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

FINANCIAL STATEMENTS

MAY 31, 2011

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POYSTI & ADAMS LLC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

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

We have audited the accompanying statements of financial position of Benevolent Healthcare Foundation dba Project C.U.R.E. as of May 31, 2011 and 2010, 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, 2011 and 2010, 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

August 12, 2011

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

May 31,	2011	2010
Assets		
Cash and cash equivalents	$ 989,104	$ 1,539,903
Accounts receivable	151,602	6,625
Investments	55,466	0
Inventory	53,018,654	52,901,600
Prepaid expenses	58,594	64,248
Restricted cash	1,081,264	1,079,561
Land and buildings held for sale	2,511,228	2,576,485
Land, buildings and equipment, net of accumulated depreciation	7,076,393	7,104,979
Other assets	194,222	207,187
Total Assets	$ 65,136,527	$ 65,480,588
Liabilities and Net Assets		
Accounts payable and accrued liabilities	$ 440,835	$ 430,125
Deferred revenue	75,210	398,860
Notes payable	1,005,409	909,617
Bonds payable	7,905,000	7,905,000
Tenant security deposits	15,918	19,118
Total liabilities	9,442,372	9,662,720
Net Assets		
Unrestricted	55,610,925	55,685,201
Temporarily restricted	83,230	132,667
Total net assets	55,694,155	55,817,868
Total Liabilities and Net Assets	$ 65,136,527	$ 65,480,588

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

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

For the Years Ended May 31,	2011	2010
Changes in unrestricted net assets:		
Support, revenue and other gains		
Contributions – non-cash	$ 47,077,482	$ 48,014,196
Contributions – other	2,717,765	3,224,288
Rental income	201,931	198,845
Federal Government grants	467,259	74,620
Investment income	16,709	20,535
Special events and other income, net	245,538	187,397
Net assets released from restrictions	134,137	248,915
Total unrestricted support, revenue and other gains	50,860,821	51,968,796
Expenses and losses		
Program	50,035,137	43,814,416
Rental expenses	225,364	236,498
General and administrative	164,969	199,987
Fundraising	509,627	413,564
Total expenses	50,935,097	44,664,465
Changes in unrestricted net assets	(74,276)	7,304,331
Changes in temporarily restricted net assets:		
Support, revenue and other gains		
Contributions	84,700	116,000
Net assets released from restrictions	(134,137)	(248,915)
Changes in temporarily restricted net assets	(49,437)	(132,915)
Total changes in net assets	(123,713)	7,171,416
Net assets at beginning of year	55,817,868	48,646,452
Net assets at end of year	$ 55,694,155	$ 55,817,868

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,	2011	2010
Cash flows from operating activities		
Received from contributions	$ 2,657,488	$ 3,334,616
Federal grants received	203,609	408,480
Other cash received	648,141	517,419
Rental income received	138,731	175,363
Interest paid	(640,419)	(629,497)
Interest received	11,443	20,535
Paid to suppliers and employees	(3,467,791)	(3,102,370)
Net cash provided by (used in) operating activities	(448,798)	724,546
Cash flows from investing activities		
Purchase of fixed assets	(196,090)	(2,734)
Increase in restricted investments	(1,703)	(2,421)
Net cash used in investing activities	(197,793)	(5,155)
Cash flows from financing activities		
Proceeds from issuance of long term debt	119,278	912,614
Loan fees paid	0	(4,563)
Principal payments on long term debt	(23,486)	(943,663)
Net cash provided by (used in) financing activities	95,792	(35,612)
Net increase (decrease) in cash and cash equivalents	(550,799)	683,779
Cash and cash equivalents at beginning of year	1,539,903	856,124
Cash and cash equivalents at end of year	$ 989,104	$ 1,539,903

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

Changes in net assets	$ (123,713)	$ 7,171,416
Reconciling adjustments		
Depreciation and amortization	302,898	266,506
Non-cash investments	(50,200)	0
Non-cash change in inventory	(117,054)	(7,140,600)
Unrealized gain on investment	(5,266)	0
Change in operating assets and liabilities		
Accounts receivable	(144,977)	11,448
Prepaid expense and other assets	5,654	4,569
Accounts payable and accrued liabilities	(316,140)	411,207
Net cash provided by (used in) operating activities	$ (448,798)	$ 724,546

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

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

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

Benevolent Healthcare Foundation, dba Project C.U.R.E., Centennial, Colorado was formed and organized as a nonprofit organization in Colorado during 2000. Project C.U.R.E. was formed in 1987 and operated under Benevolent Brotherhood Foundation until June 2001. At that time the assets of Project C.U.R.E. were transferred into the Benevolent Healthcare Foundation. Project C.U.R.E. is the sole member of two Colorado limited liability companies, Benevolent Healthcare Foundation of Denver, LLC and Benevolent Healthcare Foundation of Nashville, LLC. These entities are included in the accompanying financial statements.

