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

Consolidated Financial Statements
and
Independent Auditors' Report
May 31, 2016

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

Table of Contents

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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, 2016, 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, 2016, and the changes in their net assets and their 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

We have previously audited the Organization's 2015 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 2, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2015, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

EKS+H LLLP

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September 29, 2016
Denver, Colorado

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

Consolidated Statement of Financial Position

	May 31, 2016	Summarized Financial Information for May 31, 2015
Assets		
Assets		
Cash	$ 1,715,048	$ 1,249,892
Accounts receivable	367,700	169,018
Investments	12,011	416,700
Inventory	47,378,090	47,669,373
Prepaid expenses and deposits	85,435	54,020
Property held for sale	-	712,000
Property and equipment, net	6,199,609	6,371,328
Debt issuance costs, net	43,564	48,662
Total assets	$ 55,801,457	$ 56,690,993
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 320,876	$ 322,356
Accrued expenses	119,844	114,169
Notes payable	5,966,426	6,792,897
Security deposits	-	15,918
Total liabilities	6,407,146	7,245,340
Commitments and contingencies		
Net assets		
Unrestricted	49,292,583	49,170,058
Temporarily restricted	101,728	275,595
Total net assets	49,394,311	49,445,653
Total liabilities and net assets	$ 55,801,457	$ 56,690,993

See notes to consolidated financial statements.

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

Consolidated Statement of Activities

	For the Year Ended May 31, 2016	Summarized Financial Information for the Year Ended May 31, 2015
Changes in unrestricted net assets		
Revenue, gains, and support		
Contributions - in-kind (Note 7)	$ 58,304,768	$ 52,728,584
Contributions - other	4,151,369	5,019,053
Rental (loss) income, net of expenses of $84,542 (2016) and $184,284 (2015)	(7,412)	41,098
Federal government grants	1,010,852	563,448
Investment (loss) income	(811)	5,301
Gain on sale of property held for sale	204,500	-
Other income	17,954	35,427
Special events, net of expenses of $221,578 (2016) and $260,215 (2015)	366,227	476,727
	64,047,447	58,869,638
Net assets released from restrictions	223,867	-
Total revenue, gains, and support	64,271,314	58,869,638
Expenses		
Program services		
Containers and medical services - in-kind (Note 7)	58,596,051	54,406,339
Containers and medical services - other	4,252,346	4,148,010
Support services		
Management and general	293,171	673,185
Fundraising	1,007,221	1,013,628
Total expenses	64,148,789	60,241,162
Changes in unrestricted in net assets	122,525	(1,371,524)
Changes in temporarily restricted net assets		
Contributions	50,000	-
Net assets released from restrictions	(223,867)	-
Changes in temporarily restricted in net assets	(173,867)	-
Change in net assets	(51,342)	(1,371,524)
Net assets beginning of year	49,445,653	50,817,177
Net assets end of year	$ 49,394,311	$ 49,445,653

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, 2016				Summarized Financial Information
	Program Services	Support Services			
	Containers and Medical Services	Management and General	Fundraising	Total Program and Support Services	for the Year Ended May 31, 2015
Donated medical equipment and supplies	$ 58,287,154	$ -	$ -	$ 58,287,154	$ 54,185,923
Other donated costs of operations	308,897	-	-	308,897	220,416
Compensation and fringe costs	1,118,699	196,390	754,566	2,069,655	1,892,022
Accounting and audit	9,480	33,069	-	42,549	51,151
Communications	22,085	3,713	5,570	31,368	33,493
Donor development	4,445	889	167,203	172,537	147,740
Dues and professional expense	25,665	9,456	24,148	59,269	54,780
Insurance	24,301	5,168	885	30,354	28,698
Miscellaneous	-	7,073	-	7,073	60,089
Needs assessments	140,651	-	-	140,651	195,681
Occupancy - interest	306,664	4,850	7,274	318,788	518,056
Occupancy - rent, utilities, and other costs	443,313	2,186	3,279	448,778	130,762
Office supplies, computers, and printing	32,290	5,539	8,309	46,138	72,952
Operating supplies	125,676	781	4,868	131,325	91,023
Purchased medical equipment and supplies	218,048	-	-	218,048	275,605
Service programs	270,950	-	-	270,950	346,207
Shipping	1,167,315	-	-	1,167,315	1,110,048
Travel	81,617	9,290	13,935	104,842	108,732
Vehicles	77,485	3,026	3,026	83,537	87,932
Volunteer support	12,168	492	736	13,396	22,516
Depreciation	171,494	11,249	13,422	196,165	221,079
	62,848,397	293,171	1,007,221	64,148,789	59,854,905
Cost of bond redemption	-	-	-	-	386,257
	62,848,397	293,171	1,007,221	64,148,789	60,241,162
Expenses netted against revenue					
Rental expenses	-	84,542	-	84,542	184,284
Special events expenses	-	-	221,578	221,578	260,215
Totals	$ 62,848,397	$ 377,713	$ 1,228,799	$ 64,454,909	$ 60,685,661

See notes to consolidated financial statements.

