

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

FINANCIAL STATEMENTS

MAY 31, 2007

CONTENTS

Independent Auditor's Report	2
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6-10



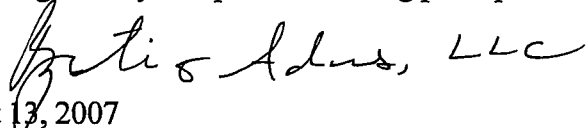
Independent Auditor's Report

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, 2007 and 2006, 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, 2007 and 2006, 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.


August 13, 2007

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

<u>May 31.</u>	<u>2007</u>	<u>2006</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 519,676	\$ 285,243
Inventory	25,527,859	18,965,475
Prepaid expenses	17,002	71,838
Land, buildings and equipment, net of accumulated depreciation	10,987,450	6,308,057
Other assets	<u>445,978</u>	<u>127,842</u>
Total Assets	<u>\$ 37,497,965</u>	<u>\$ 25,758,455</u>
<u>Liabilities and Net Assets</u>		
Accounts payable and accrued liabilities	\$ 360,959	\$ 263,182
Notes payable	7,557,548	4,166,705
Tenant security deposits	<u>20,721</u>	<u>11,120</u>
Total liabilities	7,939,228	4,441,007
Net Assets		
Unrestricted	<u>29,558,737</u>	<u>21,317,448</u>
Total Liabilities and Net Assets	<u>\$ 37,479,965</u>	<u>\$ 25,758,455</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>2007</u>	<u>2006</u>
<u>Unrestricted support, revenue and other gains</u>		
Contributions – non-cash	\$ 34,500,559	\$ 28,062,978
Contributions – other	4,117,432	1,875,973
Rental income	277,045	252,545
Investment income	14,205	4,221
Other income	<u>70,554</u>	<u>51,974</u>
Total unrestricted support, revenue and other gains	<u>38,979,795</u>	<u>30,247,691</u>
<u>Expenses</u>		
Program	29,813,112	28,566,975
Rental expenses	595,453	261,605
General and administrative	178,367	135,098
Fundraising	<u>151,574</u>	<u>234,188</u>
Total expenses	<u>30,738,506</u>	<u>29,197,866</u>
Changes in net assets	8,241,289	1,049,825
Net assets at beginning of year	<u>21,317,448</u>	<u>20,267,623</u>
Net assets at end of year	<u>\$ 29,558,737</u>	<u>\$ 21,317,448</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

<u>For the Years Ended May 31,</u>	<u>2007</u>	<u>2006</u>
Cash flows from operating activities		
Received from contributions	\$ 4,117,432	\$ 1,884,086
Other cash received	70,554	51,974
Rental income received	277,045	252,545
Interest paid	(546,355)	(286,131)
Interest received	14,205	4,221
Paid to suppliers and employees	<u>(2,011,381)</u>	<u>(1,779,159)</u>
Net cash provided by operating activities	<u>1,921,500</u>	<u>127,536</u>
Cash flows from investing activities		
Purchase of fixed assets	(5,008,249)	(263,643)
Proceeds from sale of investments	<u>0</u>	<u>4,195</u>
Net cash used in investing activities	<u>(5,008,249)</u>	<u>(259,448)</u>
Cash flows from financing activities		
Proceeds from issuance of long-term debt	6,594,226	248,280
Loan fees paid	(69,661)	0
Principal payments on mortgages	<u>(3,203,383)</u>	<u>(14,808)</u>
Net cash provided by financing activities	<u>3,321,182</u>	<u>233,472</u>
Net increase in cash and cash equivalents	234,433	101,560
Cash and cash equivalents at beginning of year	<u>285,243</u>	<u>183,683</u>
Cash and cash equivalents at end of year	<u>\$ 519,676</u>	<u>\$ 285,243</u>
Reconciliation of changes in net assets to net cash provided by operating activities:		
Changes in net assets	\$ 8,241,289	\$ 1,049,825
Reconciling adjustments		
Depreciation and amortization	261,288	136,869
Non-cash change in inventory	(6,562,384)	(1,163,394)
Change in operating assets and liabilities		
Prepaid expense	54,836	(36,588)
Other assets	(277,757)	0
Accounts receivable	0	8,113
Accounts payable	<u>204,228</u>	<u>132,711</u>
Net cash provided by operating activities	<u>\$ 1,921,500</u>	<u>\$ 127,536</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, 2007, Project C.U.R.E. either owned or leased warehouses in Denver, Houston, Nashville, Phoenix, Albuquerque 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 – LAND, BUILDINGS, EQUIPMENT AND DEPRECIATION

	<u>2007</u>	<u>2006</u>
Buildings	\$ 9,540,443	\$ 4,664,363
Leasehold improvements	12,991	12,991
Machinery and equipment	64,019	28,700
Vehicles	56,000	56,000
	<u>9,673,453</u>	<u>4,762,054</u>
Accumulated depreciation	(686,976)	(454,970)
	<u>8,986,477</u>	<u>4,307,084</u>
Land	2,000,973	2,000,973
	<u>\$ 10,987,450</u>	<u>\$ 6,308,057</u>

NOTE 3 – NOTES PAYABLE

	<u>2007</u>	<u>2006</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.	\$ 992,610	\$ 1,016,705
Mortgage payable to a bank dated September 2006 in the amount of \$3,200,000, collateralized by a first deed of trust on property owned by Benevolent Healthcare Foundation of Denver, LLC, with a fixed interest rate of 8.25%. Monthly payments requirements of \$25,486 include interest and principal, with a balloon payment due at maturity in September 2011.	3,170,713	0
Mortgage payable to public finance company in the amount of \$2,494,225, collateralized by a first deed of trust on property owned by Benevolent Healthcare Foundation of Denver, LLC, with a fixed interest rate of 8.57%. Monthly payments requirements of \$22,966 include interest and principal, with final payment due at maturity in January 2025.	2,494,225	0
Line of credit payable to a bank dated February 2007 with a variable interest rate of 8.25%. Interest only payments until maturity in February 2008.	900,000	0

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

NOTE 3 – NOTES PAYABLE (CONTINUED)

	<u>2007</u>	<u>2006</u>
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.	0	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>0</u>	<u>1,000,000</u>
	<u>\$ 7,557,548</u>	<u>\$ 4,166,705</u>

Annual aggregate principal payments applicable to mortgages payable for the years subsequent to May 31, 2007 are:

2008	\$ 1,041,572
2009	164,765
2010	1,033,630
2011	140,675
2012	3,051,365
Thereafter	<u>2,125,541</u>
	<u>\$ 7,557,548</u>

Interest expense for the years ended May 31, 2007 and 2006 was \$546,355 and \$286,131.

NOTE 4 – NON-CASH CONTRIBUTIONS

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

	<u>2007</u>	<u>2006</u>
C.U.R.E. Kits	\$ 663,000	\$ 582,000
Medical Supplies	33,281,465	27,031,578
Transportation	68,264	41,900
Warehouse and office rental	<u>487,830</u>	<u>407,500</u>
	<u>\$ 34,500,559</u>	<u>\$ 28,062,978</u>

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

NOTE 5 – 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 2007 and 2006 was \$478,830 and \$1,003,908.

NOTE 6 – 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 7 – 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 are no employer contributions for the years ended May 31, 2007 and 2006.

NOTE 8 – CONCENTRATIONS

For the year ended May 31, 2007, 46% of cash contributions were received from four donors. The Organization monitors its cash flow so that it does not rely on large donations to perform its exempt purpose.