Project C.U.R.E. provides medical equipment and supplies to communities throughout the world that have a need for these items. Project C.U.R.E. currently delivers its products to over 120 countries and averages over two 40 foot cargo container shipments each week. At May 31, 2011, Project C.U.R.E. either owned or leased warehouses in Colorado, Arizona, Florida, Kentucky, New Mexico, New York, Pennsylvania, Tennessee, and Texas. Additionally, Project C.U.R.E. utilized donated warehouse space in Oregon and Iowa.

Project C.U.R.E. is exempt from income tax under Section 501(c)(3) of the U. S. Internal Revenue Code and comparable state law, and contributions to it are deductible within the limitations prescribed by the Code. The Organization has been classified as a publicly supported organization which is not a private foundation under section 509(a) of the Code. The Organization did not have any material unrelated business income tax liability or significant uncertain tax positions for the years ended May 31, 2011 and 2010.

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.

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

Revenue Recognition (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.

Investments
Investments are carried at fair value. Donated investments are initially recorded at fair value on the date of donation. Realized and unrealized gains and losses are reflected in the statement of activities.

Cash and Cash Equivalents
Project C.U.R.E. considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Restricted cash and cash equivalents are limited in use as a result of the bond issue. A bond reserve totaling $790,500 is required to be maintained and be used only for the payment of any delinquent principal or interest. The bond indentures also require monthly payments into a restricted account in order to satisfy the next scheduled principal and interest payment, of which $200,169 was funded as of May 31, 2011. Additionally, there is $90,594 of bond proceeds funded as of May 31, 2011, which must be used for certain construction projects in the Nashville warehouse. Restricted cash and cash equivalents are invested in the Colorado Surplus Asset Fund Trust (CSAFE). CSAFE is operated similarly to a money market fund and each share is equal in value to $1.00. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions of each pooled investment. CSAFE invests in U.S. agencies, commercial paper and money market funds. Restricted cash invested with CSAFE total $1,081,264 at May 31, 2011.

Inventory
Inventory substantially consists of donated medical supplies that, by law, 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.

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

Advertising Costs
Advertising and promotion costs are expensed as incurred.

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.

Subsequent Events
Project C.U.R.E.'s financial statements were available to be issued on September 28, 2011, and this is the date through which subsequent events were evaluated. As of August 31, 2011 Project C.U.R.E. was able to cure the technical default of the loan covenant for the bonds payable (see Note 6). Accordingly, the bonds payable are considered a long-term liability in the accompanying statements of financial position. Project C.U.R.E. did not identify any other subsequent events requiring disclosure.

Other Matters
Management has determined that current operational cash needs will occasionally result in cash and money market accounts balances in excess of insured limits.

NOTE 2 – INVESTMENTS

Carried at fair value (based on quoted market prices):

	2011	2010
Equities	$ 55,466	$ 0

Composition of investment return:

	2011	2010
Interest and dividends	$ 11,443	$ 20,535
Unrealized gain	5,266	0
	$ 16,709	$ 20,535

In accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, all of the Organization's investments are valued using Level 1, Quoted Prices in Active Markets for Identical Assets inputs. Project C.U.R.E. reviews its holdings on a regular basis to determine if any investment has experienced an other-than-temporary decline in fair value.

NOTE 3 – LAND, BUILDINGS, EQUIPMENT AND DEPRECIATION

	2011	2010
Buildings and improvements	$ 6,629,786	$ 6,594,993
Machinery and equipment	151,804	126,804
Vehicles	189,812	53,516
	6,971,402	6,775,313
Accumulated depreciation	(1,073,009)	(848,334)
	5,898,393	5,926,979
Land	1,178,000	1,178,000
	$ 7,076,393	$ 7,104,979

Depreciation expense for the years ended May 31, 2011 and 2010 was $224,098 and $189,298.

NOTE 4 – LAND AND BUILDINGS HELD FOR SALE

Project C.U.R.E. has capital assets in both Denver and Nashville which are actively being marketed. These assets are classified as held for sale on the Statement of Financial Position. During the year ended May 31, 2008, these assets were revalued at their estimated fair values, which was lower than the historical cost. The building held for sale in Denver is being leased to a third party. Accumulated depreciation as of May 31, 2011 was $295,772. Because of the inherent uncertainties in estimating the fair value of these assets, it is at least reasonably possible that the estimates used will change within the near term.

