



**CURE INTERNATIONAL, INC.
AND SUBSIDIARIES**

Consolidated Financial Statements
With Independent Auditors' Report

June 30, 2019 and 2018

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

Board of Directors
CURE International, Inc. and Subsidiaries
Spring Lake, Michigan

We have audited the accompanying consolidated financial statements of Cure International, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years 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 audits. We did not audit the financial statements of Oasis Hospital in the United Arab Emirates, which reflect total assets constituting 59 percent and 60 percent of consolidated assets at June 30, 2019 and 2018, respectively, and consolidated revenues constituting 58 percent and 55 percent, respectively, for the years then ended. Those statements were audited by other auditors whose report has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the operations at Oasis Hospital in the United Arab Emirates, is based solely on the report of other auditors. We conducted our audits 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 auditor's 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 auditor considers 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.

Board of Directors
CURE International, Inc. and Subsidiaries
Spring Lake, Michigan

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CURE International, Inc. and Subsidiaries as of June 30, 2019 and 2018, and the changes in their consolidated net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, CURE International, Inc. and Subsidiaries has adopted Financial Accounting Standards Board (FASB) Accounting Standards Updates (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*; No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*; and No. 2014-09, *Revenue from Contracts with Customers*. These adoptions had a material effect on the presentation of the June 30, 2019 and 2018, consolidated financial statements. Our opinion is not modified with respect to this matter.

Capin Crouse LLP

Grand Rapids, Michigan
November 25, 2019

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Consolidated Statements of Financial Position

	June 30,	
	2019	2018
ASSETS:		
Cash and cash equivalents	\$ 7,833,785	\$ 9,328,898
Patient and other receivables, net	15,067,597	10,214,763
Contributions receivable - pledges, net	3,111,427	5,585,825
Prepaid expenses and other assets	1,517,589	1,463,456
Inventory	2,519,212	2,925,453
Assets held for sale	454,004	454,004
Contributions receivable - land leases, net	23,823,015	23,925,994
Land, buildings, and equipment, net	68,149,891	78,308,320
 Total Assets	 \$ 122,476,520	 \$ 132,206,713
 LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 13,335,633	\$ 11,345,133
Deferred revenue	6,343,921	6,507,744
Severance payable	4,463,361	2,671,125
Notes payable	6,188,603	7,741,118
Total liabilities	30,331,518	28,265,120
 Net assets:		
Net assets without donor restrictions	63,901,821	71,599,768
Net assets with donor restrictions	28,243,181	32,341,825
Total net assets	92,145,002	103,941,593
 Total Liabilities and Net Assets	 \$ 122,476,520	 \$ 132,206,713

See notes to consolidated financial statements

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Consolidated Statements of Activities

	Year Ended June 30,					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 12,113,606	\$ 12,373,624	\$ 24,487,230	\$ 8,526,668	\$ 14,908,698	\$ 23,435,366
Gift-in-kind contributions	1,318,697	-	1,318,697	1,654,828	-	1,654,828
Government grants	267,256	-	267,256	884,459	-	884,459
Patient revenue, net	47,707,503	-	47,707,503	41,360,400	-	41,360,400
Other income	1,454,228	-	1,454,228	1,677,508	-	1,677,508
Total revenue and support	62,861,290	12,373,624	75,234,914	54,103,863	14,908,698	69,012,561
NET ASSETS RELEASED FROM:						
Purpose restrictions	10,084,856	(10,084,856)	-	5,308,736	(5,308,736)	-
Time restrictions	6,387,412	(6,387,412)	-	7,911,717	(7,911,717)	-
Total Revenue, Support, and Reclassifications	79,333,558	(4,098,644)	75,234,914	67,324,316	1,688,245	69,012,561
EXPENSES:						
Program services	72,533,023	-	72,533,023	67,444,145	-	67,444,145
Supporting services						
General and administration	9,453,370	-	9,453,370	9,529,293	-	9,529,293
Fund-raising	4,847,563	-	4,847,563	3,991,686	-	3,991,686
Total supporting services	14,300,933	-	14,300,933	13,520,979	-	13,520,979
Total Expenses	86,833,956	-	86,833,956	80,965,124	-	80,965,124
Change in Net Assets Before Cumulative Translation Adjustments	(7,500,398)	(4,098,644)	(11,599,042)	(13,640,808)	1,688,245	(11,952,563)
Cumulative Translation Adjustments	(197,549)	-	(197,549)	(1,672,553)	-	(1,672,553)
Change in Net Assets	(7,697,947)	(4,098,644)	(11,796,591)	(15,313,361)	1,688,245	(13,625,116)
Net Assets, Beginning of Year	71,599,768	32,341,825	103,941,593	86,913,129	30,653,580	117,566,709
Net Assets, End of Year	\$ 63,901,821	\$ 28,243,181	\$ 92,145,002	\$ 71,599,768	\$ 32,341,825	\$ 103,941,593

