

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

**FINANCIAL STATEMENTS**

**MAY 31, 2005**

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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, 2005 and 2004, 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, 2005 and 2004, 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.

*Poyti & Adams, LLC*

July 7, 2005

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

May 31,	2005	2004
<u>Assets</u>		
Cash and cash equivalents	\$ 183,683	\$ 164,563
Investments	4,195	8,188
Accounts receivable (allowance not considered necessary)	8,113	0
Inventory	17,802,081	19,331,000
Prepaid expenses	35,250	38,802
Land, buildings and equipment, net of accumulated depreciation	6,178,493	2,372,555
Loan fees, net of accumulated amortization of \$6,705 and \$4,476	30,632	3,879
Total Assets	<u>\$ 24,242,447</u>	<u>\$ 21,918,987</u>
<u>Liabilities and Net Assets</u>		
Accounts payable and accrued liabilities	\$ 30,471	\$ 229,121
Notes payable	3,933,233	632,381
Tenant security deposits	11,120	3,200
Total liabilities	3,974,824	864,702
Net Assets		
Unrestricted	<u>20,267,623</u>	<u>21,054,285</u>
Total Liabilities and Net Assets	<u>\$ 24,242,447</u>	<u>\$ 21,918,987</u>

For the Years Ended May 31,	2005	2004
<u>Unrestricted support, revenue and other gains</u>		
Contributions	\$ 34,377,630	\$ 36,463,536
Rental income	149,028	36,250
Investment income	1,337	129
Other income	2,600	0
Total unrestricted support, revenue and other gains	<u>34,530,595</u>	<u>36,499,915</u>
<u>Expenses</u>		
Program	34,638,397	32,682,412
Rental expenses	161,822	39,878
General and administrative	281,692	158,487
Fundraising	235,346	105,773
Total expenses	<u>35,317,257</u>	<u>32,986,550</u>
Changes in net assets	(786,662)	3,513,365
Net assets at beginning of year	<u>21,054,285</u>	<u>17,540,920</u>
Net assets at end of year	<u>\$ 20,267,623</u>	<u>\$ 21,054,285</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

For the Years Ended May 31,	2005	2004
Cash flows from operating activities		
Received from contributions	\$ 1,693,706	\$ 1,249,454
Other cash received	2,600	0
Rental income received	149,028	36,250
Interest paid	(74,472)	(64,563)
Interest received	773	129
Paid to suppliers and employees	(1,811,221)	(1,204,965)
Net cash provided by (used in) operating activities	(39,586)	16,305
Cash flows from investing activities		
Purchase of fixed assets	(3,217,721)	0
Proceeds from sale of investments	8,854	0
Purchase of investments	(4,297)	(8,188)
Net cash provided by (used in) investing activities	(3,213,164)	(8,188)
Cash flows from financing activities		
Proceeds from issuance of long-term debt	3,933,233	40,000
Loan fees paid	(28,982)	0
Principal payments on mortgages	(632,381)	(34,159)
Net cash provided by (used in) financing activities	3,271,870	5,841
Net increase in cash and cash equivalents	19,120	13,958
Cash and cash equivalents at beginning of year	164,563	150,605
Cash and cash equivalents at end of year	\$ 183,683	\$ 164,563
Reconciliation of changes in net assets to net cash provided by operating activities:		
Changes in net assets	\$ (786,662)	\$ 3,513,365
Reconciling adjustments		
Depreciation and amortization	78,904	67,664
Non-cash change in inventory	1,528,919	(3,643,882)
Non-cash donations of fixed assets	(664,892)	0
Gain on investments	(564)	0
Change in operating assets and liabilities		
Prepaid expense	3,552	(38,802)
Accounts receivable	(8,113)	
Accounts payable	(190,730)	117,960
Net cash provided by operating activities	\$ (39,586)	\$ 16,305

**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. was 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, 2005, Project C.U.R.E. either owned or leased warehouses in Denver, Houston, Nashville, Phoenix, 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.

Inventory

Inventory substantially consists of donated medical supplies and has been valued at wholesale prices obtained from professional supply books and catalogs dated with values from the year 2000.

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.