NOTE 5 – NOTES PAYABLE

	2011	2010
Mortgage payable to a bank dated February 2010 in the amount of $912,614, collateralized by a first deed of trust on property, with a variable interest rate currently at the minimum rate of 6%. Monthly payment requirement of $6,591 include interest and principal, with a balloon payment due at maturity in February 2013.	$ 886,130	$ 909,617
Note payable to a bank dated January 2011 in the amount of $39,665, not to exceed $50,000, collateralized by a Ford truck, with a fixed interest rate of 6.5%. Interest only quarterly payments with 20% principal payments annually. Matures January 2016.	39,665	0
Note payable to a bank dated January 2011 in the amount of $39,665, not to exceed $50,000, collateralized by a Ford truck, with a fixed interest rate of 6.5%. Interest only quarterly payments with 20% principal payments annually. Matures January 2016.	39,665	0

NOTE 5 – NOTES PAYABLE (CONTINUED)

	2011	2010
Note payable to a bank dated January 2011 in the amount of $39,949, not to exceed $50,000, collateralized by a Ford truck, with a fixed interest rate of 6.5%. Interest only quarterly payments with 20% principal payments annually. Matures January 2016.	$ 39,949	$ 0
	$ 1,005,409	$ 909,617

Annual aggregate principal payments applicable to notes payable for the five years subsequent to May 31, 2011 are:

2012	$ 50,611
2013	883,231
2014	23,856
2015	23,856
2016	23,855

Interest expense for notes payable for the years ended May 31, 2011 and 2010 was $57,218 and $47,190.

NOTE 6 – BONDS PAYABLE

During 2008, the Colorado Health Facilities Authority (COHFA) issued health facilities revenue bonds, totaling $7,905,000 on behalf of Project C.U.R.E. As collateral for the bonds, Project C.U.R.E. entered into a loan agreement with COHFA providing a deed of trust on certain property owned in Denver, Colorado. The bonds mature on February 15, 2028. Interest is paid semi-annually at a rate of 7.375%. Project C.U.R.E. will make interest only payments until 2014. Beginning in 2015, Project C.U.R.E. may redeem the bonds early, with a redemption price of 103% of the bond. This percentage decreases 1% each year until the bonds may be redeemed in 2018 for 100% of the bond's face value.

Project C.U.R.E. experienced unexpected delays in receiving certain grants and as a result, as of May 31, 2011, Project C.U.R.E. does not meet the required debt service coverage ratio as required in the financial covenants associated with its $7,905,000 revenue bonds. Project C.U.R.E.'s missed its required net income amount, as adjusted for the debt service covenants, by approximately $25,500. (See Note 1 – Subsequent Events).

NOTE 6 – BONDS PAYABLE (CONTINUED)

Annual aggregate principal payments applicable to bonds payable for the five years subsequent to May 31, 2011 are:

2014	$ 275,000
2015	295,000
2016	320,000
2017	340,000
2018	365,000

Interest expense for each year ended May 31, 2011 and 2010 was $582,994.

NOTE 7 – NON-CASH CONTRIBUTIONS

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

	2011	2010
C.U.R.E. Kits	$ 586,500	$ 639,000
Medical Supplies	46,023,130	46,920,576
Transportation	81,415	99,500
Warehouse and office rental space	336,237	355,120
Donated stock	50,200	0
	$ 47,077,482	$ 48,014,196

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

	2011	2010
Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows:		
Need assessment	$ 6,667	$ 40,000
Chicago C.U.R.E. Community	50,000	0
C.U.R.E. clinics – educational donations	1,470	0
Truck lease payments	0	16,915
Medical equipment and supplies	76,000	192,000
	$ 134,137	$ 248,915

Temporarily restricted net assets are available for the following purposes:

	2011	2010
Need assessment	$ 0	$ 6,667
C.U.R.E. clinics	33,530	0
Belize PICU unit	9,700	
Chicago C.U.R.E. Community	0	50,000
Medical equipment and supplies	40,000	76,000
	$ 83,230	$ 132,667

NOTE 9 – ENDOWMENTS

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

The Board of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted and temporarily restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted and term-endowment funds:

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

Changes in term-endowment net assets for the years ended May 31, 2011 and 2010 are reflected in the statements of activities.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

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 2011 and 2010 was $336,237 and $355,120.

Project C.U.R.E. also leases warehouse space under two non-cancelable operating leases. Total remaining payment at May 31, 2011, is as follows:

2012	$ 22,882

Rental expense under operating leases was $37,630 and $17,040 for the years ended May 31, 2011 and May 31, 2010.

Project C.U.R.E. 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 Project C.U.R.E. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time.

NOTE 11 – RETIREMENT PLAN

Project C.U.R.E. has a tax-sheltered annuity plan under Internal Revenue Code Section 403(b) available to its employees. There were no employer contributions for the years ended May 31, 2011 and 2010.

NOTE 12 – CONCENTRATIONS

For the year ended May 31, 2011, the five largest donors contributed approximately 20% of all cash donations. For the year ended May 31, 2010, the four largest donors contributed approximately 20% of all cash donations.