

CURE INTERNATIONAL, INC.

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

JUNE 30, 2011

CURE INTERNATIONAL, INC.

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TAIT, WELLER & BAKER LLP
Certified Public Accountants

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**The Board of Directors
Cure International, Inc.
Lemoyne, Pennsylvania**

We have audited the accompanying statement of financial position of Cure International, Inc. as of June 30, 2011, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Cure International, Inc.'s 2010 financial statements and, in our report dated January 19, 2011, we expressed an unqualified opinion.

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 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 audit provides 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 Cure International, Inc. as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Tait, Weller & Baker LLP

**Philadelphia, Pennsylvania
January 12, 2012**

CURE INTERNATIONAL, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,431,819	\$ 6,359,071
Investments (Note 2)	290,886	270,090
Contributions receivable (Note 5)	2,132,350	4,907,172
Prepaid expenses and other assets	1,381,974	951,799
Accounts receivable – U.S. Government	152,262	268,862
Patient and other receivables, net (Note 6)	<u>5,784,042</u>	<u>5,757,010</u>
Total current assets	<u>17,173,333</u>	<u>18,514,004</u>
Inventory of donated medical equipment and supplies	<u>12,253,983</u>	<u>13,696,670</u>
Buildings and equipment, net of accumulated depreciation of \$11,588,421 in 2011 and \$7,615,877 in 2010 (Note 4)	51,217,548	32,701,167
Contributions receivable (Note 5)	-	459,516
Beneficial interest in remainder trusts (Note 7)	<u>1,320,439</u>	<u>1,272,793</u>
	<u>52,537,987</u>	<u>34,433,476</u>
Total assets	<u>\$ 81,965,303</u>	<u>\$ 66,644,150</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Lines of credit (Note 8)	\$ 1,186,541	\$ -
Accounts payable and accrued expenses	8,660,300	7,654,250
Current portion of notes payable (Note 9)	<u>607,262</u>	<u>394,693</u>
Total current liabilities	<u>10,454,103</u>	<u>8,048,943</u>
LONG-TERM DEBT (Note 9)	<u>949,052</u>	<u>306,235</u>
Total liabilities	<u>11,403,155</u>	<u>8,355,178</u>
NET ASSETS		
Unrestricted		
Operations	51,753,169	34,855,981
Donated medical equipment and supplies	<u>12,253,983</u>	<u>13,696,670</u>
Total unrestricted	64,007,152	48,552,651
Temporarily restricted (Note 10)	<u>6,554,996</u>	<u>9,736,321</u>
Total net assets	<u>70,562,148</u>	<u>58,288,972</u>
Total liabilities and net assets	<u>\$ 81,965,303</u>	<u>\$ 66,644,150</u>

CURE INTERNATIONAL, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2011 with Summarized Information for 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2011 Totals</u>	<u>2010 Totals</u>
SUPPORT AND REVENUE				
Contributions	\$ 5,940,770	\$ 7,891,829	\$ 13,832,599	\$ 15,930,457
Contributions – In-Kind (Note 11)	19,067,739	-	19,067,739	9,173,500
Contributions – donated use of facilities and land	643,291	-	643,291	643,291
Government grants	1,675,629	-	1,675,629	1,359,330
Interest and dividends	46,054	-	46,054	26,511
Realized and unrealized loss in investments	20,796	-	20,796	31,895
Gain on Sale of Land	348,833	-	348,833	-
Hospital management fees	1,012,818	-	1,012,818	384,803
Patient revenue and other income (Note 6)	<u>30,925,944</u>	<u>-</u>	<u>30,925,944</u>	<u>29,961,247</u>
Total	<u>59,681,874</u>	<u>7,891,829</u>	<u>67,573,703</u>	<u>57,511,034</u>
Net assets released from restrictions (Note 10)	<u>11,120,800</u>	<u>(11,120,800)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>70,802,674</u>	<u>(3,228,971)</u>	<u>67,573,703</u>	<u>57,511,034</u>
EXPENSES				
Program Services	<u>51,359,479</u>	<u>-</u>	<u>51,359,479</u>	<u>52,788,159</u>
Supporting Services				
Administration	619,579	-	619,579	587,863
Fund-raising	<u>2,336,864</u>	<u>-</u>	<u>2,336,864</u>	<u>2,750,353</u>
Total supporting services	<u>2,956,443</u>	<u>-</u>	<u>2,956,443</u>	<u>3,338,216</u>
Total expenses	<u>54,315,922</u>	<u>-</u>	<u>54,315,922</u>	<u>56,126,375</u>
OTHER CHANGES				
Change in value – trusts (Note 7)	-	47,646	47,646	(10,956)
Reduction of value of inventory due to obsolescence	(676,962)	-	(676,962)	-
Unrealized exchange loss on consolidation (Note 1)	<u>(355,289)</u>	<u>-</u>	<u>(355,289)</u>	<u>(1,281,942)</u>
CHANGE IN NET ASSETS	15,454,501	(3,181,325)	12,273,176	91,761
NET ASSETS				
Beginning of year	<u>48,552,651</u>	<u>9,736,321</u>	<u>58,288,972</u>	<u>58,197,211</u>
End of year	<u>\$64,007,152</u>	<u>\$ 6,554,996</u>	<u>\$70,562,148</u>	<u>\$58,288,972</u>