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

Consolidated Statement of Cash Flows

	For the Year Ended May 31, 2016	Summarized Financial Information for the Year Ended May 31, 2015
Cash flows from operating activities		
Change in net assets	$ (51,342)	$ (1,371,524)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	232,562	257,477
Amortization	5,098	2,336
Net realized and unrealized losses on investments	3,758	107
Write-off of bond issuance costs	-	157,356
Non-cash change in inventory	291,283	1,517,369
Gain on sale of property held for sale	(204,500)	-
Donation of investments	(7,974)	(5,278)
Changes in assets and liabilities		
Accounts receivable	(198,682)	(25,658)
Prepaid expenses and deposits	(31,415)	(2,956)
Accounts payable	(1,480)	(53,689)
Accrued expenses	5,675	(81,771)
Security deposits	(15,918)	-
Net cash provided by operating activities	27,065	393,769
Cash flows from investing activities		
Sale (purchases) of investments - net	408,905	(3,479)
Purchase of property and equipment	(60,843)	(68,294)
Net proceeds from disposal of property held for sale	916,500	-
Change in restricted cash	-	1,078,226
Net cash provided by investing activities	1,264,562	1,006,453
Cash flows from financing activities		
Payments of long-term debt	(826,471)	(932,772)
Loan origination fees	-	(51,000)
Net cash used in financing activities	(826,471)	(983,772)
Net increase in cash	465,156	416,450
Cash at beginning of year	1,249,892	833,442
Cash at end of year	$ 1,715,048	$ 1,249,892

Supplemental disclosure of cash flow information:

Interest paid was $322,923 and $603,765 for the years ended May 31, 2016 and 2015, 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.

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, 2016, the Organization either owned or leased warehouses in Colorado, Florida, 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 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, 2015, 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, 2016, the Organization had no permanently restricted assets.

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, 2016 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 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 Held for Sale

The Organization had vacant land in Nashville held for sale that was sold during the current fiscal year. As a result of the sale, the Organization recognized a gain of $204,500 during the year ended May 31, 2016.

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. Accumulated amortization as of May 31, 2016 and 2015 totaled $7,434 and $2,336, respectively.

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

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 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.

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, 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 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, 2016 and 2015. 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, 2016 and 2015.

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, noting none requiring disclosure.

Note 2 - Investments

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

	May 31, 2016	May 31, 2015
Stock	$ 12,011	$ 5,190
Mutual funds	-	103,970
Certificates of deposits	-	307,540
Total	$ 12,011	$ 416,700

Investment (loss) income consists of the following:

	For the Years Ended May 31, 2016	For the Years Ended May 31, 2015
Interest and dividend income	$ 3,256	$ 6,570
Net realized and unrealized losses	(3,758)	(107)
Investment fees	(309)	(1,162)
Total investment (loss) income	$ (811)	$ 5,301

Note 3 - 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;

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.

Note 3 - Fair Value Measurements (continued)

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

Stock and 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 methodology during the year.

Note 4 - Property and Equipment

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

	May 31, 2016	May 31, 2015
Land	$ 1,178,000	$ 1,178,000
Buildings and improvements	6,628,932	6,628,932
Equipment and furnishings	246,971	246,131
Vehicles	322,971	319,288
	8,376,874	8,372,351
Less accumulated depreciation	(2,177,265)	(2,001,023)
Property and equipment, net	$ 6,199,609	$ 6,371,328

Note 5 - Notes Payable

The Organization's notes payable consist of the following:

	May 31, 2016	May 31, 2015
Note payable to a bank for a vehicle. Repaid during the year ended May 31, 2016.	$ -	$ 20,477
Note payable to a bank for a vehicle. Repaid during the year ended May 31, 2016.	-	28,474
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.	5,966,426	6,743,946
	$ 5,966,426	$ 6,792,897

Note 5 - Notes Payable (continued)

Annual aggregate principal payments are as follows:

For the Year Ending May 31,	
2017	$ 249,034
2018	263,827
2019	277,186
2020	291,223
2021	305,970
Thereafter	4,579,186
	$ 5,966,426

Note 6 - Temporarily Restricted Net Assets

Temporarily restricted net assets as of May 31, 2016 and 2015 represent the net proceeds of donations that have been restricted by the donors to be used only for the Philadelphia C.U.R.E. Community.

Note 7 - Non-Cash Contributions

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

	For the Years Ended May 31,	
	2016	2015
Medical supplies	$ 57,081,871	$ 51,760,568
C.U.R.E. kits	914,000	747,600
Transportation and other	88,897	110,416
Warehouse and office rental space	220,000	110,000
	$ 58,304,768	$ 52,728,584

During the year ended May 31, 2016, shipments of goods exceeded non-cash goods contributed through the reduction of inventory supply. Non-cash revenues related to goods shipped exceeded non-cash expenses by $291,283 during the year ended May 31, 2016. Non-cash expenses related to goods shipped exceeded non-cash revenues by $1,677,755 during the year ended May 31, 2015.

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, 2016 and 2015 was $220,000 and $110,000, respectively.

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, 2016 and 2015 was $332,567 and $148,481, respectively. Future required payments are approximately as follows:

For the Year Ending May 31,	
2017	$ 347,000
2018	299,000
	$ 646,000

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, 2016 and 2015.