

# **CURE INTERNATIONAL, INC.**

***FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS***

**JUNE 30, 2013**

# CURE INTERNATIONAL, INC.

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## **REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

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

We have audited the accompanying financial statements of Cure International Inc. (“CURE”) which comprise the statement of financial position as of June 30, 2013, and the statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of CURE as of June 30, 2013, the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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

***Emphasis of Matter***

As discussed in Note 13 to the financial statements, the 2012 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

***Report on Summarized Comparative Information***

We have previously audited CURE's 2012 financial statements, and our report dated February 21, 2013, expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Tait, Weller & Baker LLP*

**Philadelphia, Pennsylvania  
February 4, 2014**

# CURE INTERNATIONAL, INC.

## STATEMENT OF FINANCIAL POSITION

June 30, 2013 And 2012

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 5,539,710	\$ 6,157,445
Restricted cash – fixed deposit (Note 7)	1,015,486	884,912
Investments (Note 2)	240,532	207,744
Contributions receivable (Note 4)	2,592,018	1,408,691
Patient and other receivables, net (Note 5)	3,918,099	5,464,119
Accounts receivable – U.S. Government	506,271	652,080
Prepaid expenses and other assets	1,254,453	1,252,144
Advances to supplier (Note 8)	<u>3,459,706</u>	<u>-</u>
<b>Total current assets</b>	<u>18,526,275</u>	<u>16,027,135</u>
Inventory of donated and purchased medical equipment and supplies	<u>6,333,191</u>	<u>10,174,103</u>
Buildings and equipment, net of accumulated depreciation of \$18,979,517 in 2013 and \$15,323,331 in 2012 (Note 6)	105,119,768	97,694,452
Contributions receivable (Note 4)	<u>538,288</u>	<u>659,747</u>
	<u>105,658,056</u>	<u>98,354,199</u>
<b>Total assets</b>	<u>\$ 130,517,522</u>	<u>\$ 124,555,437</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Lines of credit (Note 7)	\$ 2,115,457	\$ 1,358,673
Accounts payable and accrued expenses	8,121,445	7,926,779
Current portion of notes payable (Note 8)	<u>878,438</u>	<u>132,555</u>
<b>Total current liabilities</b>	<u>11,115,340</u>	<u>9,418,007</u>
<b>LONG-TERM DEBT (Note 8)</b>	<u>2,643,297</u>	<u>-</u>
<b>Total liabilities</b>	<u>13,758,637</u>	<u>9,418,007</u>
<b>NET ASSETS</b>		
Unrestricted		
Operations	105,337,048	99,961,892
Donated medical equipment and supplies	<u>6,333,191</u>	<u>10,174,103</u>
<b>Total unrestricted</b>	111,670,239	110,135,995
Temporarily restricted (Note 9)	<u>5,088,646</u>	<u>5,001,435</u>
<b>Total net assets</b>	<u>116,758,885</u>	<u>115,137,430</u>
<b>Total liabilities and net assets</b>	<u>\$ 130,517,522</u>	<u>\$ 124,555,437</u>

