 and 2008 was \$64,934 and \$582,741.

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.

Principal repayment requirements start in the fiscal year ending May 31, 2014. For the fiscal year ending May 31, 2014 a principal payment of \$275,000 is due.

Interest expense for the year ended May 31, 2009 and 2008 was \$582,939 and \$127,832.

NOTE 5 – NON-CASH CONTRIBUTIONS

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

	<u>2009</u>	<u>2008</u>
C.U.R.E. Kits	\$ 714,000	\$ 615,000
Medical Supplies	45,506,799	37,522,061
Transportation	60,500	104,046
Warehouse and office rental space	488,400	364,234
Donated equipment	<u>44,250</u>	<u>0</u>
	<u>\$ 46,813,949</u>	<u>\$ 38,605,341</u>

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

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

	<u>2009</u>	<u>2008</u>
Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows:		
Need assessment	\$ 40,000	\$ 0
Truck lease payments	15,800	0
Medical equipment and supplies	<u>158,192</u>	<u>0</u>
	<u>\$ 213,992</u>	<u>\$ 0</u>

Temporarily restricted net assets are available for the following purposes:

Need assessment	\$ 6,667	\$ 6,667
Truck lease payments	16,915	32,715
Chicago C.U.R.E. Community	50,000	50,000
Medical equipment and supplies	<u>192,000</u>	<u>0</u>
	<u>\$ 265,582</u>	<u>\$ 89,382</u>

NOTE 7 – 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 2009 and 2008 was \$491,743 and \$364,234.

Project C.U.R.E. also leases equipment under two noncancelable operating leases. Total remaining payments at May 31, 2009, are as follows:

2010	\$ 17,040
2011	17,040
2012	8,520

Rental expense under operating leases was \$17,040 and \$8,250, for the years ended May 31, 2009 and May 31, 2008.

NOTE 8 – 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, 2009 and 2008.

NOTE 9 – CONCENTRATIONS

For the year ended May 31, 2009, one donor contributed more than 5% of total cash contributions. In addition, the four largest donors contributed approximately 20% of all donations for the year ended May 31, 2009. 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, 2008.