CURE INTERNATIONAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2011 with Summarized Information for 2010

	<u>Program Services</u>	<u>Administration</u>	<u>Fund- Raising</u>	<u>2011 Totals</u>	<u>2010 Totals</u>
Salaries and benefits	\$ 24,787,563	\$ 317,844	\$ 1,096,767	\$ 26,202,174	\$ 22,589,188
Hospital operating costs and other grant support (includes in-kind materials and facilities/land of \$4,537,466 in 2011 and \$11,339,750 in 2010)	20,949,420	-	33,051	20,982,471	28,204,391
Office rent and other expenses	66,359	36,949	-	103,308	102,407
Office supplies and equipment	16,717	20,751	24,237	61,705	65,784
Printing, postage and video production	117,078	17,120	447,101	581,299	1,003,403
Professional fees	283,168	64,904	381,367	729,439	684,575
Telephone expense	19,292	49,465	16,853	85,610	79,178
Travel, meetings and seminars	866,658	99,564	303,405	1,269,627	825,906
Bank fees	64	3,838	21,924	25,826	4,327
Depreciation expense	4,252,469	2,476	12,104	4,267,049	2,565,851
Miscellaneous	<u>691</u>	<u>6,668</u>	<u>55</u>	<u>7,414</u>	<u>1,365</u>
Total expenses	<u>\$ 51,359,479</u>	<u>\$ 619,579</u>	<u>\$ 2,336,864</u>	<u>\$ 54,315,922</u>	<u>\$ 56,126,375</u>

CURE INTERNATIONAL, INC.

STATEMENT OF CASH FLOWS

Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 12,273,176	\$ 91,761
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities</i>		
Depreciation and amortization	4,267,049	2,565,851
Gain on Sale of land	(348,833)	-
Gift-in-kind	(18,767,739)	(8,873,500)
Unrealized loss on foreign exchange rates	383,508	1,281,942
Change in beneficial interest in trusts	(47,646)	10,956
Realized and unrealized gain on investments	(20,796)	(31,895)
(Increase) decrease in assets		
Prepaid and other assets	(430,175)	(230,599)
Patient and other receivables	(27,032)	(1,074,330)
Contributions receivable	(1,234,582)	(851,586)
Inventory of donated medical equipment and supplies	4,981,533	11,052,016
Accounts receivable – U.S. Government	116,600	149,389
Increase in liabilities		
Accounts payable and accrued expenses	<u>1,006,050</u>	<u>1,696,415</u>
Net cash provided by operating activities	<u>2,151,113</u>	<u>5,786,420</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of buildings and equipment	(4,376,783)	(5,762,698)
Proceeds from the sales of investments	-	942
Proceeds from the sale of land	<u>1,256,491</u>	<u>-</u>
Net cash used in investing activities	<u>(3,120,292)</u>	<u>(5,761,756)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds on lines of credit	1,186,541	-
Proceeds from debt issuance	1,250,000	618,178
Payments made on debt	<u>(394,614)</u>	<u>(393,503)</u>
Net cash provided by financing activities	<u>2,041,927</u>	<u>224,675</u>
Net (decrease) increase in cash and cash equivalents	1,072,748	249,339
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>6,359,071</u>	<u>6,109,732</u>
End of year	<u>\$ 7,431,819</u>	<u>\$ 6,359,071</u>

