

CURE INTERNATIONAL, INC.

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

JUNE 30, 2015

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, 2015, 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, 2015, 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

Report on Summarized Comparative Information

We have previously audited CURE's 2014 financial statements, and our report dated December 5, 2014, 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, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Tait, Weller & Baker LLP

Philadelphia, Pennsylvania
November 19, 2015

CURE INTERNATIONAL, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2015 And 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 11,439,516	\$ 5,860,442
Restricted cash – fixed deposit	1,035,296	1,028,345
Investments	251,586	246,852
Contributions receivable	4,481,758	5,206,148
Patient and other receivables, net	6,396,564	5,042,391
Accounts receivable – U.S. Government	180,695	10,867
Prepaid expenses and other assets	1,227,116	1,183,777
Advances to supplier	<u>469,470</u>	<u>4,095,754</u>
Total current assets	<u>25,482,001</u>	<u>22,674,576</u>
Inventory of donated and purchased medical equipment and supplies	<u>5,712,462</u>	<u>5,686,863</u>
Buildings and equipment, net	111,464,864	109,257,678
Contributions receivable	<u>293,532</u>	<u>826,470</u>
Total non-current assets	<u>111,758,396</u>	<u>110,084,148</u>
Total assets	<u>\$ 142,952,859</u>	<u>\$ 138,445,587</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Lines of credit	\$ -	\$ 1,246,865
Current portion of notes payable	715,268	1,238,233
Accounts payable and accrued expenses	12,145,125	9,838,133
Deferred Income	<u>264,014</u>	<u>-</u>
Total current liabilities	<u>13,124,407</u>	<u>12,323,231</u>
Notes payable	2,940,376	3,116,487
Deferred Income	<u>6,329,514</u>	<u>-</u>
Total non-current liabilities	<u>9,269,890</u>	<u>3,116,487</u>
Total liabilities	<u>22,394,297</u>	<u>15,439,718</u>
NET ASSETS		
Unrestricted		
Operations	107,669,988	108,703,426
Donated medical equipment and supplies	<u>5,712,462</u>	<u>5,686,863</u>
Total unrestricted	113,382,450	114,390,289
Temporarily restricted	<u>7,176,112</u>	<u>8,615,580</u>
Total net assets	<u>120,558,562</u>	<u>123,005,869</u>
Total liabilities and net assets	<u>\$ 142,952,859</u>	<u>\$ 138,445,587</u>

CURE INTERNATIONAL, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2015 With Summarized Information For 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015 Totals</u>	<u>2014 Totals</u>
SUPPORT AND REVENUE				
Contributions	\$ 6,506,700	\$ 15,706,212	\$ 22,212,912	\$ 21,395,508
Contributions – In-Kind	612,104	-	612,104	4,064,944
Contributions – donated use of facilities and land	643,291	-	643,291	643,291
Government grants	424,822	-	424,822	439,729
Interest and dividends	30,620	-	30,620	46,446
Realized and unrealized losses on investments	(1,989)	-	(1,989)	(5,188)
Patient revenue and other income	<u>34,710,096</u>	<u>-</u>	<u>34,710,096</u>	<u>36,249,887</u>
Total	<u>42,925,644</u>	<u>15,706,212</u>	<u>58,631,856</u>	<u>62,834,617</u>
Net assets released from restrictions	<u>17,145,680</u>	<u>(17,145,680)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>60,071,324</u>	<u>(1,439,468)</u>	<u>58,631,856</u>	<u>62,834,617</u>
EXPENSES				
Program Services	<u>53,049,394</u>	<u>-</u>	<u>53,049,394</u>	<u>51,395,223</u>
Supporting Services				
Administration	719,625	-	719,625	476,805
Fund-raising	<u>3,898,346</u>	<u>-</u>	<u>3,898,346</u>	<u>3,007,554</u>
Total supporting services	<u>4,617,971</u>	<u>-</u>	<u>4,617,971</u>	<u>3,484,359</u>
Total expenses	<u>57,667,365</u>	<u>-</u>	<u>57,667,365</u>	<u>54,879,582</u>
Excess of support and revenue over expenses	<u>2,403,959</u>	<u>(1,439,468)</u>	<u>964,491</u>	<u>7,955,035</u>
OTHER CHANGES				
Reduction of value of inventory due to obsolescence	(114,735)	-	(114,735)	(114,766)
Loss on disposal of fixed assets	-	-	-	(1,062,931)
Reduction in value of donated equipment	(1,299,044)	-	(1,299,044)	-
Unrealized loss on foreign exchange rates	<u>(1,998,019)</u>	<u>-</u>	<u>(1,998,019)</u>	<u>(530,354)</u>
	<u>(3,411,798)</u>	<u>-</u>	<u>(3,411,798)</u>	<u>(1,708,051)</u>
CHANGE IN NET ASSETS	<u>(1,007,839)</u>	<u>(1,439,468)</u>	<u>(2,447,307)</u>	<u>6,246,984</u>
NET ASSETS				
Beginning of year	<u>114,390,289</u>	<u>8,615,580</u>	<u>123,005,869</u>	<u>116,758,885</u>
End of year	<u>\$ 113,382,450</u>	<u>\$ 7,176,112</u>	<u>\$ 120,558,562</u>	<u>\$ 123,005,869</u>

