

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

FINANCIAL STATEMENTS

MAY 31, 2006

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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, 2006 and 2005, 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, 2006 and 2005, 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
September 21, 2006

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

<u>May 31,</u>	<u>2006</u>	<u>2005</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 285,243	\$ 183,683
Investments	0	4,195
Accounts receivable (allowance not considered necessary)	0	8,113
Inventory	18,965,475	17,802,081
Prepaid expenses	71,838	35,250
Land, buildings and equipment, net of accumulated depreciation	6,308,057	6,178,493
Other assets	<u>127,842</u>	<u>30,632</u>
Total Assets	<u>\$ 25,758,455</u>	<u>\$ 24,242,447</u>
<u>Liabilities and Net Assets</u>		
Accounts payable and accrued liabilities	\$ 263,182	\$ 30,471
Notes payable	4,166,705	3,933,233
Tenant security deposits	<u>11,120</u>	<u>11,120</u>
Total liabilities	4,441,007	3,974,824
Net Assets		
Unrestricted	<u>21,317,448</u>	<u>20,267,623</u>
Total Liabilities and Net Assets	<u>\$ 25,758,455</u>	<u>\$ 24,242,447</u>

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

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

<u>For the Years Ended May 31,</u>	<u>2006</u>	<u>2005</u>
<u>Unrestricted support, revenue and other gains</u>		
Contributions – non-cash	\$ 28,062,978	\$ 32,675,811
Contributions – other	1,875,973	1,701,819
Rental income	252,545	149,028
Investment income	4,221	1,337
Other income	<u>51,974</u>	<u>2,600</u>
Total unrestricted support, revenue and other gains	<u>30,247,691</u>	<u>34,530,595</u>
<u>Expenses</u>		
Program	28,566,975	34,638,397
Rental expenses	261,605	161,822
General and administrative	135,098	281,692
Fundraising	<u>234,188</u>	<u>235,346</u>
Total expenses	<u>29,197,866</u>	<u>35,317,257</u>
Changes in net assets	1,049,825	(786,662)
Net assets at beginning of year	<u>20,267,623</u>	<u>21,054,285</u>
Net assets at end of year	<u>\$ 21,317,448</u>	<u>\$ 20,267,623</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,	2006	2005
Cash flows from operating activities		
Received from contributions	\$ 1,884,086	\$ 1,693,706
Other cash received	51,974	2,600
Rental income received	252,545	149,028
Interest paid	(286,131)	(84,472)
Interest received	4,221	773
Paid to suppliers and employees	<u>(1,779,159)</u>	<u>(1,801,221)</u>
Net cash provided by (used in) operating activities	<u>127,536</u>	<u>(39,586)</u>
Cash flows from investing activities		
Purchase of fixed assets	(263,643)	(3,217,721)
Proceeds from sale of investments	4,195	8,854
Purchase of investments	<u>0</u>	<u>(4,297)</u>
Net cash provided by (used in) investing activities	<u>(259,448)</u>	<u>(3,213,164)</u>
Cash flows from financing activities		
Proceeds from issuance of long-term debt	248,280	3,933,233
Loan fees paid	0	(28,982)
Principal payments on mortgages	<u>(14,808)</u>	<u>(632,381)</u>
Net cash provided by (used in) financing activities	<u>233,472</u>	<u>3,271,870</u>
Net increase in cash and cash equivalents	101,560	19,120
Cash and cash equivalents at beginning of year	<u>183,683</u>	<u>164,563</u>
Cash and cash equivalents at end of year	<u>\$ 285,243</u>	<u>\$ 183,683</u>
Reconciliation of changes in net assets to net cash provided by operating activities:		
Changes in net assets	\$ 1,049,825	\$ (786,662)
Reconciling adjustments		
Depreciation and amortization	136,869	78,904
Non-cash change in inventory	(1,163,394)	1,528,919
Non-cash donations of fixed assets	0	(664,892)
Gain on investments	0	(564)
Change in operating assets and liabilities		
Prepaid expense	(36,588)	3,552
Accounts receivable	8,113	(8,113)
Accounts payable	<u>132,711</u>	<u>(190,730)</u>
Net cash provided by operating activities	<u>\$ 127,536</u>	<u>\$ (39,586)</u>

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

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

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Benevolent Healthcare Foundation, dba Project C.U.R.E., Centennial, Colorado was formed and organized as a nonprofit organization in Colorado 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. 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, 2006, 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 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.