CURE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES

Cure International, Inc. ("**CURE**") is a not-for-profit, interdenominational Christian organization that establishes hospitals and medical programs in developing countries with a primary focus on the physically disabled child. CURE is devoted to implementing "Centers of Excellence", bringing the latest techniques in cost effective medical care and organization to developing countries with a focus on excellence in patient care, compassion, training and in the quality of equipment and facilities. To that end, CURE has four main areas of focus; hospital management; financial support and partnering; sending key personnel; and training local doctors, nurses, and administrators.

BASIS OF PRESENTATION

The financial statements include the accounts of CURE and its controlled (through the Board of Directors and economic interest) hospital organizations. The hospital organizations controlled by CURE are the Children's Orthopedic Hospital of Uganda ("**Uganda**"), Beit Trust Cure Hospital ("**Malawi**"), Beit - CURE Hospital ("**Zambia**"), Cure International Center for Orthopedic Specialties ("**Dominican Republic**"), AIC CURE Hospital of Kenya ("**AIC CURE**"), Oasis Hospital in the United Arab Emirates ("**UAE**"), CURE International Ethiopia Children's Hospital ("**Ethiopia**"), CURE International Honduras ("**Honduras**") and CURE Hospital des Enfants au Niger ("**Niger**"). These hospital organizations own and operate hospital facilities within the respective countries. CURE operates a hospital in Kabul, Afghanistan at a facility owned by the government (*See Note 4*). All significant intercompany accounts and transactions have been eliminated.

The financial statements are presented in U.S. dollars. The financial records of these controlled organizations are kept in local currencies. Assets, liabilities and net assets are translated at year-end rates of exchange and revenue and expenses are translated at the average rates of exchange during the year. Since the hospitals are located primarily in developing countries, the value of the local currencies is subject to a greater degree of change and, therefore, could result in significant exchange gains (losses).

ACCOUNTING ESTIMATES

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

SUBSEQUENT EVENTS

Subsequent events after the balance sheet through the date that the financial statements were available for issuance, January 12, 2012, have been evaluated in the preparation of the financial statements.

ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services.

CURE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include money market funds and certificates of deposit with maturities of three months or less.

CONCENTRATION OF CREDIT RISK

CURE has exposure to credit risk associated with patient receivables, primarily related to UAE (see "*Patient Revenue and Receivables*"). In addition, CURE occasionally maintains deposits in excess of federally insured limits in the United States. Accounting Standards Codification ("*ASC*") 825, "*Financial Instruments*" identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by monitoring the financial institutions in which the deposits are made.

INVESTMENTS

CURE records its investments in securities at fair value.

BUILDINGS AND EQUIPMENT

Property, plant and equipment are recorded at cost. Buildings and equipment are depreciated over their estimated useful lives using the straight-line method of depreciation – 5 to 30 years.

DONATED MEDICAL EQUIPMENT, SUPPLIES AND FACILITIES

Inventory of donated medical equipment and supplies and the cost of donated construction services for the Hospital in the UAE (*See Note 4*) are valued at the estimated fair value at date of receipt. Donated supplies are removed from inventory at the time of use or at the time of shipment to partner agencies of such goods at values assigned on the date of receipt. Donated medical equipment is amortized over the estimated useful life after commencement of use of such equipment based on the assigned value on date of receipt. CURE has also received, at no cost, the use of a hospital building and parcels of land to construct hospital buildings. These contributed facilities and land are recognized at the estimated fair rental value of such property.

NET ASSETS

CURE reports its resources, according to externally (donor) imposed restrictions, in the following net asset categories.

Unrestricted net assets include the following:

- ◆ *Operations* – Net assets attributable to operations include the revenues and expenses associated with the principal mission of CURE.
- ◆ *Donated Medical Equipment and Supplies* – Donated medical equipment and supplies are stated at fair value on the date of gift.

Temporarily restricted net assets include gifts for which donor-imposed restrictions have not been met.

