

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

**Consolidated Financial Statements  
and  
Independent Auditors' Report  
May 31, 2015**



# **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. (the "Organization"), which are comprised of the consolidated statement of financial position as of May 31, 2015, 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, 2015, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **OTHER MATTERS**

### Report on Summarized Comparative Information

The consolidated financial statements of Benevolent Healthcare Foundation dba Project C.U.R.E. for the year ended May 31, 2014, were audited by another auditor whose report dated January 5, 2015, expressed an unmodified opinion. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2014, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*EKS+H LLLP*  
EKS&H LLLP

December 2, 2015  
Denver, Colorado

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

	May 31, 2015	Summarized Financial Information for May 31, 2014
<b>Assets</b>		
Assets		
Cash	\$ 1,249,892	\$ 833,442
Accounts receivable	169,018	143,360
Investments	416,700	408,050
Inventory	47,669,373	49,186,742
Prepaid expenses and deposits	54,020	51,064
Restricted cash	-	1,078,226
Property held for sale	712,000	712,000
Property and equipment, net	6,371,328	6,560,511
Debt issuance costs, net	<u>48,662</u>	<u>157,356</u>
Total assets	<u>\$ 56,690,993</u>	<u>\$ 59,130,751</u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable	\$ 322,356	\$ 376,045
Accrued expenses	114,169	195,940
Notes payable	6,792,897	95,671
Bonds payable	-	7,630,000
Security deposits	<u>15,918</u>	<u>15,918</u>
Total liabilities	<u>7,245,340</u>	<u>8,313,574</u>
Commitments and contingencies		
Net assets		
Unrestricted	49,170,058	50,541,582
Temporarily restricted	<u>275,595</u>	<u>275,595</u>
Total net assets	<u>49,445,653</u>	<u>50,817,177</u>
Total liabilities and net assets	<u>\$ 56,690,993</u>	<u>\$ 59,130,751</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, 2015</u>	Summarized Financial Information for the Year Ended <u>May 31, 2014</u>
Changes in unrestricted net assets		
Revenue, gains, and support		
Contributions - in-kind (Note 8)	\$ 52,728,584	\$ 54,318,942
Contributions - other	5,019,053	3,919,062
Rental income, net of expenses of \$184,284 (2015) and \$203,624 (2014)	41,098	3,436
Federal government grants	563,448	1,065,194
Investment income	5,301	11,105
Other income	35,427	3,959
Special events, net of expenses of \$260,215 (2015) and \$140,735 (2014)	<u>476,727</u>	<u>214,910</u>
	58,869,638	59,536,608
Net assets released from restrictions	<u>-</u>	<u>30,815</u>
Total revenue, gains, and support	<u>58,869,638</u>	<u>59,567,423</u>
Expenses		
Program services		
Containers and medical services - in-kind (Note 8)	54,185,923	48,611,891
Containers and medical services - other	4,368,426	4,104,630
Support services		
Management and general	673,185	249,582
Fundraising	<u>1,013,628</u>	<u>785,916</u>
Total expenses	<u>60,241,162</u>	<u>53,752,019</u>
Changes in unrestricted in net assets	<u>(1,371,524)</u>	<u>5,815,404</u>
Changes in temporarily restricted net assets		
Contributions	-	43,595
Net assets released from restrictions	<u>-</u>	<u>(30,815)</u>
Changes in temporarily restricted in net assets	<u>-</u>	<u>12,780</u>
Change in net assets	(1,371,524)	5,828,184
Net assets beginning of year	<u>50,817,177</u>	<u>44,988,993</u>
Net assets end of year	<u><u>\$ 49,445,653</u></u>	<u><u>\$ 50,817,177</u></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, 2015				Summarized
	Program Services	Support Services			Financial Information
	Containers and Medical Services	Management and General	Fundraising	Total Program and Support Services	for the Year Ended May 31, 2014
Donated medical equipment and supplies	\$ 54,185,923	\$ -	\$ -	\$ 54,185,923	\$ 48,611,891
Other donated costs of operations	220,416	-	-	220,416	148,338
Compensation and fringe costs	1,079,733	180,752	631,537	1,892,022	1,667,738
Accounting and audit	6,751	44,400	-	51,151	38,369
Communications	21,193	4,100	8,200	33,493	31,035
Donor development	-	-	147,740	147,740	135,944
Dues and professional expense	15,205	9,184	30,391	54,780	58,527
Insurance	21,965	6,733	-	28,698	25,674
Miscellaneous	52,768	395	6,926	60,089	18,760
Needs assessments	195,681	-	-	195,681	173,108
Occupancy - rent and interest	493,135	9,345	15,576	518,056	548,876
Occupancy - utilities and other costs	125,511	1,969	3,282	130,762	104,904
Office supplies, computers, and printing	24,747	11,247	36,958	72,952	81,316
Operating supplies	80,773	615	9,635	91,023	105,408
Purchased medical equipment and supplies	275,605	-	-	275,605	204,963
Service programs	298,500	-	47,707	346,207	512,062
Shipping	1,110,048	-	-	1,110,048	886,235
Travel	46,190	8,124	54,418	108,732	115,446
Vehicles	80,705	1,807	5,420	87,932	68,362
Volunteer support	22,516	-	-	22,516	11,241
Depreciation	196,984	8,257	15,838	221,079	203,822
	58,554,349	286,928	1,013,628	59,854,905	53,752,019
Cost of bond redemption	-	386,257	-	386,257	-
	58,554,349	673,185	1,013,628	60,241,162	53,752,019
Expenses netted against revenue					
Rental expenses	-	184,284	-	184,284	203,624
Special events expenses	-	-	260,215	260,215	140,735
Totals	\$ 58,554,349	\$ 857,469	\$ 1,273,843	\$ 60,685,661	\$ 54,096,378