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.

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

NOTE 2 – INVESTMENTS

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

	<u>2006</u>	<u>2005</u>
Corporate equities	\$ <u>0</u>	\$ <u>4,195</u>

NOTE 3 – LAND, BUILDINGS, EQUIPMENT AND DEPRECIATION

	<u>2006</u>	<u>2005</u>
Buildings	\$ 4,664,363	\$ 4,390,650
Leasehold improvements	12,991	35,605
Machinery and equipment	28,700	46,085
Vehicles	<u>56,000</u>	<u>46,000</u>
	4,762,054	4,518,340
Accumulated depreciation	<u>(454,970)</u>	<u>(340,820)</u>
	4,307,084	4,177,520
Land	<u>2,000,973</u>	<u>2,000,973</u>
	<u>\$ 6,308,057</u>	<u>\$ 6,178,493</u>

NOTE 4 – NOTES PAYABLE

	<u>2006</u>	<u>2005</u>
Mortgage payable to a bank dated February 2005 in the amount of \$1,179,000, collateralized by a first deed of trust on property owned by Benevolent Healthcare Foundation of Denver, LLC, with a fixed interest rate of 7.5%. Monthly payments requirements of \$9,746 include interest and principal, with a balloon payment due at maturity in February 2010.	\$ 1,016,705	\$ 783,233
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, matures September 2006. The note is guaranteed by a board member.	2,150,000	2,150,000
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 September 2006.	<u>1,000,000</u>	<u>1,000,000</u>
	<u>\$ 4,166,705</u>	<u>\$ 3,933,233</u>

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

NOTE 4 – NOTES PAYABLE (CONTINUED)

Annual aggregate principal payments applicable to mortgages payable for the years subsequent to May 31, 2006 are:

2007	\$ 3,186,136
2008	42,451
2009	45,861
2010	<u>892,257</u>
	<u>\$ 4,166,705</u>

Interest expense for the years ended May 31, 2006 and 2005 was \$286,131 and \$84,472.

NOTE 5 – NON-CASH CONTRIBUTIONS

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

	<u>2006</u>	<u>2005</u>
C.U.R.E. Kits	\$ 582,000	\$ 417,000
Medical Supplies	27,031,578	30,520,011
Transportation	41,900	70,000
Warehouse and office rental	<u>407,500</u>	<u>1,668,800</u>
	<u>\$ 28,062,978</u>	<u>\$ 32,675,811</u>

NOTE 6 – 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 2006 and 2005 was \$1,003,908 and \$945,600.

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.

NOTE 8 – CONDITIONAL PROMISE TO GIVE

The Rotary Club of Littleton, Colorado, (the Club) selected Project C.U.R.E. as the beneficiary of their Centennial Project to recognize the 100th Anniversary of the founding of Rotary International. Specifically, the Club raised \$500,000 for the purchase and/or construction of a sorting warehouse for Project C.U.R.E.. The Club is currently holding the \$500,000 in trust, and will release it at the time of the purchase of a sorting warehouse (see Note 9).

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

NOTE 8 – CONDITIONAL PROMISE TO GIVE (CONTINUED)

Project C.U.R.E. received an additional conditional promise to give in the amount of \$750,000, the condition being two fold. The first condition being a matching one whereby Project CU.R.E. must raise \$750,000 from other donors, and the second condition is that Project C.U.R.E. purchase and/or construct a sorting warehouse (see Note 9).

NOTE 9 – SUBSEQUENT EVENTS

On September 12, 2006, Project C.U.R.E. purchased a new sorting warehouse for \$4,810,000 in Centennial, Colorado. Acquisition debt for the property was \$3,200,000, the interest rate is 8.25%, payable in monthly installments of \$25,486, with the balance due upon maturity in September 2011.