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 - INVESTMENTS**

Investments are carried at fair value, which is based on quoted market prices at May 31:

	<u>2005</u>	<u>2004</u>
Corporate equities	\$ <u>4,195</u>	\$ <u>8,188</u>



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

NOTE 3 - LAND, BUILDINGS, EQUIPMENT AND DEPRECIATION

	<u>2005</u>	<u>2004</u>
Buildings	\$ 4,390,650	\$ 2,113,650
Leasehold improvements	35,605	12,993
Machinery and equipment	46,085	46,085
Vehicles	46,000	46,000
	<u>4,518,340</u>	<u>2,218,728</u>
Accumulated depreciation	<u>(340,820)</u>	<u>(264,146)</u>
	4,177,520	1,954,582
Land	<u>2,000,973</u>	<u>417,973</u>
	<u>\$ 6,178,493</u>	<u>\$ 2,372,555</u>

NOTE 4 - NOTES PAYABLE

	<u>2005</u>	<u>2004</u>
Mortgage payable to a bank dated October 1998 in the amount of \$935,000 collateralized by a first deed of trust. Monthly payments of \$1,470 plus accrued interest at 1.5% over prime. Refinanced in February 2005 (see below).	\$ 0	\$ 607,430
Mortgage payable to a bank dated February 2005 in the amount of \$1,079,000, collateralized by a first deed of trust on property owned by Benevolent Healthcare Foundation of Denver, LLC. Initial payments of interest only at 6.75% (indexed monthly at 1.5% over the Wall Street Journal Prime Rate), and beginning September 2005, monthly payments requirements of \$8,268 include interest and principal, with a balloon payment due at maturity in February 2010.	783,233	0
Mortgage payable to a bank dated March 2005 in the amount of \$2,150,000, collateralized by a first deed of trust, bearing a monthly variable interest rate equal to 2.5% above the LIBOR rate. Interest payments are due monthly, with a principal payment due of \$250,000 due in March 2006. Matures March 2007.	2,150,000	0
Mortgage payable to a limited liability company, dated March 2005 in the amount of \$1,000,000 collateralized by a first deed of trust, bearing an interest rate equal to the prime rate as published in the Wall Street Journal. Monthly payments of interest only until maturity in March 2006.	1,000,000	0

**NOTE 4 - NOTES PAYABLE (CONTINUED)**

	<u>2005</u>	<u>2004</u>
Mortgage payable to a bank dated January 2004 in the amount of \$40,000, collateralized by real property located in Adams County. Monthly payments of \$3,444 plus accrued interest of 6.0% with the entire remaining principal due on maturity date of January 2005.	0	24,951
	<u>\$ 3,933,233</u>	<u>\$ 632,381</u>

Annual aggregate principal payments applicable to mortgages payable for the four years subsequent to May 31, 2005 are:

2006	\$ 1,208,595
2007	2,056,066
2008	53,062
2009	<u>615,510</u>
	<u>\$ 3,933,233</u>

Interest expense for the years ended May 31, 2005 and 2004 was \$84,472 and \$64,563.

**NOTE 5 - NON-CASH CONTRIBUTIONS**

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

	<u>2005</u>	<u>2004</u>
C.U.R.E. Kits	\$ 417,000	\$ 297,000
Medical Supplies	30,520,011	33,841,882
Transportation	70,000	86,000
Warehouse and office rental	1,668,800	944,000
Video production	<u>0</u>	<u>45,200</u>
	<u>\$ 32,675,811</u>	<u>\$ 35,214,082</u>

**NOTE 6 - LEASE COMMITMENTS**

Project C.U.R.E. leases warehouses, office space, and a vehicle under an operating leases expiring through 2006. The warehouses and office space have a verbal agreement that the monthly rent will be an in-kind donation to Project C.U.R.E. At May 31, 2005, if the in-kind donations were to cease, the annual requirements to fulfill these leases are as follows for the years ending May 31:

2006	\$ 74,515
2007	5,746

Lease expense for 2005 and 2004 was \$1,003,908 and \$945,600.

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

NOTE 7 - RELATED PARTY TRANSACTIONS

Project C.U.R.E. leases office space from a company which is owned by a board member. An in-kind donation has been received and recorded for the value of this lease. Project C.U.R.E. has not been required to pay the required amounts on the lease.