See notes to consolidated financial statements

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Consolidated Statement of Functional Expenses Year Ended June 30, 2019

	Program Services	Supporting Activities		Total Supporting Activities	Total Expenses
		General and Administrative	Fund-raising		
Salaries and benefits	\$ 36,345,442	\$ 4,709,732	\$ 1,866,840	\$ 6,576,572	\$ 42,922,014
Depreciation and amortization	10,237,170	1,593,049	-	1,593,049	11,830,219
Hospital supplies	10,203,133	-	-	-	10,203,133
Office rent and occupancy	5,820,416	899,521	123,890	1,023,411	6,843,827
Grants to other organizations	3,917,585	-	-	-	3,917,585
Professional fees	2,658,527	421,551	755,911	1,177,462	3,835,989
Travel, meetings and seminars	1,509,387	361,101	1,046,597	1,407,698	2,917,085
Printing, postage, and video production	293,436	1,906	845,179	847,085	1,140,521
Miscellaneous	988,482	26,981	66,285	93,266	1,081,748
Interest	-	955,719	-	955,719	955,719
Office supplies and equipment	455,637	246,950	142,861	389,811	845,448
Bank fees	31,520	167,724	-	167,724	199,244
Bad debt	72,288	69,136	-	69,136	141,424
	<u>\$ 72,533,023</u>	<u>\$ 9,453,370</u>	<u>\$ 4,847,563</u>	<u>\$ 14,300,933</u>	<u>\$ 86,833,956</u>

See notes to consolidated financial statements

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Consolidated Statement of Functional Expenses Year Ended June 30, 2018

	Program Services	Supporting Activities		Total Supporting Activities	Total Expenses
		General and Administrative	Fund-raising		
Salaries and benefits	\$ 31,315,510	\$ 3,857,460	\$ 1,602,690	\$ 5,460,150	\$ 36,775,660
Depreciation and amortization	12,759,717	2,115,503	5,851	2,121,354	14,881,071
Hospital supplies	8,812,264	-	-	-	8,812,264
Office rent and other	5,840,976	1,296,485	10,907	1,307,392	7,148,368
Professional fees	3,290,546	812,994	755,040	1,568,034	4,858,580
Grants to other organizations	3,033,234	-	-	-	3,033,234
Travel, meetings and seminars	1,500,169	269,714	952,785	1,222,499	2,722,668
Office supplies and equipment	223,436	339,686	179,368	519,054	742,490
Printing, postage, and video production	218,833	25,251	452,945	478,196	697,029
Interest	14,306	456,018	-	456,018	470,324
Telephone	219,562	147,561	11,602	159,163	378,725
Bank fees	31,930	165,168	19,368	184,536	216,466
Miscellaneous	183,662	10,683	1,130	11,813	195,475
Bad debt	-	32,770	-	32,770	32,770
	<u>\$ 67,444,145</u>	<u>\$ 9,529,293</u>	<u>\$ 3,991,686</u>	<u>\$ 13,520,979</u>	<u>\$ 80,965,124</u>