# CURE INTERNATIONAL, INC.

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2013 With Summarized Information For 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2013 Totals</u>	<u>2012 Totals</u>
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 6,824,147	\$ 10,425,934	\$ 17,250,081	\$ 15,276,648
Contributions – In-Kind ( <i>Note 10</i> )	10,536,837	-	10,536,837	52,714,194
Contributions – donated use of facilities and land	643,291	-	643,291	643,291
Government grants	818,274	-	818,274	1,679,508
Interest and dividends	15,196	-	15,196	24,254
Realized and unrealized gains (losses) on investments	32,788	-	32,788	(83,142)
Patient revenue and other income ( <i>Note 5</i> )	29,576,709	-	29,576,709	32,133,871
Other income	-	-	-	708,713
<b>Total</b>	<u>48,447,242</u>	<u>10,425,934</u>	<u>58,873,176</u>	<u>103,097,337</u>
<b>Net assets released from restrictions (<i>Note 9</i>)</b>	<u>10,338,723</u>	<u>(10,338,723)</u>	<u>-</u>	<u>-</u>
<b>Total support and revenue</b>	<u>58,785,965</u>	<u>87,211</u>	<u>58,873,176</u>	<u>103,097,337</u>
<b>EXPENSES</b>				
Program Services	<u>49,955,039</u>	<u>-</u>	<u>49,955,039</u>	<u>52,251,762</u>
Supporting Services				
Administration	623,931	-	623,931	660,020
Fund-raising	<u>2,285,281</u>	<u>-</u>	<u>2,285,281</u>	<u>2,132,924</u>
<b>Total supporting services</b>	<u>2,909,212</u>	<u>-</u>	<u>2,909,212</u>	<u>2,792,944</u>
<b>Total expenses</b>	<u>52,864,251</u>	<u>-</u>	<u>52,864,251</u>	<u>55,044,706</u>
<b>Excess of support and revenue over expenses</b>	<u>5,921,714</u>	<u>87,211</u>	<u>6,008,925</u>	<u>48,052,631</u>
<b>OTHER CHANGES</b>				
Reduction of value of inventory due to obsolescence	(3,556,705)	-	(3,556,705)	-
Disposal of wholly-owned entity	(71,128)	-	(71,128)	-
Unrealized exchange loss on consolidation	<u>(759,637)</u>	<u>-</u>	<u>(759,637)</u>	<u>(2,156,910)</u>
	<u>(4,387,470)</u>	<u>-</u>	<u>(4,387,470)</u>	<u>(2,156,910)</u>
<b>CHANGE IN NET ASSETS (<i>Note 9</i>)</b>	1,534,244	87,211	1,621,455	45,895,721
<b>NET ASSETS (<i>Note 9</i>)</b>				
Beginning of year	<u>110,135,995</u>	<u>5,001,435</u>	<u>115,137,430</u>	<u>69,241,709</u>
<b>End of year</b>	<u>\$ 111,670,239</u>	<u>\$ 5,088,646</u>	<u>\$ 116,758,885</u>	<u>\$ 115,137,430</u>

# CURE INTERNATIONAL, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2013 With Summarized Information For 2012

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	<u>Program Services</u>	<u>Administration</u>	<u>Fund- Raising</u>	<u>2013 Totals</u>	<u>2012 Totals</u>
Salaries and benefits	\$ 26,671,331	\$364,887	\$ 1,086,385	\$28,122,603	\$ 27,899,341
Hospital operating costs and other grant support (includes in-kind materials and facilities/land of \$3,035,918 in 2013 and \$5,198,959 in 2012)	17,457,364	-	11,248	17,468,612	20,179,766
Office rent and other expenses	55,284	42,624	33	97,941	142,909
Office supplies and equipment	18,654	17,932	26,415	63,001	77,729
Printing, postage and video production	302,321	10,326	103,418	416,065	309,686
Professional fees	317,195	59,901	259,524	636,620	698,190
Telephone expense	26,829	37,480	12,914	77,223	78,225
Travel, meetings and seminars	842,366	17,060	729,072	1,588,498	1,513,050
Bank fees	20,144	2,644	41,048	63,836	51,935
Depreciation expense	4,241,340	3,689	13,844	4,258,873	4,090,769
Miscellaneous	<u>2,211</u>	<u>67,388</u>	<u>1,380</u>	<u>70,979</u>	<u>3,106</u>
<b>Total expenses</b>	<u>\$ 49,955,039</u>	<u>\$623,931</u>	<u>\$ 2,285,281</u>	<u>\$52,864,251</u>	<u>\$55,044,706</u>

