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

Consolidated Financial Statements
and
Independent Auditors' Report
May 31, 2017

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INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Benevolent Healthcare Foundation dba Project C.U.R.E. (the "Organization"), which are comprised of the consolidated statement of financial position as of May 31, 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 auditors' 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 auditors consider internal control relevant to the entity'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 entity'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 Benevolent Healthcare Foundation dba Project C.U.R.E. as of May 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

REPORT ON SUMMARIZED COMPARATIVE INFORMATION

We have previously audited the Organization's 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 29, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

OTHER MATTERS

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such 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, including comparing and reconciling such 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 schedule of expenditures of federal awards 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 October 5, 2017 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, 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 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.

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October 5, 2017
Denver, Colorado

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

Consolidated Statement of Financial Position

		May 31, 2017		Summarized Financial Information at May 31, 2016
Assets				
Assets				
Cash and cash equivalents	$	3,080,105	$	1,715,048
Accounts receivable		267,620		367,700
Investments		-		12,011
Inventory		44,075,650		47,378,090
Prepaid expenses and deposits		157,865		85,435
Property and equipment, net		6,063,377		6,199,609
Total assets	$	53,644,617	$	55,757,893
Liabilities and Net Assets				
Liabilities				
Accounts payable	$	372,600	$	320,876
Accrued expenses		143,225		119,844
Notes payable, net of unamortized debt issuance costs		5,680,583		5,922,862
Total liabilities		6,196,408		6,363,582
Commitments and contingencies				
Net assets				
Unrestricted		46,017,216		49,292,583
Temporarily restricted		1,430,993		101,728
Total net assets		47,448,209		49,394,311
Total liabilities and net assets	$	53,644,617	$	55,757,893

See notes to consolidated financial statements.

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

Consolidated Statement of Activities

	For the Year Ended May 31, 2017	Summarized Financial Information for the Year Ended May 31, 2016
Changes in unrestricted net assets		
Revenue, gains, and support		
Contributions - in-kind (Note 5)	$ 63,587,026	$ 58,304,768
Contributions - other	4,399,412	4,151,369
Rental income (loss), net of expenses of $82,755 (2017) and $84,811 (2016)	59,894	(7,681)
Federal government grants	1,118,606	1,010,852
Investment income (loss)	5,594	(811)
Gain on sale of property held for sale	-	204,500
Other income	-	17,954
Special events, net of expenses of $206,202 (2017) and $221,578 (2016)	429,180	372,031
	69,599,712	64,052,982
Net assets released from restrictions	602,962	223,867
Total revenue, gains, and support	70,202,674	64,276,849
Expenses		
Program services		
Containers and medical services - in-kind (Note 5)	67,004,466	58,596,051
Containers and medical services - other	4,990,599	4,257,881
Support services		
Management and general	311,260	293,171
Fundraising	1,171,716	1,007,221
Total expenses	73,478,041	64,154,324
Total changes in unrestricted net assets	(3,275,367)	122,525
Changes in temporarily restricted net assets		
Contributions	1,932,227	50,000
Net assets released from restrictions	(602,962)	(223,867)
Total changes in temporarily restricted net assets	1,329,265	(173,867)
Change in net assets	(1,946,102)	(51,342)
Net assets beginning of year	49,394,311	49,445,653
Net assets end of year	$ 47,448,209	$ 49,394,311

See notes to consolidated financial statements.