See notes to consolidated financial statements

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Year Ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (11,796,591)	\$ (13,625,116)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	11,830,219	14,881,071
Change in allowance for doubtful accounts	1,223,469	(611,015)
Foreign currency translation adjustment	197,549	1,672,553
Contributions restricted for long term purposes	(1,357,096)	(2,543,770)
Loss on disposal of buildings and equipment, net	39,978	53,320
Changes in:		
Patient and other receivables, net	(6,122,349)	(2,912,407)
Contributions receivable, net	3,227,377	(469,905)
Prepaid expenses and other assets	(85,645)	316,557
Inventory	208,167	(369,660)
Accounts payable and accrued expenses	1,573,421	1,558,725
Deferred revenue	(165,018)	(352,861)
Severance payable	2,421,113	(585,695)
Net Cash Provided (Used) By Operating Activities	1,194,594	(2,988,203)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of buildings and equipment, net	(2,922,798)	(4,265,971)
Proceeds from sale of buildings and equipment, net	855,373	2,071,275
Net Cash Used By Investing Activities	(2,067,425)	(2,194,696)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds on notes payable	-	4,854,632
Payments made on notes payable	(1,553,936)	(2,809,381)
Contributions received for long term purposes	707,096	2,543,770
Net Cash Provided (Used) By Financing Activities	(846,840)	4,589,021
Effect of Exchange Rate on Cash	224,558	1,001,768
Change in Cash and Cash Equivalents	(1,495,113)	407,890
Cash and Cash Equivalents, Beginning of Year	9,328,898	8,921,008
Cash and Cash Equivalents, End of Year	\$ 7,833,785	\$ 9,328,898
SUPPLEMENTAL INFORMATION:		
Cash paid for interest	\$ 955,719	\$ 470,324

See notes to consolidated financial statements

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

1. NATURE OF ORGANIZATION:

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. CURE is a not-for-profit corporation and has been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code (IRC). In addition CURE is not classified as a private foundation within the meaning of Section 509(c) of the IRC.

2. SIGNIFICANT ACCOUNTING POLICIES:

CURE maintains its accounts and prepares its consolidated financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The preparation of the 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, disclosures of any contingent assets and liabilities at the date of the consolidated financial statements, and the reported revenues and expenses during the reporting periods. Actual results could differ from the estimates. The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

The consolidated financial statements are presented in United States (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).

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of CURE; its branch offices, Oasis Hospital ("UAE"), Centro de Ortopedia y Especialidades CURE Internacional ("Dominican Republic"), CURE Hospital des Enfants au Niger ("Niger"), CURE International Hospital of Kabul ("Afghanistan"), CURE Children's Hospital of Uganda ("Uganda"), Beit CURE International Hospital ("Malawi"), AIC- CURE International Hospital ("Kenya"), and CURE Ethiopia Children's Hospital ("Ethiopia"); and its controlled hospital organizations (through the Board of Directors and economic interest).

The hospital organizations controlled by CURE and included in the consolidated financial statements are the Beit CURE Hospital of Zambia ("Zambia") and Tebow CURE Hospital ("Philippines"). These hospital organizations own and operate hospital facilities within the respective countries. All intercompany accounts and transactions have been eliminated.

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of checking and money market accounts. CURE considers all highly liquid investment instruments purchased with an original maturity of three months or less to be cash equivalents. These accounts may, at times, exceed federally insured limits. At June 30, 2019 and 2018, the amount that exceeded federally insured limits was approximately \$7,510,000 and \$7,435,000, respectively. CURE has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable are unconditional promises to give and are recognized as assets and support in the period made. Management believes that all amounts are collectible. Therefore, an allowance for doubtful contributions receivable has not been recorded as of June 30, 2019 and 2018.

CURE has received, at no cost, the use of a hospital building and various parcels of land on which the hospital buildings are located. The fair value of the rent to be received, discounted to its present value, is recorded as gift-in-kind revenue and contributions receivable in the year the contract is executed. CURE then recognizes gift-in-kind revenue and rent expense, reducing the net contribution receivable, as the benefits are used up over the lives of the leases. At June 30, 2019, the contribution receivable and discount related to these leases were \$54,979,162 and \$31,156,147, respectively, resulting to a net contributions receivable of \$23,823,015. At June 30, 2018, the contribution receivable and discount related to these leases were \$54,979,162 and \$31,105,168, respectively, resulting to a net contributions receivable of \$23,925,994.

PATIENT AND OTHER RECEIVABLES, NET

Patient and other receivables, net consists of amounts due from patients, third-party payers, government assistance programs and others and is recorded at the estimated net realizable value when the service is rendered. An allowance for doubtful accounts has been offset against patient and other receivable based on estimates of uncollectible amounts. The allowance for doubtful accounts related to patient accounts receivable as of June 30, 2019 and 2018, were \$1,680,262 and \$456,793, respectively. 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. Once an account is no longer deemed collectible, accounts are deducted from the allowance for doubtful accounts and subsequent recoveries are added.

PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets are reported when incurred in accordance with the accrual basis of accounting. Prepaid expenses consist mainly of prepaid insurance and prepaid rent.

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

INVENTORY

Inventory consists primarily of medical supplies and drugs. Inventory that is purchased is valued at the lower of cost or net realizable value for June 30, 2019 and 2018, with cost determined using the first-in, first-out method. Inventory that is donated is valued and recorded as revenue at the estimated fair value based upon CURE's estimate of the wholesale values that would be received for selling the goods in their principal market considering their condition and utility for use at the time the goods are contributed by the donor. Drug contributions legally permissible to sell in the United States are valued using a hierarchy of pricing inputs that approximates wholesale prices in the United States. Drug contributions not legally permissible to sell in the United States, but approved for sale outside the United States, are valued based upon wholesale market price data in countries representing principal exit markets of such products. The revenue is recorded as gift-in-kind revenue on the consolidated statements of activities. Expenses for donated medical supplies and drugs are recorded when used at the value recorded on date of receipt.

ASSETS HELD FOR SALE

During fiscal year 2018, the board resolved to close the hospital in the Dominican Republic. The Dominican Republic hospital is expected to be sold. The assets are classified as held for sale and are reported separately on the consolidated statements of financial position. No depreciation is being recorded on the assets held for sale. The results of current and prior year operations are immaterial, so they are not broken out separately on the consolidated statements of activities.

LAND, BUILDINGS, AND EQUIPMENT, NET

Land, buildings, and equipment, with a cost in excess of \$2,000 are capitalized and recorded at cost at the date of acquisition. Donated medical equipment and the cost of donated construction services are valued at the estimated fair value at date of receipt. Depreciation is provided over estimated useful lives of the assets on a straight-line basis. Upon retirement or other disposal of property, the cost and accumulated depreciation are removed, and the resulting gain or loss, if any is recognized. The costs of repairs and maintenance are charged to expenses as incurred.

SEVERENCE PAYABLE

Oasis Hospital is required to record a provision for employee's end of service benefits as a result CURE had a severance payable balance of \$4,463,361 and \$2,671,125 at June 30, 2019 and 2018, respectively.

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS

The consolidated financial statements report amounts separately by class of net assets.

Net assets without donor restrictions are those currently available at the direction of the board for use in CURE's operations.

Net assets with donor restrictions are contributed with donor stipulations for specific operating purposes or programs, with time restrictions or not currently available for use until commitments regarding their use have been fulfilled. When a purpose restriction is accomplished or a time restriction ends, net assets with donor restrictions are released to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

SUPPORT AND REVENUE

Contributions are recorded when made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to CURE. 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, net assets with donor restrictions are then classified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Gift-in-kind contributions consist of donated medical supplies and drugs and donated leases.

CURE records U.S. Government grants as contributions when the grants are unconditionally awarded. If U.S. Government grants are deemed reciprocal they are recorded as deferred revenue until expenditures are incurred.

Patient service revenue comprises of fees charged for inpatient and outpatient hospital services. Patient service revenue is recognized at the transaction price when each performance obligation is satisfied at a point in time when patients have actually received the service. The performance obligations for this stream of revenue include accommodation, surgery, medical and clinical professional services, investigation, radiology, laboratory, and supply of pharmaceutical and related products. CURE primarily receives this revenue from patients' medical insurance. Revenue is measured at fees calculated and billed based on various agreements with the insurers reduced by a provision for rejections. Patient service payments made in advance are deferred as a liability, and are titled deferred revenue on the consolidated statements of financial position. Patient service revenue is recorded net of discounts of \$699,159 and \$498,118 for the years ended June 30, 2019 and 2018.

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

ALLOCATION OF FUNCTIONAL EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses presents expenses by natural and functional classifications in accordance with the overall mission of CURE. Accordingly, certain categories of expenses are attributable to one or more program or supporting functions of CURE. Management allocates costs based on the ratio of each program's total budget expense to the total of the cost being allocated and staff time attributed to the function. CURE incurred no joint costs during the years ended June 30, 2019 and 2018.