# CURE INTERNATIONAL, INC.

## STATEMENT OF CASH FLOWS

Years Ended June 30, 2013 And 2012

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Change in net assets</i>	\$ 1,621,455	\$ 45,895,721
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities</i>		
Depreciation and amortization	4,258,873	4,090,769
Gift-in-kind	(10,536,837)	(52,447,527)
Unrealized loss on foreign exchange rates	759,637	2,177,942
Realized and unrealized (gains) losses on investments	(32,788)	83,142
Increase in allowance for doubtful accounts	38,434	343,707
Reduction of value of inventory due to obsolescence	3,556,705	-
Forgiveness of debt (Contributions)	-	(1,000,000)
(Increase) decrease in assets		
Prepaid and other assets	(2,309)	129,830
Advances to supplier	(3,459,706)	-
Patient and other receivables	1,507,586	(23,784)
Contributions receivable	(1,061,868)	63,912
Inventory of donated medical equipment and supplies	2,177,249	3,820,000
Accounts receivable – U.S. Government	145,809	(499,818)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	194,666	(733,521)
<b>Net cash (used in) provided by operating activities</b>	<u>(833,094)</u>	<u>1,900,373</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of buildings and equipment	<u>(3,800,031)</u>	<u>(2,038,208)</u>
<b>Net cash used in investing activities</b>	<u>(3,800,031)</u>	<u>(2,038,208)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Change in restricted cash – fixed deposit	(130,574)	(156,837)
Net proceeds on lines of credit	756,784	172,132
Proceeds from debt issuance	3,509,848	21,930
Payments made on debt	<u>(120,668)</u>	<u>(445,689)</u>
<b>Net cash provided by (used in) financing activities</b>	<u>4,015,390</u>	<u>(408,464)</u>
<b>Net decrease in cash and cash equivalents</b>	(617,735)	(546,299)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>6,157,445</u>	<u>6,703,744</u>
<b>End of year</b>	<u>\$ 5,539,710</u>	<u>\$ 6,157,445</u>

### SUPPLEMENTAL DISCLOSURE

Total interest paid for the years ended June 30, 2013 and 2012 was \$197,717 and \$196,643, respectively.



# CURE INTERNATIONAL, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2013 And 2012

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### (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 and CURE International (Hong Kong) Limited ("**Limited**"), a wholly owned for-profit health investment services entity and its sole membership in Health Investment Services, Inc. ("**HIS**"), a U.S. non-profit organization.

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**"), 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. CURE has a hospital under construction in the Philippines. All significant intercompany accounts and transactions have been eliminated.

CURE International Honduras ("**Honduras**") ceased operations in 2013 and in 2013 CURE disposed of Limited and HIS. As a result of the disposal of control of Limited and HIS, CURE recognized a loss of \$71,128.

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.

# CURE INTERNATIONAL, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2013 And 2012

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### **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.

### **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*" below). 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 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 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.

### **DONATED MEDICAL SUPPLIES, DRUGS AND FACILITIES**

Donated medical supplies are valued and recorded as revenue at their 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.

Expenses for donated medical supplies and drugs are recorded when used at the value recorded on date of receipt.

CURE also receives, at no cost, the use of a hospital building and various parcels of land on which the hospital buildings are located. These contributed facilities and land are recognized at the estimated fair rental value of such property.

# CURE INTERNATIONAL, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2013 And 2012

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### **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, both purpose and time, have not been met.

### **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 (2010 - 2012) or expected to be taken in CURE’s 2013 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

# CURE INTERNATIONAL, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2013 And 2012

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### **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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the CURE's audited financial statements for the year ended June 30, 2012, from which the summarized information was derived.

### **RECLASSIFICATION**

Certain account balances in the 2012 financial statements have been classified to conform to the 2013 presentation.

## **(2) INVESTMENTS**

Investments at June 30 consisted of the following:

	<u>2013</u>		<u>2012</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Mutual Fund	\$ 172,750	\$ 145,491	\$ 172,750	\$ 135,543
Common Stock	<u>262,151</u>	<u>95,041</u>	<u>262,151</u>	<u>72,201</u>
	<u>\$ 434,901</u>	<u>\$ 240,532</u>	<u>\$ 434,901</u>	<u>\$ 207,744</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.

All of CURE's investments as of June 30, 2013 and 2012 are valued based on Level 1 inputs. There have been no transfers between Level 1 and Level 2 occurring the years ended 2013 and 2012.

