

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

**Consolidated Financial Statements
and
Independent Auditors' Report
May 31, 2018**

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

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Benevolent Healthcare Foundation dba Project C.U.R.E. (a non-profit corporation) (the "Organization"), which are comprised of the consolidated statement of financial position as of May 31, 2018, 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 CONSOLIDATED 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. 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, 2018, and the changes in its net assets, functional expenses, and 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

EKS&H LLLP previously audited the Organization's 2017 consolidated financial statements, and expressed an unmodified audit opinion on those audited consolidated financial statements in their report dated October 5, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2017 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

A handwritten signature in black ink that reads "Plante & Moran, PLLC". The signature is written in a cursive, flowing style.

Plante & Moran, PLLC

Denver, Colorado
November 20, 2018

BENEVOLENT HEALTHCARE FOUNDATION DBA PROJECT C.U.R.E.**Consolidated Statement of Financial Position**

	May 31, 2018	Summarized Financial Information at May 31, 2017
	<u>2018</u>	<u>2017</u>
Assets		
Assets		
Cash and cash equivalents	\$ 2,662,133	\$ 3,080,105
Accounts receivable	375,443	267,620
Investments	19,263	-
Inventory	55,363,355	44,075,650
Prepaid expenses and deposits	278,622	157,865
Property and equipment, net	<u>6,188,719</u>	<u>6,063,377</u>
Total assets	<u>\$ 64,887,535</u>	<u>\$ 53,644,617</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 482,961	\$ 372,600
Accrued expenses	140,242	143,225
Notes payable, net of unamortized debt issuance costs	<u>5,426,453</u>	<u>5,680,583</u>
Total liabilities	<u>6,049,656</u>	<u>6,196,408</u>
Commitments and contingencies		
Net assets		
Unrestricted	57,701,936	46,017,216
Temporarily restricted	<u>1,135,943</u>	<u>1,430,993</u>
Total net assets	<u>58,837,879</u>	<u>47,448,209</u>
Total liabilities and net assets	<u>\$ 64,887,535</u>	<u>\$ 53,644,617</u>

See notes to consolidated financial statements.

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

Consolidated Statement of Activities

	For the Year Ended <u>May 31, 2018</u>	Summarized Financial Information For the Year Ended <u>May 31, 2017</u>
Changes in unrestricted net assets		
Revenue, gains, and support		
Contributions - in-kind (Note 7)	\$ 73,546,747	\$ 63,587,026
Contributions - other	5,007,689	4,399,412
Rental income, net of expenses of \$106,014 (2018) and \$77,655 (2017)	125,186	64,994
Federal government grants	681,757	1,118,606
Investment income	7,162	5,594
Gain from disposal of property and equipment	674,285	-
Special events, net of expenses of \$343,477 (2018) and \$208,724 (2017)	<u>469,106</u>	<u>445,337</u>
	80,511,932	69,620,969
Net assets released from restrictions	<u>796,726</u>	<u>602,962</u>
Total revenue, gains, and support	<u>81,308,658</u>	<u>70,223,931</u>
Expenses		
Program services		
Containers and medical services - in-kind (Note 7)	62,161,613	67,004,466
Containers and medical services - other	5,700,574	5,011,856
Support services		
Management and general	294,939	311,260
Fundraising	<u>1,466,812</u>	<u>1,171,716</u>
Total expenses	<u>69,623,938</u>	<u>73,499,298</u>
Total changes in unrestricted net assets	<u>11,684,720</u>	<u>(3,275,367)</u>
Changes in temporarily restricted net assets		
Contributions	501,676	1,932,227
Net assets released from restrictions	<u>(796,726)</u>	<u>(602,962)</u>
Total changes in temporarily restricted net assets	<u>(295,050)</u>	<u>1,329,265</u>
Change in net assets	11,389,670	(1,946,102)
Net assets - beginning of year	<u>47,448,209</u>	<u>49,394,311</u>
Net assets - end of year	<u>\$ 58,837,879</u>	<u>\$ 47,448,209</u>