RECLASSIFICATIONS

Certain amounts from the year ended June 30, 2018, consolidated statements of cash flows have been reclassified to conform with current year presentation. Contributions for long term purposes in the amount of \$2,543,770 were added to the operating and financing sections of the consolidated statements of cash flows for the year ended June 30, 2018. This reclassification had no effect on the change in net assets.

RECENTLY ADOPTED ACCOUNTING STANDARDS

In 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. CURE adopted the provisions of this new standard during the year ended June 30, 2019. Significant changes include:

- Temporarily restricted net asset classes are now referred to as net assets with donor restrictions.
- Unrestricted net asset class is now referred to as net assets without donor restrictions.
- The financial statements include a new disclosure regarding liquidity and the availability of resources.
- Disclosures related to functional allocation of expenses were expanded.

In 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, as amended (Topic 606). The ASU applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. CURE adopted the provisions of this new standard during the year ended June 30, 2019. Following the adoption of the ASU, CURE continues to recognize revenue from patients and third party settlement payors as services are provided. Further, the transaction price continues to be recorded at the amount that is expected to be collected. There was no impact to the consolidated financial statements as a result of the adoption. The ASU has been applied retrospectively to all periods presented, with no effect on net assets or previously issued consolidated financial statements.

In 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. CURE adopted the provisions of this new standard during the year ended June 30, 2019. CURE evaluated the results of adoption in retrospective periods and determined the affect was not material. Therefore, beginning net assets was not adjusted retrospectively. However, the adoption was applied during the year ended June 30, 2019, and will continue to be applied in future periods. Changes as a result of this adoption did not have a material effect on the June 30, 2019, consolidated financial statements.

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

3. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following reflects CURE's financial assets as of June 30, 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the consolidated statement of financial position date.

Financial assets:

Cash and cash equivalents	\$ 7,833,785
Patient and other receivables, net	15,067,597
Contributions receivable - pledges, net	<u>3,111,427</u>
Financial assets, at year end	<u>26,012,809</u>

Less those unavailable for general expenditure within one year, due to:

Contributions receivable to be received beyond one year	(733,333)
Restrictions by donors with purpose and time restrictions to be spent beyond one year, excluding time restrictions related to donated land leases	<u>(1,936,668)</u>

Financial assets available to meet cash needs for general expenditures within one year

\$ 23,342,808

CURE is substantially supported by donations and patient revenue, for which a substantial portion does not carry restrictions. As part of CURE's liquidity management, CURE has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. CURE has two facilities, as described in Note 6, that can be drawn upon as needed.

4. CONTRIBUTIONS RECEIVABLE, NET:

As of June 30, 2019, contributions receivable are expected to be collected in the following periods:

	Less than One Year	1-5 Years	Greater than Five Years	Total
Donated land leases	\$ 105,404	\$ 447,033	\$ 54,439,436	\$ 54,991,873
Donor pledges	<u>2,378,094</u>	<u>733,333</u>	<u>-</u>	<u>3,111,427</u>
Less				
Present value discount at 2.33%	<u>-</u>	<u>-</u>	<u>(31,168,858)</u>	<u>(31,168,858)</u>
Total	<u>\$ 2,483,498</u>	<u>\$ 1,180,366</u>	<u>\$ 23,270,578</u>	<u>\$ 26,934,442</u>

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

4. CONTRIBUTIONS RECEIVABLE, NET, continued:

As of June 30, 2018, contributions receivable are expected to be collected in the following periods:

	Less than One Year	1-5 Years	Greater than Five Years	Total
Donated land leases	\$ 102,979	\$ 436,747	\$ 54,439,436	\$ 54,979,162
Donor pledges	4,544,158	1,041,667	-	5,585,825
Less				
Present value discount at 2.33%	-	-	(31,053,168)	(31,053,168)
Total	\$ 4,647,137	\$ 1,478,414	\$ 23,386,268	\$ 29,511,819

The present value of donor pledges and pledges receivable for hospitals were calculated but not included on the consolidated financial statements based on the estimated present value and they were not material to the consolidated financial statements.

