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

FINANCIAL STATEMENTS

MAY 31, 2010

C O N T E N T S

POYSTI & ADAMS LLC
CERTIFIED PUBLIC ACCOUNTANTS

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, 2010 and 2009, 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, 2010 and 2009, 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

July 29, 2010

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

May 31,	2010	2009
Assets		
Cash and cash equivalents	$ 1,539,903	$ 856,124
Accounts receivable	6,625	18,073
Inventory	52,901,600	45,761,000
Prepaid expenses	64,248	68,817
Restricted cash	1,079,561	1,077,140
Land, buildings and equipment, net of accumulated depreciation	7,104,979	7,136,285
Land and buildings held for sale	2,576,485	2,707,000
Other assets	207,187	214,575
Total Assets	$ 65,480,588	$ 57,839,014
Liabilities and Net Assets		
Accounts payable and accrued liabilities	$ 430,125	$ 329,296
Deferred revenue	398,860	0
Notes payable	909,617	940,666
Bonds payable	7,905,000	7,905,000
Tenant security deposits	19,118	17,600
Total liabilities	9,662,720	9,192,562
Net Assets		
Unrestricted	55,685,201	48,380,870
Temporarily restricted	132,667	265,582
Total net assets	55,817,868	48,646,452
Total Liabilities and Net Assets	$ 65,480,588	$ 57,839,014

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

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

For the Years Ended May 31,	2010	2009
Changes in unrestricted net assets:		
Support, revenue and other gains		
Contributions – non-cash	$ 48,014,196	$ 46,813,949
Contributions – other	3,224,288	2,552,566
Rental income	198,845	238,715
Federal Government grants	74,620	0
Investment income	20,535	24,876
Special events and other income, net	187,397	(7,417)
Net assets released from restrictions	248,915	213,992
Total unrestricted support, revenue and other gains	51,968,796	49,836,681
Expenses and losses		
Program	43,814,416	41,112,135
Rental expenses	236,498	199,659
General and administrative	199,987	139,845
Fundraising	413,564	355,041
Total expenses	44,664,465	41,806,680
Changes in unrestricted net assets	7,304,331	8,030,001
Changes in temporarily restricted net assets:		
Support, revenue and other gains		
Contributions	116,000	390,192
Net assets released from restrictions	(248,915)	(213,992)
Changes in temporarily restricted net assets	(132,915)	176,200
Total changes in net assets	7,171,416	8,206,201
Net assets at beginning of year	48,646,452	40,440,251
Net assets at end of year	$ 55,817,868	$ 48,646,452

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

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

For the Years Ended May 31,	2010	2009
Cash flows from operating activities		
Received from contributions	$ 3,334,616	$ 2,963,024
Federal grants received	408,480	0
Other cash received	517,419	191,271
Rental income received	175,363	245,195
Interest paid	(629,497)	(605,666)
Interest received	20,535	24,876
Paid to suppliers and employees	(3,102,370)	(2,658,578)
Net cash provided by operating activities	724,546	160,122
Cash flows from investing activities		
Purchase of fixed assets	(2,734)	(4,500)
Increase in restricted investments	(2,421)	(45,789)
Net cash used in investing activities	(5,155)	(50,289)
Cash flows from financing activities		
Proceeds from issuance of long term debt	912,614	0
Loan fees paid	(4,563)	0
Principal payments on long term debt	(943,663)	(31,889)
Net cash used in financing activities	(35,612)	(31,889)
Net increase in cash and cash equivalents	683,779	77,944
Cash and cash equivalents at beginning of year	856,124	778,180
Cash and cash equivalents at end of year	$ 1,539,903	$ 856,124

Reconciliation of changes in net assets to net cash provided by operating activities:

	2010	2009
Changes in net assets	$ 7,171,416	$ 8,206,201
Reconciling adjustments		
Depreciation and amortization	266,506	287,817
Non-cash change in inventory	(7,140,600)	(8,282,099)
Donated fixed assets	0	(44,250)
Change in operating assets and liabilities		
Accounts receivable	11,448	3,146
Prepaid expense and other assets	4,569	(3,651)
Accounts payable and accrued liabilities	411,207	(7,042)
Net cash provided by operating activities	$ 724,546	$ 160,122

	2010	2009
Non-cash investing activities		
Fixed asset additions	$ 90,000	$ 0

The accompanying notes are an integral part of these 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, 2010, 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.