CURE INTERNATIONAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2015 With Summarized Information For 2014

	<u>Program Services</u>	<u>Administration</u>	<u>Fund- Raising</u>	<u>2015 Totals</u>	<u>2014 Totals</u>
Salaries and benefits	\$ 29,055,607	\$ 232,451	\$ 1,619,714	\$ 30,907,772	\$ 30,449,147
Hospital operating costs and other grant support (includes in-kind materials and facilities/land of \$1,450,111 in 2015 and \$1,467,583 in 2014)	20,223,833	-	-	20,223,833	18,625,983
Office rent and other expenses	73,150	58,269	726	132,145	106,490
Office supplies and equipment	32,791	36,555	35,025	104,371	65,155
Printing, postage and video production	35,268	11,976	776,513	823,757	420,165
Professional fees	120,499	123,058	549,838	793,395	551,542
Telephone expense	33,079	22,565	14,422	70,066	72,016
Travel , meetings and seminars	1,020,186	203,306	816,680	2,040,172	1,810,363
Bank fees	108	24,334	67,467	91,909	75,354
Depreciation expense	2,429,630	3,316	17,961	2,450,907	2,680,593
Miscellaneous	<u>25,243</u>	<u>3,795</u>	<u>-</u>	<u>29,038</u>	<u>22,774</u>
Total expenses	<u>\$ 53,049,394</u>	<u>\$ 719,625</u>	<u>\$ 3,898,346</u>	<u>\$ 57,667,365</u>	<u>\$ 54,879,582</u>

CURE INTERNATIONAL, INC.