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, 2015</u>	Summarized Financial Information for the Year Ended <u>May 31, 2014</u>
Cash flows from operating activities		
Change in net assets	\$ (1,371,524)	\$ 5,828,184
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	257,477	240,249
Amortization	2,336	11,444
Net realized and unrealized losses (gains) on investments	107	(2,192)
Write-off of bond issuance costs	157,356	-
Non-cash change in inventory	1,517,369	(5,897,447)
Donation of fixed assets	-	(25,500)
Donation of investments	(5,278)	-
Changes in assets and liabilities		
Accounts receivable	(25,658)	494,054
Prepaid expenses and deposits	(2,956)	107,442
Accounts payable	(53,689)	(226,337)
Accrued expenses	(81,771)	179,626
	<u>1,765,293</u>	<u>(5,118,661)</u>
Net cash provided by operating activities	<u>393,769</u>	<u>709,523</u>
Cash flows from investing activities		
Net purchases of investments	(3,479)	(303,161)
Purchase of property and equipment	(68,294)	(31,778)
Change in restricted cash	<u>1,078,226</u>	<u>(1,281)</u>
Net cash provided by (used in) investing activities	<u>1,006,453</u>	<u>(336,220)</u>
Cash flows from financing activities		
Payments of long-term debt	(932,772)	(321,632)
Loan origination fees	<u>(51,000)</u>	<u>-</u>
Net cash used in financing activities	<u>(983,772)</u>	<u>(321,632)</u>
Net increase in cash	416,450	51,671
Cash at beginning of year	<u>833,442</u>	<u>781,771</u>
Cash at end of year	<u>\$ 1,249,892</u>	<u>\$ 833,442</u>

### Supplemental disclosure of cash flow information:

Interest paid was \$603,765 and \$591,572 for the years ended May 31, 2015 and 2014, respectively.

During the year ended May 31, 2015, the Organization redeemed bonds in the amount of \$6,826,121 with the issuance of a \$6,800,000 note payable. The remaining balance of \$26,121 on the bonds was settled in cash and is included in payments of long-term debt in the statement above.

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."), 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, 2015, the Organization either owned or leased warehouses in Colorado, Illinois, Tennessee, Texas, and New York. Additionally, the Organization utilized donated warehouse space in Arizona, Colorado, Indiana, Kansas, Michigan, Missouri, New Mexico, New York, Pennsylvania, Texas, and Oregon.

#### **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, 2014, 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, 2015, 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)**

#### 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, 2015 and determined that an allowance is not necessary.

#### 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.

Certificates of deposit are reported at amortized cost.

#### 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 professional supply books and catalogs dated with values from the year 2006 for equipment and 2011 for consumable products. All of the inventory on hand is held exclusively for shipment to developing countries at no charge to them.

#### Restricted Cash

Restricted cash consists of cash equivalents limited as to use related to the bond issuance. Restricted cash was released with the redemption of the bonds during the year ended May 31, 2015.

#### Property Held for Sale

The Organization has land and buildings in Nashville that are currently held for sale. These capital assets are also being used as collateral for the Organization's mortgage. 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.

#### 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 the building.

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

## **Notes to Consolidated Financial Statements**

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

#### **Debt Issuance Costs**

Fees incurred for debt financing are amortized over the term of the related debt instrument. Accumulated amortization as of May 31, 2015 and 2014 totaled \$2,336 and \$71,524, 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.

#### **In-Kind Contributions**

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

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

## **Notes to Consolidated Financial Statements**

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

#### Concentrations of Credit Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash and cash equivalents, 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.

#### 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 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, 2015 and 2014. 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, 2015 and 2014.

#### Reclassifications

Certain amounts in the 2014 consolidated financial statements have been reclassified to confirm to the 2015 presentation. The reclassifications had no effect on previously reported net assets or results of operations.

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

## Notes to Consolidated Financial Statements

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

#### **Subsequent Events**

The Organization has evaluated all subsequent events through the auditors' report date, which is the date the consolidated financial statements were available for issuance.

Effective June 15, 2015, the Organization entered into an operating lease agreement to lease warehouse and office space in Pennsylvania. See Note 9.