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 $198,615. There are also $90,446 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 $1,079,561 at May 31, 2010.

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.

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

Advertising Costs

Advertising and promotion costs are expensed as incurred.

Subsequent Events

Effective June 15, 2009, Project C.U.R.E. has adopted the provisions of FASB ASC 855 *Subsequent Events*. This statement requires management to evaluate, through the date the financial statements are issued or available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and to disclose the date through which subsequent events were evaluated. Project C.U.R.E.'s financial statements were available to be issued on August 12, 2010, and this is the date through which subsequent events were evaluated. Project C.U.R.E. did not identify any subsequent events requiring disclosure.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

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

	2010	2009
Buildings and improvements	$ 6,594,993	$ 6,504,993
Machinery and equipment	126,804	124,070
Vehicles	53,516	53,516
	6,775,313	6,682,579
Accumulated depreciation	(848,334)	(724,294)
	5,926,979	5,958,285
Land	1,178,000	1,178,000
	$ 7,104,979	$ 7,136,285

Depreciation expense for the years ended May 31, 2010 and 2009 was $189,298 and $276,373.

NOTE 3 – LAND AND BUILDINGS HELD FOR SALE

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. During the year ended May 31, 2008, these assets were revalued at their estimated fair values, which was lower than the historical cost. The building held for sale in Denver is being leased to a third party. Accumulated depreciation as of May 31, 2010 was $130,515. 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.

NOTE 4 – NOTES PAYABLE

	2010	2009
Mortgage payable to a bank dated February 2010 in the amount of $912,614, collateralized by a first deed of trust on property owned by Benevolent Healthcare Foundation of Denver, LLC, with a variable interest rate currently at the minimum rate of 6%. Monthly payments requirements of $6,591 include interest and principal, with a balloon payment due at maturity in February 2013.	$ 909,617	$ 0
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.	0	940,666
	$ 909,617	$ 940,666

Annual aggregate principal payments applicable to mortgages payable for the years subsequent to May 31, 2010 are:

2011	$ 25,200
2012	26,755
2013	857,662

Interest expense for the years ended May 31, 2010 and 2009 was $47,190 and $64,934.

NOTE 5 – 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.

Annual aggregate principal payments applicable to bonds payable for the five years subsequent to May 31, 2010 are:

2014	$ 275,000
2015	295,000

Interest expense for each year ended May 31, 2010 and 2009 was $582,939.

NOTE 6 – NON-CASH CONTRIBUTIONS

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

	2010	2009
C.U.R.E. Kits	$ 639,000	$ 714,000
Medical Supplies	46,920,576	45,506,799
Transportation	99,500	60,500
Warehouse and office rental space	355,120	488,400
Donated equipment	0	44,250
	$ 48,014,196	$ 46,813,949

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

	2010	2009
Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows:		
Need assessment	$ 40,000	$ 40,000
Truck lease payments	16,915	15,800
Medical equipment and supplies	192,000	158,192
	$ 248,915	$ 213,992
Temporarily restricted net assets are available for the following purposes:		
Need assessment	$ 6,667	$ 6,667
Truck lease payments	0	16,915
Chicago C.U.R.E. Community	50,000	50,000
Medical equipment and supplies	76,000	192,000
	$ 132,667	$ 265,582

NOTE 8 – ENDOWMENTS

The Organization's endowments consist of various term-endowment funds. As required by the generally accepted accounting principles, net assets associated with the endowment funds, including term-endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

The Board of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted and temporarily restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent

NOTE 8 – ENDOWMENTS (CONTINUED)

gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted and term-endowment funds:

1. The duration and preservation of the fund.
2. The purpose of the Organization and the donor restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Organization.
7. The investment policies of the Organization.

Changes in term-endowment net assets for the year ended May 31, 2010 are reflected in the statement of activities.

NOTE 9 – 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 2010 and 2009 was $355,120 and $491,743.

Project C.U.R.E. also leases equipment under two non-cancelable operating leases. Total remaining payments at May 31, 2010, are as follows:

2011	$ 17,040
2012	8,520

Rental expense under operating leases was $17,040 for each of the years ended May 31, 2010 and May 31, 2009.

NOTE 10 – 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, 2010 and 2009.

NOTE 11 – CONCENTRATIONS

For the year ended May 31, 2010, two donors contributed more than 5% of total cash contributions. 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 each year ended May 31, 2010 and 2009.