# CURE INTERNATIONAL, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2013 And 2012

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### (4) 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>2013</u>	<u>2012</u>
In less than one year	\$ 2,592,018	\$ 1,408,691
One to five years	<u>600,000</u>	<u>800,000</u>
Contributions receivable	3,192,018	2,208,691
Less: discount to present value (5%)	<u>61,712</u>	<u>140,253</u>
	<u>\$ 3,130,306</u>	<u>\$ 2,068,438</u>

### (5) PATIENT AND OTHER RECEIVABLES, NET

As of June 30, 2013 and 2012, the patient receivables were net of allowance for doubtful amounts of \$804,545 and \$766,111, respectively. Approximately 83% in 2013 (\$24,522,822) and 86% in 2012 (\$27,516,071) of the patient and other hospital income revenue was earned by UAE as a result of approximately 85% of patients in the UAE having health insurance coverage.

### (6) BUILDINGS AND EQUIPMENT

Buildings and equipment consist of the following at June 30:

	<u>2013</u>	<u>2012</u>
U.S. Headquarters		
Land and office building	\$ 659,053	\$ 648,747
Furniture and equipment	451,516	428,248
Overseas Hospitals		
Land and hospital buildings <sup>(2)</sup>	23,013,038	21,985,266
Furniture and equipment <sup>(1)</sup>	16,967,619	17,400,635
Hospitals and additions to hospitals under construction <sup>(2)</sup>		
UAE	81,387,907	72,466,087
Philippines	<u>1,620,152</u>	<u>88,800</u>
	124,099,285	113,017,783
Less accumulated depreciation	<u>18,979,517</u>	<u>15,323,331</u>
	<u>\$ 105,119,768</u>	<u>\$ 97,694,452</u>

(1) Includes \$3,147,757 received as a contribution in-kind for the UAE hospital.

(2) Includes \$88,808,660 received as a contribution in-kind for the UAE hospital (see below).

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. The donated value for the use of these facilities amounted to \$643,291 for 2013 and 2012. During 2012, CURE began constructing a hospital in the Philippines, the cost to construct the hospital building through June 30, 2013 was \$1,620,152.

# CURE INTERNATIONAL, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

**June 30, 2013 And 2012**

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The Government of the United Arab Emirates approved a grant in the approximate amount of \$90,686,000 (333 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, 2013 and 2012, CURE recorded \$8,428,417 (cumulative amount recorded approximately \$89 million) and \$49,666,766 of donated construction services which is included in Contributions – In-Kind in the Statement of Activities and Changes in Net Assets.

### **(7) LINES OF CREDIT**

UAE has a \$1,906,318 (AED 7 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 8.5%. Any amounts drawn are payable on demand by the bank. The agreement is renewable on May 31 of each year. Outstanding balances on the line of credit were \$1,361,656 and \$1,358,673 as of June 30, 2013 and 2012, respectively.

Additionally, UAE has an overdraft facility agreement in the amount of \$1,361,656 (AED 5 million) 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, with a minimum interest rate of 6.5%. For the facility balance in excess of the fixed deposit balance, interest is charged at a rate of 5% above the 3 month EBOR with a minimum interest rate of 8.5%. The agreement is renewable on May 31 of each year. \$753,801 (AED 2,767,958) was outstanding on this facility at June 30, 2013 and was below the fixed deposit balance. There was no outstanding balance at June 30, 2012. This facility is secured by a fixed deposit at the bank which had a balance of \$1,015,486 and \$884,912 at June 30, 2013 and 2012 respectively.

CURE has a \$2,000,000 line of credit with the National Christian Foundation, Inc., a Not-for-Profit Organization in the United States. Interest is payable quarterly at the LIBOR rate plus 5%. In addition, CURE must pay a commitment fee of 1% on the unused portion of the line on a quarterly basis. The outstanding balance is payable on demand by the Foundation and is secured by substantially all of the assets of CURE. The agreement expires April 10, 2017. There was no outstanding balance as of June 30, 2013 and 2012.

# CURE INTERNATIONAL, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2013 And 2012

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### (8) NOTES PAYABLE

A summary of CURE's notes payable at June 30, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
(A) UAE – Term Loan (Equipment)	\$ -	\$ 115,719
(B) UAE – Term Loan (Equipment)	3,509,848	-
Other	<u>11,887</u>	<u>16,836</u>
	<u>\$ 3,521,735</u>	<u>\$ 132,555</u>

#### (A) UAE – Term Loan (Equipment)

UAE had a term loan for \$544,662 (AED 2 million) with a commercial bank in Abu Dhabi, United Arab Emirates for the purchase of new machinery and equipment. Outstanding balances carried an interest rate of 5% over the 3 month EBOR with a minimum rate of 9%. The loan was payable in quarterly installments of \$47,683 (AED 175,000) and matured January 19, 2013. Interest that accrued on the loan was due with the last installment.