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

Consolidated Statement of Functional Expenses

	For the Year Ended May 31, 2017				Summarized Financial Information
	Program Services	Support Services			
	Containers and Medical Services	Management and General	Fundraising	Total Program and Support Services	for the Year Ended May 31, 2016
Donated medical equipment and supplies	$ 66,719,747	$ -	$ -	$ 66,719,747	$ 58,287,154
Other donated costs of operations	284,719	-	-	284,719	308,897
Compensation and fringe costs	1,383,994	194,577	832,790	2,411,361	2,079,271
Accounting and audit	26,994	3,476	13,903	44,373	42,549
Communications	21,812	4,155	9,464	35,431	31,368
Donor development	25,805	-	158,602	184,407	168,725
Dues and professional expense	25,366	17,650	42,756	85,772	59,269
Insurance	26,690	7,105	-	33,795	30,354
Miscellaneous	8,051	1,036	2,655	11,742	6,804
Needs assessments	202,546	-	-	202,546	140,651
Occupancy - interest	225,373	57,916	9,539	292,828	318,788
Occupancy - rent, utilities, and other costs	543,027	1,912	4,355	549,294	448,778
Office supplies, computers, and printing	17,978	5,586	25,073	48,637	46,138
Operating supplies	109,153	827	9,581	119,561	131,325
Purchased medical equipment and supplies	276,226	-	-	276,226	218,048
Service programs	164,916	-	-	164,916	270,950
Shipping	1,568,771	-	-	1,568,771	1,167,315
Travel	72,133	7,560	42,621	122,314	104,842
Vehicles	99,981	1,401	3,190	104,572	83,537
Volunteer support	27,133	916	916	28,965	13,396
Depreciation	164,650	7,143	16,271	188,064	196,165
	71,995,065	311,260	1,171,716	73,478,041	64,154,324
Expenses netted against revenue					
Rental expenses	-	82,755	-	82,755	84,811
Special events expenses	-	-	206,202	206,202	221,578
Totals	$ 71,995,065	$ 394,015	$ 1,377,918	$ 73,766,998	$ 64,460,713

See notes to consolidated financial statements.

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

Consolidated Statement of Cash Flows

	For the Year Ended May 31, 2017	Summarized Financial Information for the Year Ended May 31, 2016
Cash flows from operating activities		
Change in net assets	$ (1,946,102)	$ (51,342)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	224,463	232,562
Amortization	5,101	5,098
Net realized and unrealized (gains) losses on investments	(4,448)	3,758
Non-cash change in inventory	3,302,440	291,283
Gain on sale of property held for sale	-	(204,500)
Donation of investments	(23,417)	(7,974)
Changes in assets and liabilities		
Accounts receivable	100,080	(198,682)
Prepaid expenses and deposits	(72,430)	(31,415)
Accounts payable	51,724	(1,480)
Accrued expenses	23,381	5,675
Security deposits	-	(15,918)
Net cash provided by operating activities	1,660,792	27,065
Cash flows from investing activities		
Sale of investments - net	39,876	408,905
Purchase of property and equipment	(88,231)	(60,843)
Net proceeds from disposal of property held for sale	-	916,500
Net cash (used in) provided by investing activities	(48,355)	1,264,562
Cash flows from financing activities		
Payments of notes payable	(247,380)	(826,471)
Net cash used in financing activities	(247,380)	(826,471)
Net increase in cash	1,365,057	465,156
Cash and cash equivalents at beginning of year	1,715,048	1,249,892
Cash and cash equivalents at end of year	$ 3,080,105	$ 1,715,048

Supplemental disclosure of cash flow information:

Interest paid was $293,062 and $322,923 for the years ended May 31, 2017 and 2016, respectively.

See notes to consolidated financial statements.

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

Benevolent Healthcare Foundation dba Project C.U.R.E. ("Project C.U.R.E."), Centennial, Colorado, was formed and organized as a non-profit organization in Colorado during 2000. Project C.U.R.E. was formed in 1987 and operated under the 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 ("BHFD") and Benevolent Healthcare Foundation of Nashville, LLC ("BHFN").

The accompanying consolidated financial statements include the accounts of Project C.U.R.E., BHFD, and BHFN (collectively, the "Organization").

The Organization currently provides medical equipment and supplies to over 120 countries throughout the world. At May 31, 2017, the Organization either owned or leased warehouses in Colorado, Illinois, New York, Pennsylvania, Tennessee, and Texas. Additionally, the Organization utilized donated warehouse space in Arizona, Colorado, Florida, Kansas, Michigan, and Pennsylvania.