### **Note 2 - Investments**

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

	May 31,	
	2015	2014
Mutual funds	\$ 109,160	\$ 103,722
Certificates of deposits	307,540	304,328
Total	<u>\$ 416,700</u>	<u>\$ 408,050</u>

Investment income consists of the following:

	For the Years Ended May 31,	
	2015	2014
Interest and dividend income	\$ 6,570	\$ 8,913
Net realized and unrealized (losses) gains	(107)	2,192
Investment fees	<u>(1,162)</u>	<u>-</u>
Total investment income	<u>\$ 5,301</u>	<u>\$ 11,105</u>

### **Note 3 - Investments and 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;

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

## Notes to Consolidated Financial Statements

### **Note 3 - Investments and Fair Value Measurements (continued)**

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 methodologies used for assets measured at fair value:

*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 methodologies during the year.

### **Note 4 - Property and Equipment**

The Organization's property and equipment are comprised of the following:

	May 31,	
	2015	2014
Land	\$ 1,178,000	\$ 1,178,000
Buildings and improvements	6,628,932	6,616,793
Equipment and furnishings	246,131	199,414
Vehicles	<u>319,288</u>	<u>319,288</u>
	8,372,351	8,313,495
Less accumulated depreciation	<u>(2,001,023)</u>	<u>(1,752,984)</u>
Property and equipment, net	<u>\$ 6,371,328</u>	<u>\$ 6,560,511</u>

### **Note 5 - Notes Payable**

The Organization's notes payable consist of:

	May 31,	
	2015	2014
Note payable to a bank dated January 2012 in the amount of \$41,675, collateralized by a vehicle, with a fixed interest rate of 6.34%. Monthly payment requirement of \$697 includes interest and principal. Matures January 2018.	\$ 20,477	\$ 27,262

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

## Notes to Consolidated Financial Statements

### Note 5 - Notes Payable (continued)

	May 31,	
	2015	2014
Note payable to a bank dated November 2011 in the amount of \$63,934, collateralized by a vehicle, with a fixed interest rate of 3.99%. Monthly payment requirement of \$1,000 includes interest and principal. Matures November 2017.	28,474	39,131
Notes payable to a bank for vehicles. Repaid during the year ended May 31, 2015.	-	29,278
Mortgage payable to a bank dated December 2014 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.	6,743,946	-
	<u>\$ 6,792,897</u>	<u>\$ 95,671</u>

Annual aggregate principal payments are as follows:

#### For the Year Ending May 31,

2016	\$ 228,144
2017	240,618
2018	243,920
2019	244,383
2020	256,009
Thereafter	<u>5,579,823</u>
	<u>\$ 6,792,897</u>

Interest expense for notes payable for the years ended May 31, 2015 and 2014 was \$157,229 and \$4,955, respectively.

### Note 6 - Bonds Payable

During 2008, the Colorado Health Facilities Authority ("COHFA") issued health facilities revenue bonds totaling \$7,905,000 on behalf of the Organization. As collateral for the bonds, the Organization entered into a loan agreement with COHFA providing a deed of trust on certain property owned in Denver, Colorado. Interest is paid semi-annually at a rate of 7.375%. Annual required principal redemptions started in February 2014 in the initial amount of \$275,000.

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

## **Notes to Consolidated Financial Statements**

### **Note 6 - Bonds Payable (continued)**

The Organization redeemed the bonds in December 2014, incurring an early redemption penalty of 3% of the bond outstanding at redemption, which amounted to \$228,902, and wrote off the remaining loan origination costs associated with the bonds of \$157,355.

Interest expense for the bonds payable for the years ended May 31, 2015 and 2014 was \$311,055 and \$577,078, respectively.

### **Note 7 - Temporarily Restricted Net Assets**

Temporarily restricted net assets as of May 31, 2015 and 2014 represent the net proceeds of donations that have been restricted by the donors to be used only for Philadelphia C.U.R.E. Community.

### **Note 8 - Non-Cash Contributions**

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

	For the Years Ended May 31,	
	2015	2014
Medical supplies	\$ 51,760,568	\$ 52,905,404
C.U.R.E. kits	747,600	1,265,200
Transportation and other	110,416	48,338
Warehouse and office rental space	<u>110,000</u>	<u>100,000</u>
	<u>\$ 52,728,584</u>	<u>\$ 54,318,942</u>

During the year ended May 31, 2015, shipments of goods exceeded non-cash goods contributed through the reduction of inventory supply. Non-cash expenses related to goods shipped exceeded non-cash contributions by \$1,898,171 during the year ended May 31, 2015.

### **Note 9 - Commitments and Contingencies**

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 2015 and 2014 was \$110,000 and \$100,000, respectively.



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

## **Notes to Consolidated Financial Statements**

### **Note 9 - Commitments and Contingencies (continued)**

The Organization also leases three warehouse spaces under operating leases expiring thorough May 2018. Rental expense under operating leases for the years ended May 31, 2015 and 2014 was \$148,481 and \$74,305, respectively. Future required payments are approximately as follows:

#### **For the Year Ending May 31,**

2016	\$ 292,000
2017	347,000
2018	<u>299,000</u>
	<u>\$ 938,000</u>

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 10 - 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, 2015 and 2014.