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, 2018				Summarized Financial Information For the Year Ended May 31, 2017
	Program Services	Support Services		Total Program and Support Services	
	Containers and Medical Services	Management and General	Fundraising		
Donated medical equipment and supplies	\$ 61,758,477	\$ -	\$ -	\$ 61,758,477	\$ 66,719,747
Other donated costs of operations	403,136	-	-	403,136	284,719
Compensation and fringe costs	1,434,342	103,488	1,068,123	2,605,953	2,313,133
Accounting and audit	32,127	136,399	7,265	175,791	142,601
Communications	20,034	3,090	5,185	28,309	35,431
Donor development	2,949	737	233,182	236,868	233,924
Dues and professional expense	51,819	17,178	47,763	116,760	97,281
Insurance	26,544	6,832	-	33,376	33,795
Miscellaneous	2,431	2,753	175	5,359	6,681
Needs assessments	189,651	-	-	189,651	202,546
Occupancy - interest	274,523	3,783	6,899	285,205	297,928
Occupancy - rent, utilities, and other costs	752,914	1,708	3,114	757,736	552,230
Office supplies, computers, and printing	22,755	6,337	22,231	51,323	36,288
Operating supplies	145,877	979	1,786	148,642	112,544
Purchased medical equipment and supplies	490,073	-	-	490,073	276,226
Service programs	322,136	-	-	322,136	144,474
Shipping	1,528,045	-	-	1,528,045	1,568,771
Travel	90,261	5,332	52,865	148,458	122,314
Vehicles	105,005	457	2,542	108,004	101,636
Volunteer support	34,703	674	1,229	36,606	28,965
Depreciation	174,385	5,192	14,453	194,030	188,064
	67,862,187	294,939	1,466,812	69,623,938	73,499,298
Expenses netted against revenue					
Rental expenses	-	106,014	-	106,014	77,655
Special events expenses	-	-	343,477	343,477	208,724
Totals	\$ 67,862,187	\$ 400,953	\$ 1,810,289	\$ 70,073,429	\$ 73,785,677

See notes to consolidated financial statements.

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

Consolidated Statement of Cash Flows

	For the Year Ended <u>May 31, 2018</u>	Summarized Financial Information For the Year Ended <u>May 31, 2017</u>
Cash flows from operating activities		
Change in net assets	\$ 11,389,670	\$ (1,946,102)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	230,428	224,463
Amortization	5,100	5,101
Net realized and unrealized losses (gains) on investments	410	(4,448)
Non-cash change in inventory	(11,287,705)	3,302,440
Gain from disposal of property and equipment	(674,285)	-
Donation of investments	(30,912)	(23,417)
Changes in assets and liabilities		
Accounts receivable	(107,823)	100,080
Prepaid expenses and deposits	(120,757)	(72,430)
Accounts payable	110,361	51,724
Accrued expenses	<u>(2,983)</u>	<u>23,381</u>
Net cash (used in) provided by operating activities	<u>(488,496)</u>	<u>1,660,792</u>
Cash flows from investing activities		
Sale of investments - net	11,239	39,876
Purchase of property and equipment	(508,044)	(88,231)
Insurance proceeds from disposal of property	<u>826,559</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>329,754</u>	<u>(48,355)</u>
Cash flows from financing activities		
Payments on note payable	<u>(259,230)</u>	<u>(247,380)</u>
Net cash used in financing activities	<u>(259,230)</u>	<u>(247,380)</u>
Net (decrease) increase in cash	(417,972)	1,365,057
Cash and cash equivalents at beginning of year	<u>3,080,105</u>	<u>1,715,048</u>
Cash and cash equivalents at end of year	<u>\$ 2,662,133</u>	<u>\$ 3,080,105</u>

Supplemental disclosure of cash flow information:

Interest paid was \$281,210 and \$293,062 for the years ended May 31, 2018 and 2017, respectively.

See notes to consolidated financial statements.

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

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."), located in 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, 2018, 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. 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, 2017, 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, 2018, the Organization had no permanently restricted assets.

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

Notes to Consolidated Financial Statements

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, 2018 and determined that an allowance is not necessary.