#### (B) UAE – Term Loan (Equipment)

On January 10, 2013, the UAE entered into a term-loan agreement with a commercial bank in Abu Dhabi, United Arab Emirates for the purchase of new machinery and equipment for a total of \$4,970,000 (AED 18.25 million) which bears interest at a rate of 8.5%. During the year UAE drew down \$3,459,706 (AED 12.7 million). The loan will be repaid in 15 quarterly installments of \$383,987 (AED 1.41 million) inclusive of interest starting on November 30, 2013 with one final installment due on August 30, 2017 covering the residual loan balance plus interest. As of June 30, 2013 \$3,459,706 was advanced to a supplier to secure medical equipment for the hospital and is included as Advance to supplier on the statement of financial position.

The loan is secured by the medical equipment financed by the bank under the loan. UAE is required to maintain a comprehensive insurance policy over the equipment in the bank's favor during the term of the loan.

Interest expense was \$240,530 and \$196,643 for the years ended June 30, 2013 and 2012, respectively.

Principal payments under the terms of the UAE Equipment Loan are as follows:

<u>Year Ending</u>	<u>Payments</u>
June 30, 2014	\$ 878,438
June 30, 2015	1,352,318
June 30, 2016	<u>1,290,979</u>
	<u>\$ 3,521,735</u>

# CURE INTERNATIONAL, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2013 And 2012

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### (9) NET ASSETS

Unrestricted change in net assets is comprised of the following:

	<u>2013</u>	<u>2012</u>
Operating results	\$ 1,144,732	\$ 2,572,227
In-Kind contributions on construction of UAE hospital (See Note 4 and 10)	8,428,417	49,666,766
Depreciation on hospital buildings and equipment	(4,197,493)	(4,030,270)
Change in inventory of donated medical equipment and supplies	<u>(3,840,912)</u>	<u>(2,079,880)</u>
Change in unrestricted net assets	<u>\$ 1,534,244</u>	<u>\$ 46,128,843</u>

Temporarily restricted net assets at June 30, 2013 and 2012 are available for the following purpose:

	<u>2013</u>	<u>2012</u>
Hospital construction and equipment	\$ 1,193,801	\$ 2,364,997
Hospital operations	607,673	568,000
Clubfoot programs	156,866	-
Pledges receivable	<u>3,130,306</u>	<u>2,068,438</u>
	<u>\$ 5,088,646</u>	<u>\$ 5,001,435</u>

During the year ended June 30, 2013, net assets were released from donor restrictions by incurring expenses for missionary, program and capital expenditures of \$8,181,251, and release of time restrictions of \$2,157,472.

### (10) CONTRIBUTIONS – IN-KIND

Contributions of donated medical equipment, supplies and services consist of the following:

	<u>2013</u>	<u>2012</u>
Medical and hospital equipment and supplies	\$ 2,108,420	\$ 2,475,788
Administrative services	-	266,667
Construction costs (Hospital in UAE)	8,428,417	49,666,744
Software and equipment	<u>-</u>	<u>304,995</u>
	<u>\$ 10,536,837</u>	<u>\$ 52,714,194</u>

### (11) 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 \$232,000 and \$238,000 for the years ended June 30, 2013 and 2012, 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.



# CURE INTERNATIONAL, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2013 And 2012

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### (12) SUBSEQUENT EVENTS

Subsequent events after the balance sheet through the date that the financial statements were available for issuance, February 4, 2014, have been evaluated in the preparation of the financial statements.

### (13) RESTATEMENT

In 2013, management determined that the beneficial interest in remainder trusts recognized in a prior year were not irrevocable as to beneficiary. As a result, temporarily restricted net assets was restated effective July 1, 2011, to reflect the removal of the trust balances, which deceased temporarily restricted net assets by \$1,272,793. The effect of this restatement on the 2012 financial statements was to decrease temporarily restricted net assets by \$47,646.