5. LAND, BUILDINGS, AND EQUIPMENT, NET:

Land, buildings, and equipment, net, consists of the following:

	June 30,	
	2019	2018
U.S. Mission Support Center		
Furniture and equipment	\$ 146,807	\$ 146,807
Overseas Hospitals		
Land and hospital buildings	78,681,655	76,599,359
Furniture and equipment	63,832,499	64,620,807
Construction in progress	207,537	1,181,336
	142,868,498	142,548,309
Less accumulated depreciation	(74,718,607)	(64,239,989)
	\$ 68,149,891	\$ 78,308,320

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

6. LINES OF CREDIT:

During the years ended June 30, 2019 and 2018, CURE has a \$2,000,000 revolving line of credit with a financial institution. CURE was in compliance with all debt covenants during the years ended June 30, 2019 and 2018. This line of credit was canceled during the year ended June 30, 2019. There were no draws during the years ended June 30, 2019 and 2018.

Subsequent to the year ended June 30, 2019, CURE opened a new revolving line of credit with a financial institution in the amount of \$2,000,000. There have been no draws on this line of credit subsequent to year end.

UAE has an overdraft facility agreement in the amount of \$1,361,581 with a commercial bank in Abu Dhabi, United Arab Emirates 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, with a minimum interest rate of 5%. For the facility balance in excess of the fixed deposit balance, interest is charged at a rate of 3% above the 3-month EIBOR with a minimum interest rate of 7.5%. The agreement is renewable annually. There was no outstanding balance in this facility at June 30, 2019 and 2018, respectively. This facility is secured by a fixed deposit at the bank which had a balance of \$1,003,579 at June 30, 2019 and 2018. The overdraft facility is subject to certain covenants requiring the maintaining of certain ratios. At June 30, 2019, UAE is in compliance with all covenants.

7. NOTES PAYABLE:

Notes payable consists of:

	June 30,	
	2019	2018
UAE term-loan agreement for the purchase of new machinery and equipment in the amount of approximately \$5,400,000, due in quarterly principal payments of approximately \$231,000 plus interest calculated at 7.5%. The loan is secured by equipment and matures on April 30, 2021.	\$ 1,732,821	\$ 2,489,055
UAE sales invoice financing facility in the amount of approximately \$6,200,000 with an interest rate of the 3-month EIBOR plus 3% subject to a minimum interest rate of 7.5%.	4,455,782	5,031,967
UAE letter of credit with an available balance of \$422,485 with an interest rate of EIBOR plus 1% subject to a minimum interest rate of 7.5%. The loan matured in February 2019.	-	220,096
	\$ 6,188,603	\$ 7,741,118

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

7. NOTES PAYABLE, continued:

Principal payments under the terms of the loans are as follows:

Year Ending June 30,

2020		\$ 5,270,840	
2021		917,763	
		\$ 6,188,603	

8. DEFERRED REVENUE:

On March 24, 2015, UAE entered into a Management and Exclusivity Agreement (the "Agreement") relating to the on-site and off-site specimen testing and laboratory services, with Proficiency Healthcare Diagnostic Laboratories LLC (PHD), whereby, PHD will provide or manage the provision of all the point of care and laboratory services required for UAE and to obtain such services from PHD to the exclusion of all other service providers in accordance with the terms of the Agreement. The period of the agreement is for 25 years and is renewable for another 25 years. The total contract value is approximately \$7.6 million, including \$265,854 for the purchase of certain laboratory equipment. UAE has received payment which has been recorded as deferred income and is being amortized over the life of the Agreement. The balance of deferred revenue was \$6,343,921 and \$6,507,744 as of June 30, 2019 and 2018, respectively. As of June 30, 2019 and 2018, UAE was not liable to PHD for failure to reach targeted revenue.

UAE has also entered into an operating lease agreement with PHD for space over the same 25-year term at approximately \$55,000, annually.