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

Notes to Consolidated Financial Statements

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, 2018 and 2017 totaled \$17,638 and \$12,538, 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.

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

Notes to Consolidated Financial Statements

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.

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

Notes to Consolidated Financial Statements

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, 2018 and 2017. 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, 2018 and 2017.

Reclassifications

Certain amounts in the 2017 consolidated financial statements have been reclassified to conform to the 2018 presentation. The reclassifications had no effect on previously reported net assets or results of operations.

Subsequent Events

The Organization has evaluated all subsequent events through the auditors' report date, which is the date these consolidated financial statements were available to be issued. There were no subsequent events that required recognition or additional disclosure in these consolidated financial statements.

Note 2 - Investments

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

	May 31,	
	2018	2017
Stock	\$ 19,263	\$ -

Investment income consists of the following:

	For the Years Ended May 31,	
	2018	2017
Interest and dividend income	\$ 8,071	\$ 2,284
Net realized and unrealized (losses) gains	(410)	4,448
Investment fees	(499)	(1,138)
Total investment income	\$ 7,162	\$ 5,594

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

Notes to Consolidated Financial Statements

Note 3 - Fair Value Measurements

The Organization has adopted the FASB'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.

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

Stock: Valued at the closing price reported on the active market on which the mutual funds or individual securities are traded and reported in Level 1 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,	
	2018	2017
Land	\$ 1,178,000	\$ 1,178,000
Buildings and improvements	6,821,194	6,640,103
Equipment and furnishings	332,714	249,714
Vehicles	413,541	397,287
	8,745,449	8,465,104
Less accumulated depreciation	(2,556,730)	(2,401,727)
Property and equipment, net	<u>\$ 6,188,719</u>	<u>\$ 6,063,377</u>

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

Notes to Consolidated Financial Statements

Note 4 - Property and Equipment (continued)

In 2018, a hailstorm damaged the roof at the Organization's warehouse in Nashville. The Organization received insurance proceeds for the roof in the amount of \$826,559 and recorded a corresponding gain on the consolidated statement of activities during the year ended May 31, 2018.

Note 5 - Note Payable

The Organization's note payable consists of the following:

	May 31,	
	2018	2017
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.	\$ 5,459,816	\$ 5,719,046
Less unamortized debt issuance costs	(33,363)	(38,463)
	<u>\$ 5,426,453</u>	<u>\$ 5,680,583</u>

Annual aggregate principal payments are as follows:

For the Year Ending May 31,

2019	\$ 277,186
2020	291,223
2021	305,970
2022	321,464
2023	337,742
Thereafter	<u>3,926,231</u>
	<u>\$ 5,459,816</u>

Note 6 - Temporarily Restricted Net Assets

Temporarily restricted net assets as of May 31, 2018 and 2017 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.

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

Notes to Consolidated Financial Statements

Note 7 - Non-Cash Contributions

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

	For the Years Ended May 31,	
	2018	2017
Medical supplies	\$ 72,333,111	\$ 62,299,807
C.U.R.E. kits	810,500	1,002,500
Transportation and other	123,136	64,719
Warehouse and office rental space	<u>280,000</u>	<u>220,000</u>
	<u>\$ 73,546,747</u>	<u>\$ 63,587,026</u>

During the year ended May 31, 2018, non-cash goods contributed exceeded shipments of goods by \$11,385,134, resulting in an increased inventory supply. Non-cash expenses related to goods shipped exceeded non-cash revenues by \$3,417,440 during the year ended May 31, 2017, resulting in a decreased inventory supply.

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, 2018 and 2017 was \$280,000 and \$220,000, respectively.

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, 2018 and 2017 was \$629,891 and \$430,442, respectively. Future required payments are approximately as follows:

For the Year Ending May 31,

2019	\$ 641,000
2020	689,001
2021	714,000
2022	461,000
2023	<u>87,000</u>
	<u>\$ 2,592,001</u>

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

Notes to Consolidated Financial Statements

Note 8 - Commitments and Contingencies (continued)

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, 2018 and 2017.