CURE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2011 and 2010

CONTRIBUTIONS

CURE records unconditional promises to give (pledges) as a receivable and revenue in the year pledged net of the discount to present value of the future cash flows. Gifts of cash and other assets are reported 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 of the restriction is accomplished, temporarily restricted net assets are then classified to unrestricted net assets and reported in the statement of activities as “*net assets released from restrictions.*”

PATIENT REVENUE AND RECEIVABLES

Patient revenue is recorded at the estimated net realizable amounts from patients, third-party payors, government assistance programs and others when the service is rendered. Additions to the allowance for doubtful accounts are made by means of the provision for doubtful accounts. Accounts written off as uncollectible are deducted from the allowance for doubtful accounts and subsequent recoveries are added. The amount of the provision for doubtful accounts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in local government and private employer health care coverage and other collection indicators.

U.S. GOVERNMENT GRANTS

CURE records revenue when expenditures are incurred under U.S. Government grants or other exchange transactions.

INCOME TAXES

Under provisions of the Internal Revenue Code Section 501(c)(3) and the applicable income tax regulations, CURE is exempt from taxes on income. Therefore, no provision for income taxes has been made.

Management has reviewed the tax positions for each of the open tax years (2008-2010) or expected to be taken in CURE's 2011 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

RECLASSIFICATIONS

Certain reclassifications were made to the 2010 financial statements to conform to the 2011 presentation.

PRIOR YEAR INFORMATION

The 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 presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with CURE's audited financial statements for the year ended June 30, 2010, from which the summarized information was derived.

CURE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2011 and 2010

(2) INVESTMENTS

Investments at June 30 consisted of the following:

	2011		2010	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Mutual Fund	\$ 172,750	\$ 166,304	\$ 172,750	\$ 151,832
Common Stock	<u>262,151</u>	<u>124,582</u>	<u>262,151</u>	<u>118,258</u>
	<u>\$ 434,901</u>	<u>\$ 290,886</u>	<u>\$ 434,901</u>	<u>\$ 270,090</u>

(3) FAIR VALUE OF FINANCIAL INSTRUMENTS

CURE utilized various methods to measure the fair value of investments on a recurring basis. Generally accepted accounting principles establish a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Organization's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The summary of inputs used to value CURE's various financial instruments as of June 30, 2011 and 2010 is as follows:

	2011			
	<u>Total</u>	<u>Level 1 Quoted Prices</u>	<u>Level 2 Other Significant Observable Inputs</u>	<u>Level 3 Significant Unobservable Inputs</u>
Investments				
Money Market	\$ 166,304	\$ 166,304	\$ -	\$ -
Common Stock	<u>124,582</u>	<u>124,582</u>	<u>-</u>	<u>-</u>
	<u>\$ 290,886</u>	<u>\$ 290,886</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial Interest in Remainder Trusts	<u>\$ 1,320,439</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,320,439</u>

CURE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2011 and 2010

	<u>2010</u>			
	<u>Total</u>	<u>Level 1 Quoted Prices</u>	<u>Level 2 Other Significant Observable Inputs</u>	<u>Level 3 Significant Unobservable Inputs</u>
Investments				
Mutual Fund	\$ 151,832	\$ 151,832	\$ -	\$ -
Common Stock	<u>118,258</u>	<u>118,258</u>	<u>-</u>	<u>-</u>
	<u>\$ 270,090</u>	<u>\$ 270,090</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial Interest in Remainder Trusts	<u>\$ 1,272,793</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,272,793</u>

The changes in the Beneficial Interest in Remainder Trusts measured at fair value for which CURE used Level 3 inputs to determine fair value are as follows:

	<u>2011</u>	<u>2010</u>
Beginning balance	\$ 1,272,793	\$ 1,283,749
Realized/unrealized losses – net/change in valuation	<u>47,646</u>	<u>(10,956)</u>
Ending balance	<u>\$ 1,320,439</u>	<u>\$ 1,272,793</u>

The beneficial interest in remainder trusts is measured at the estimated future cash flows which involve unobservable inputs. As a result, these present value techniques are Level 3 inputs.