Comparative Financial Information

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a complete presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended May 31, 2016, from which the summarized information was derived.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

> Unrestricted amounts are assets currently available at the discretion of the Board of Directors for use in the Organization's operations and those resources invested in property and equipment.
>
> Temporarily restricted amounts are assets restricted by donors specifically for certain time periods, purposes, or programs.
>
> Permanently restricted amounts are assets that must be maintained permanently by the Organization as required by the donors, but the Organization is permitted to use or expend part or all of any income derived from those assets. As of May 31, 2017, the Organization had no permanently restricted assets.

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendment reduces the classes of net assets to net assets with donor restrictions and net assets without donor restrictions; removes the reconciliation of cash flows to the indirect method if using the direct method; requires the reporting of investment returns, net of expenses, with no disclosure of netted expenses required; requires the use, in the absence of explicit donor stipulations, of the placed-in-service approach for reporting expirations of restrictions on cash or other asset donations; and requires disclosure of expenses by both their natural and functional classification on the face of the statement of activities, as a separate statement, or in the notes to the financial statements. In addition, the amendment provides enhanced disclosures on amounts and purposes of board designations and appropriations, composition of net assets with donor restrictions, discussion of liquidity for the year following year-end, discussion of liquidity of financial assets at year-end, methodology used to allocate costs between program and support functions, and underwater endowment funds. The amendment is effective for the Organization for the year ending May 31, 2019 with early adoption allowed. Entities should apply the amendment in this update retrospectively to all periods presented.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The new standard establishes a right-of-use ("ROU") model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for the Organization for the year ended May 31, 2021, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available.

The Organization is currently evaluating the impact of the pending adoption of these new standards on the consolidated financial statements.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents unless held for reinvestment as part of the investment portfolio.

Accounts Receivable

Accounts receivable consist primarily of amounts due under various government grants and contracts. The provision for uncollectible amounts is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future losses. The allowance is management's best estimate of uncollectible amounts and is determined based on historical collections that are tracked by the Organization on an ongoing basis. Management has reviewed accounts receivable as of May 31, 2017 and determined that an allowance is not necessary.

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Investments

The Organization reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values with unrealized gains and losses included in the consolidated statement of activities.

Inventory

Inventory substantially consists of donated medical supplies that will no longer be used, nor sold, for medical purposes in the United States of America and retired medical equipment. The inventory has been valued at wholesale prices obtained from various internet retailer sources that specialize in reselling used medical supplies and equipment. All of the inventory on hand is held exclusively for shipment to developing countries at no charge to them.

Property and Equipment

The Organization capitalizes all property and equipment with a cost or contributed fair value of $2,500 or greater. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets, ranging from three to ten years for equipment and thirty years for buildings.

Debt Issuance Costs

Fees incurred for debt financing are amortized over the term of the related debt instrument. Debt issuance costs are included in notes payable on the consolidated statement of financial position. Accumulated amortization as of May 31, 2017 and 2016 totaled $12,538 and $7,434, respectively.

Contributions

The Organization records contributions as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 consolidated 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 consolidated statement of activities.

The Organization 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, the Organization reports expirations of donor restrictions when donated or acquired long-lived assets are placed in service.

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

In-Kind Contributions

Donated materials, consisting of medical equipment and supplies, are recorded at their fair value as in-kind contributions on the date received and program services expenses on the date delivered in the consolidated statement of activities.

Donated Services

Amounts are recognized in the consolidated financial statements for voluntary donations of services when those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and would typically be purchased if not provided by donation. Many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs. However, no amounts have been reflected in the consolidated financial statements for these donated services because they do not meet the criteria for recognition.

Revenue Recognition

Revenue from government grants is recognized in the period in which the related services are rendered and expenses incurred.

Concentrations of Credit Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash, investments, and receivables. The Organization places its cash and investments with creditworthy, high-quality financial institutions as determined by management. A significant portion of the funds are not insured by the FDIC. The majority of accounts receivable are due from U.S. governmental agencies.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

Expenses incurred directly for a program service are charged to such service. Allocations of salaries, benefits, and certain overhead costs are allocated to services on a pro rata basis of employees' time devoted to each service.