9. NET ASSETS WITH DONOR RESTRICTIONS:

The following table summarizes the nature of the net assets with donor restrictions and the purposes for which net assets may be used:

	June 30,	
	2019	2018
Contributions receivable - land leases	\$ 23,823,015	\$ 23,925,994
Contributions receivable - time restricted	3,111,427	5,551,182
Hospital construction and equipment	630,701	1,752,682
Clubfoot programs	427,981	92,306
Hospital operations	151,853	789,941
Hydrocephalus programs	98,204	229,720
	\$ 28,243,181	\$ 32,341,825

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

10. PENSION PLANS:

CURE has a 403(b) Plan covering all employees, excluding foreign nationals, who have attained the age of 21. CURE makes contributions to the plan on a discretionary basis based on a percentage of the employees compensation established by the Board of Directors after employees have completed six months of service. Total expense charged for contributions to the plan was approximately \$151,000 and \$157,000 for the years ended June 30, 2019 and 2018, respectively.

11. CONTINGENCIES:

During the year ended June 30, 2019, CURE entered into a contingent deferred compensation agreement with the president and chief executive officer (CEO). If the president and CEO is continuously employed from March 16, 2019, through March 16, 2021, CURE will compensate him \$200,000. This incentive is also payable if the president and CEO passes away, is determined to be disabled, or is involuntarily terminated without cause prior to March 16, 2021. As this agreement is contingent on continuous employment, this is not recorded as a liability as of June 30, 2019.

12. RELATED PARTIES:

CURE has a contract with another organization to utilize consulting services from the other organization's chief executive officer to fill the role of CURE's chief administration officer position. CURE pays that organization a fee for both consulting services and warehouse and other related services support. In 2019 and 2018, CURE paid approximately \$388,000 and \$408,000, respectively, to that other organization. Subsequent to year end, CURE resolved to consolidate with this organization as described in Note 14.

During the current year, CURE carved out the clubfoot program to another organization. At June 30, 2019, CURE had a liability of \$1,122,865 to this organization for funds CURE committed to provide during this transition.

Further, the board of directors at CURE contributed approximately \$3,900,000 and \$3,800,000 during the years ended June 30, 2019 and 2018, respectively.

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

13. NON-US OPERATIONS:

CURE's international affiliates are located in various countries. Non-U.S. operations are subject to risks inherent in operating under different legal systems and various political and economic environments. Among the risks are changes in existing tax laws, possible limitations on non-U.S. investment and income repatriation, government price or non-U.S. exchange controls, and restrictions on currency exchange. For the years ended June 30, 2019 and 2018, net assets of non-U.S. operations were 66% and 66% of CURE's total net assets, respectively.

Most of CURE's international affiliates use the local currency as the functional currency. The consolidated financial statements of CURE's international affiliates have been translated into U.S. dollars. The consolidated statements of financial position accounts have been translated using the exchange rate in effect at the consolidated statements of financial position date. Consolidated statements of activities amounts have been translated using the average exchange rate for the year. These adjustments for the year ended June 30, 2019 and 2018, are reflected accordingly on the consolidated statements of activities.

As of the report date, there continues to be fluctuations in the value of the U.S. dollar relative to several non-U.S. currencies in which CURE operates. It is not practicable to determine the effects of these rate changes on CURE's consolidated financial statements.

14. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through November 25, 2019, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.

CURE and International Aid, a US not-for-profit organization, have cooperated in ministry for over fifteen years. Since 2009, they have been considering a strategic consolidation, merger, or other more formal alliance. They have deepened their interdependence and relationship since 2017, with strategic sharing of resources, personnel (including officers), and facilities. The board of directors of both CURE and International Aid have continued to endorse and approve each step of the strategic consolidation. CURE moved its headquarters from Pennsylvania to International Aid's headquarters, in Michigan, in order to further the strategic consolidation and strengthen its ties with International Aid. In May of 2019, the board of directors of International Aid and CURE voted to formally align, as of July 1, 2019, and consolidate International Aid with CURE. International Aid became a controlled subsidiary charity of CURE as an initial step towards either a complete integration of operations with those of CURE within a single corporate entity or a restructured parent-subsidary relationship.

Further, prior to the year ended June 30, 2019, CURE resolved to carve out the hospital and related programs located in Kabul, Afghanistan, to another not-for-profit organization. As of June 30, 2019, the assets, liabilities and related activity of the Kabul, Afghanistan, hospital are recorded in CURE's consolidated financial statements. Subsequent to year end, these assets were granted to the other not-for-profit organization.

CURE opened a revolving line of credit subsequent to year end as described in Note 6.