(4) BUILDINGS AND EQUIPMENT

Buildings and equipment consist of the following at June 30:

	<u>2011</u>	<u>2010</u>
U.S. Headquarters		
Land and building	\$ 594,125	\$ 574,998
Furniture and equipment	418,880	389,220
Overseas Hospitals		
Land and building	22,443,817	11,399,327
Furniture and equipment	16,098,357	13,664,512
Hospitals and additions to hospitals under construction	<u>23,250,790</u>	<u>14,288,987</u>
	62,805,969	40,317,044
Less accumulated depreciation	<u>11,588,421</u>	<u>7,615,877</u>
	<u>\$ 51,217,548</u>	<u>\$ 32,701,167</u>

Hospitals owned by CURE in Kenya, Malawi, Niger and Uganda operate under ground leases which expire between 2048 and 2099. In addition, CURE operates a hospital in Afghanistan provided by the Government of Afghanistan.

CURE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2011 and 2010

The Government of the United Arab Emirates approved a grant in the amount of \$83,004,490 (305 million Dhs.) to the General Health Authority for the hospital construction project of UAE. The construction project and related costs are subject to the approval of the Project Committee, established by the Government of the United Arab Emirates. Once approved, funds are transmitted to the various vendors for the related contract costs. As such, UAE records the construction costs and the related contribution in-kind when such expenses have been incurred. For the year ended June 30, 2010, CURE recorded \$19,596,183 (cumulative amount recorded \$30,724,249) of donated construction services which is included in Contributions – donated medical equipment and supplies and services in the Statement of Activities and Changes in Net Assets.

(5) CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are included in the financial statements as contributions receivable. These contributions receivable are recorded after discounting to the present value of the future cash flows. The contributions receivable are expected to be realized as follows:

	<u>2011</u>	<u>2010</u>
In less than one year	\$ 2,132,350	\$ 4,907,172
One to five years	<u>-</u>	<u>495,228</u>
Contributions receivable	2,132,350	5,402,400
Less: discount to present value (5%)	<u>-</u>	<u>(35,712)</u>
	<u>\$ 2,132,350</u>	<u>\$ 5,366,688</u>

At June 30, 2010, 83% of the contributions receivable (\$4,431,505) represented a pledge for donated hardware and hospital management software to the UAE (*See Note 10*).

(6) PATIENT AND OTHER RECEIVABLES, NET

Approximately 85% of patients in the UAE have insurance coverage. As of June 30, 2011 and 2010, the patient receivables were net of allowance for doubtful amounts of \$422,404 and \$605,038, respectively. Approximately 86% (\$26,050,103) of the patient revenue was earned by UAE.

(7) BENEFICIAL INTEREST IN REMAINDER TRUSTS

CURE is the beneficiary of two charitable remainder unitrusts gifted by related parties. These agreements provide for payment of distributions to the grantors over their lifetimes. At the end of the term, the remaining assets will be distributed to CURE. The present value of assets to be received by CURE totaled \$1,320,439 and \$1,272,793 at June 30, 2011 and 2010, respectively.

CURE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2011 and 2010

(8) LINES OF CREDIT

UAE has a \$1,361,396 (AED 5 million) line of credit with a commercial bank in Abu Dhabi, United Arab Emirates. Outstanding balances are subject to an interest rate of 5% over the 3 month Emirates Bank Offering Rate (EBOR) with a minimum interest rate of 9%. Any amounts drawn are payable on demand by the bank. The agreement is renewable on May 31 of each year. At June 30, 2011, \$1,089,117 was outstanding on this line of credit. No amounts were outstanding at June 30, 2010.

Additionally, UAE has a \$1,361,396 (AED 5 million) cash overdraft facility agreement with the same bank where interest is charged at a rate of 2% above the highest interest rate earned on UAE's fixed deposits with the bank on the facility balance up to UAE's fixed deposit balance. For the facility balance in excess of the fixed deposit balance, interest is charged at a rate of 3% above the 3 month EBOR with a minimum interest rate of 9%. The agreement is renewable on May 31 of each year. \$97,424 (AED 357,809) was outstanding on this facility at June 30, 2011 and was below the fixed deposit balance. This facility is secured by a fixed deposit at the bank which had a balance of \$728,075 at June 30, 2011. No amounts were outstanding at June 30, 2010.