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Income Taxes

The Organization is a non-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") and is classified as a publicly supported organization under Section 509(a)(1) of the Code. Accordingly, no provision for income taxes is made for federal, state, or local taxes.

The Organization applies a more-likely-than-not measurement methodology to reflect the consolidated financial statement impact of uncertain tax positions taken or expected to be taken in a tax return. After evaluating the tax positions taken, none are considered to be uncertain; therefore, no amounts have been recognized as of May 31, 2017 and 2016. If incurred, interest and penalties associated with tax positions are recorded in the period assessed as management and general expenses. No interest or penalties have been assessed as of May 31, 2017 and 2016.

Subsequent Events

The Organization has evaluated all subsequent events through the auditors' report date, which is the date the consolidated financial statements were available to be issued, noting none requiring disclosure.

Note 2 - Investments

Investments are stated at their fair values and consist of the following:

	May 31, 2017	May 31, 2016
Stock	$ -	$ 12,011

Investment income (loss) consists of the following:

	For the Years Ended May 31, 2017	For the Years Ended May 31, 2016
Interest and dividend income	$ 2,284	$ 3,256
Net realized and unrealized gains (losses)	4,448	(3,758)
Investment fees	(1,138)	(309)
Total investment income (loss)	$ 5,594	$ (811)

Note 3 - Fair Value Measurements

The Organization has adopted the Financial Accounting Standards Board's guidance surrounding fair value measurements, which establishes a framework for measuring fair value and requires enhanced disclosures about fair value measurements. This guidance clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. This guidance also requires disclosure about how fair value is determined for assets and liabilities and establishes a hierarchy for which these assets and liabilities must be grouped based on significant levels of inputs as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Quoted prices in active markets for similar assets and liabilities and inputs that are observable for the asset or liability; or

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement. These classifications (Levels 1, 2, or 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

Following is a description of the valuation methodology used for assets measured at fair value:

Stock and mutual funds: Valued at the closing price reported on the active market on which the mutual funds or individual securities are traded, and reported in level one of the fair value hierarchy.

There were no changes in the valuation methodology during the year.

Note 4 - Property and Equipment

The Organization's property and equipment consists of the following:

	May 31,	
	2017	2016
Land	$ 1,178,000	$ 1,178,000
Buildings and improvements	6,640,103	6,628,932
Equipment and furnishings	249,714	246,971
Vehicles	397,287	322,971
	8,465,104	8,376,874
Less accumulated depreciation	(2,401,727)	(2,177,265)
Property and equipment, net	$ 6,063,377	$ 6,199,609

Note 5 - Notes Payable

The Organization's notes payable consist of the following:

	May 31, 2017	May 31, 2016
Mortgage payable to a bank in the amount of $6,800,000, collateralized by real property, with a fixed interest rate of 4.95% and monthly principal and interest payments of $45,037. A balloon payment will be due at maturity in January 2025.	$ 5,719,046	$ 5,966,426
Less unamortized debt issuance costs	(38,463)	(43,564)
	$ 5,680,583	$ 5,922,862

Annual aggregate principal payments are as follows:

For the Year Ending May 31,	
2018	$ 263,827
2019	277,186
2020	291,223
2021	305,970
2022	321,464
Thereafter	4,259,376
	$ 5,719,046

Note 6 - Temporarily Restricted Net Assets

Temporarily restricted net assets as of May 31, 2017 and 2016 represent the net proceeds of donations that have been restricted by the donors to be used for various programs and shipping of containers to specified locations.

Note 7 - Non-Cash Contributions

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

	For the Years Ended May 31, 2017	For the Years Ended May 31, 2016
Medical supplies	$ 62,299,807	$ 57,081,871
C.U.R.E. kits	1,002,500	914,000
Transportation and other	64,719	88,897
Warehouse and office rental space	220,000	220,000
	$ 63,587,026	$ 58,304,768

Note 7 - Non-Cash Contributions (continued)

During the year ended May 31, 2017, shipments of goods exceeded non-cash goods contributed through the reduction of inventory supply. Non-cash expenses related to goods shipped exceeded non-cash revenues by $3,417,440 during the year ended May 31, 2017. Non-cash expenses related to goods shipped exceeded non-cash revenues by $291,283 during the year ended May 31, 2016.