(9) NOTES PAYABLE

A summary of CURE's notes payable at June 30, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
(A) UAE – Term Loan	\$ -	\$ 204,154
(B) UAE – Term Loan (Equipment)	306,314	496,774
(C) Note Payable – Foundation	<u>1,250,000</u>	<u>-</u>
	<u>\$ 1,556,314</u>	<u>\$ 700,928</u>

(A) UAE – Term Loan

In 2009, UAE executed a term loan with a commercial bank in Abu Dhabi, United Arab Emirates. The loan matured on March 31, 2011 and carried an interest rate of 3% over the 3 month EBOR with a minimum rate of 7.5%.

(B) UAE – Term Loan (Equipment)

In 2010, UAE exercised its option on a \$544,558 (AED 2 million) term loan with a commercial bank in Abu Dhabi, United Arab Emirates for the purchase of new machinery and equipment. Outstanding balances carry an interest rate of 5% over the 3 month EBOR with a minimum rate of 9%. The loan matures January 19, 2013 and is payable in quarterly installments of \$47,649 (AED 175,000). Interest that accrues on the loan is due with the last installment.

(C) Note Payable - Foundation

CURE had a \$1,500,000, unsecured note payable with a foundation which expired on June 30, 2011. The outstanding balance of \$1,250,000 at June 30, 2011 is due in 36 equal installments of \$34,722 commencing July 1, 2011. Interest of 5% on any outstanding borrowings will be charged after June 30, 2014. No interest will be charged up to June 30, 2014. There were no outstanding borrowings at June 30, 2010. Effective October 31, 2011, \$500,000 of this outstanding balance was forgiven by the foundation due to matching requirements being met in connection with a fund-raising event conducted by CURE.

CURE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2011 and 2010

Maturity of these notes is as follows:

<u>Year Ending</u>	
June 30, 2012	\$ 607,262
June 30, 2013	532,386
June 30, 2014	<u>416,666</u>
	1,556,314
Less: current portion	<u>(607,262)</u>
	<u>\$ 949,052</u>

(10) NET ASSETS

Temporarily restricted net assets at June 30, 2011 and 2010 are available for the following purpose:

	<u>2011</u>	<u>2010</u>
Hospital construction and equipment	\$ 1,948,017	\$ 1,915,395
Hospital operations	777,984	1,011,811
Clubfoot programs	138,701	169,634
Hydrocephalus program	237,505	-
Use in future periods – charitable remainder trusts	1,320,439	1,272,793
Pledges receivable	<u>2,132,350</u>	<u>5,366,688</u>
	<u>\$ 6,554,996</u>	<u>\$ 9,736,321</u>

During the year ended June 30, 2011, net assets were released from donor restrictions by incurring expenses for missionary, program and capital expenditures of \$5,814,078, release of time restrictions of \$838,183 on pledges receivable and a pledge reversal of \$4,468,539

(11) CONTRIBUTIONS – DONATED MEDICAL EQUIPMENT AND SUPPLIES AND SERVICES

Contributions of donated medical equipment and supplies and services consist of the following at June 30:

	<u>2011</u>	<u>2010</u>
Medical and hospital equipment and supplies	\$ 3,640,476	\$ 1,983,962
Administrative services	300,000	300,000
Construction costs (Hospital in UAE)	19,596,183	6,889,538
Reversal of pledge for software and equipment to be donated (UAE)	<u>(4,468,920)</u>	<u>-</u>
	<u>\$ 19,067,739</u>	<u>\$ 9,173,500</u>

During 2011, management evaluated the remaining software and equipment to be provided under a pledge from a donor and determined that no additional items were usable by the hospital in the UAE, resulting in the reversal of the remaining pledge.

CURE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2011 and 2010

(12) PENSION PLANS

CURE has a Simplified Employee Pension Plan covering all employees, excluding foreign nationals, who have attained the age of 21 and have completed six months of service. CURE makes contributions to the plan on a discretionary basis based on a percentage of the employees compensation established by the Board of Directors. Total expense charged for contributions to the plan was approximately \$198,000 and \$86,000 for the years ended June 30, 2011 and 2010, respectively. In addition, CURE also has a 403(b) plan for its U.S. employees. CURE does not contribute to this plan.

CURE hospitals also contribute to various retirement plans established locally.

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