Note 8 - Commitments and Contingencies

Operating Leases

The Organization leases warehouse and office space under verbal agreements that the monthly rent will be an in-kind donation to Project C.U.R.E. In-kind lease expense for the years ended May 31, 2017 and 2016 was $220,000.

The Organization also leases three warehouse spaces under operating leases expiring thorough May 2022. Rental expense under operating leases for the years ended May 31, 2017 and 2016 was $430,442 and $332,567, respectively. Future required payments are approximately as follows:

For the Year Ending May 31,	
2018	$ 440,000
2019	183,000
2020	190,000
2021	196,000
2022	203,000
	$ 1,212,000

Government Contracts

The Organization recognizes as revenue grant monies received as reimbursement for costs incurred in certain federal programs it administers. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the Organization. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time.

Note 9 - Retirement Plan

The Organization has a tax-sheltered annuity plan under Code Section 403(b) available to its employees. There were no employer contributions for the years ended May 31, 2017 and 2016.

SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the 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 Benevolent Healthcare Foundation dba Project C.U.R.E. (the "Organization"), which are comprised of the consolidated statement of financial position as of May 31, 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 5, 2017.

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 determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the organization's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors
Benevolent Healthcare Foundation dba Project C.U.R.E.

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, non-compliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit; accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is intended 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EKS+H LLLP

EKS&H LLLP

October 5, 2017
Denver, Colorado

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Benevolent Healthcare Foundation dba Project C.U.R.E.'s (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended May 31, 2017. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance 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.

To the Board of Directors
Benevolent Healthcare Foundation dba Project C.U.R.E.

Opinion on Each Major Federal Award

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 May 31, 2017.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Organization is responsible for establishing 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 requirements that could have a direct and material effect on each major federal program to determine the auditing 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 the Uniform Guidance, 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, non-compliance 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 combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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. We did not identify any deficiencies in 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

EKS+H LLLP

EKS&H LLLP

October 5, 2017
Denver, Colorado

Schedule of Findings and Questioned Costs
Year Ended May 31, 2017

Section I - Summary of Auditors' Results

Consolidated Financial Statements

Type of auditors' report issued - *Unmodified*

Internal control over financial reporting:

• Material weaknesses identified?	☐ Yes	☒ No
• Significant deficiencies identified?	☐ Yes	☒ None reported
Non-compliance material to consolidated financial statements noted?	☐ Yes	☒ No

Federal Awards

Internal control over major programs:

• Material weaknesses identified?	☐ Yes	☒ No
• Significant deficiencies identified?	☐ Yes	☒ None reported

Type of auditors' report issued on compliance for major programs - *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with *2 CFR 200.516(a)*?	☐ Yes	☒ No

Identification of major programs:

Program Title	CFDA#
Global Health Initiative	98.011

Dollar threshold used to distinguish between type A and B programs: $750,000

Auditee qualified as a low-risk auditee?	☒ Yes	☐ No

Section II - Consolidated Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Prior Year Findings and Questioned Costs - Major Federal Awards Programs Audit

None

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

Schedule of Expenditures of Federal Awards
For the Year Ended May 31, 2017

Federal Grantor/Pass-Through Grantor	Federal CFDA Number	Expenditures Incurred/Revenue Recognized Year Ended May 31, 2017
U.S. Department of Defense		
Direct:		
HIV/AIDS Prevention Project	12.350	$ 201,593
Total - U.S. Department of Defense		201,593
U.S. Agency for International Development		
Direct:		
Global Health Initiative	98.011*	917,013
Total - U.S. Agency for International Development		917,013
Total federal awards		$ 1,118,606

*Major program

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Benevolent Healthcare Foundation dba Project C.U.R.E. (the "Organization") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Note 2 - Indirect Cost Rate

The Organization has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.