STATEMENT OF CASH FLOWS

Years Ended June 30, 2015 And 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ (2,447,307)	\$ 6,246,984
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities</i>		
Depreciation and amortization	2,450,907	2,680,593
Gift-in-kind	(612,104)	(4,064,944)
Unrealized loss on foreign exchange rates	1,998,019	530,354
Loss on disposal of fixed assets	-	1,062,931
Reduction in value of donated equipment	1,299,044	-
Realized and unrealized losses on investments	1,989	5,188
Increase (decrease) in allowance for doubtful accounts	157,042	(41,666)
Reduction of value of inventory due to obsolescence	114,735	114,766
(Increase) decrease in assets		
Prepaid and other assets	(43,339)	70,676
Advances to supplier	3,626,284	(636,048)
Patient and other receivables	(1,511,215)	(1,082,626)
Contributions receivable	1,257,328	(2,902,312)
Inventory of donated medical equipment and supplies	36,120	3,073,932
Accounts receivable – U.S. Government	(169,828)	495,404
Increase in liabilities		
Deferred income	6,593,528	-
Accounts payable and accrued expenses	<u>2,306,992</u>	<u>1,716,688</u>
Net cash provided by operating activities	<u>15,058,195</u>	<u>7,269,920</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(6,723)	(11,508)
Purchase/donated value of buildings and equipment	<u>(7,519,506)</u>	<u>(6,889,214)</u>
Net cash used in investing activities	<u>(7,526,229)</u>	<u>(6,900,722)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in restricted cash – fixed deposit	(6,951)	(12,859)
Net (payments) proceeds on lines of credit	(1,246,865)	(868,592)
Proceeds from debt issuance	-	1,258,390
Payments made on debt	<u>(699,076)</u>	<u>(425,405)</u>
Net cash used in financing activities	<u>(1,952,892)</u>	<u>(48,466)</u>
Net increase in cash and cash equivalents	5,579,074	320,732
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>5,860,442</u>	<u>5,539,710</u>
End of year	<u>\$11,439,516</u>	<u>\$ 5,860,442</u>

SUPPLEMENTAL DISCLOSURE

Total interest paid for the years ended June 30, 2015 and 2014 was \$426,220 and \$553,704, respectively.

CURE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 And 2014

(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 Hospital des Enfants au Niger ("**Niger**"), and Tebow CURE Hospital ("**Philippines**"). 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 of Afghanistan. All significant intercompany accounts and transactions have been eliminated.

CURE International Honduras ("**Honduras**") ceased operations in 2013. During 2014 equipment from Honduras was transferred to the Dominican Republic totaling approximately \$69,000. The remaining equipment was disposed of resulting in the write-off of the remaining carrying value of \$1,062,931 for the year ended June 30, 2014, and was reported as loss on disposal of fixed assets in the statement of activities.

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.

FUNCTIONAL 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.

CURE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 And 2014

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 constructed in the UAE (**See Note 5**) 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.

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.

CURE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2015 And 2014

CONTRIBUTIONS

Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution, including the promise to give, is received. Promises to give are recorded as a receivable 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 (UAE) and other collection indicators.

U.S. GOVERNMENT GRANTS

CURE records revenue when expenditures are incurred under U.S. Government grants and 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 (2012 - 2014) or expected to be taken in CURE’s 2015 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

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, 2014, from which the summarized information was derived.

CURE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2015 And 2014

(2) INVESTMENTS

Investments at June 30 consisted of the following:

	2015		2014	
	Cost	Market	Cost	Market
Mutual Funds	\$ 186,154	\$ 157,618	\$ 179,660	\$ 159,720
Common Stock	<u>267,024</u>	<u>93,968</u>	<u>266,796</u>	<u>87,132</u>
	<u>\$ 453,178</u>	<u>\$ 251,586</u>	<u>\$ 446,456</u>	<u>\$ 246,852</u>

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, 2015 and 2014 are valued based on Level 1 inputs. No transfers between Level 1 and Level 2 occurred during the years ended 2015 and 2014.

(3) 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:

	2015	2014
In less than one year	\$4,481,758	\$5,206,148
One to five years	<u>300,000</u>	<u>862,000</u>
Contributions receivable	4,781,758	6,068,148
Less: discount to present value (2.5%)	<u>6,468</u>	<u>35,530</u>
	<u>\$4,775,290</u>	<u>\$6,032,618</u>

At June 30, 2015 and 2014, CURE had a conditional promise to give from a donor for \$3,250,000 and \$4,650,000, respectively.

CURE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2015 And 2014

(4) PATIENT AND OTHER RECEIVABLES, NET

As of June 30, 2015 and 2014, the patient receivables were net of allowance for doubtful amounts of \$920,697 and \$765,654, respectively. Approximately 83% in 2015 (\$28,938,616) and 84% in 2014 (\$30,372,262) 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.

(5) BUILDINGS AND EQUIPMENT

Buildings and equipment consist of the following at June 30:

	<u>2015</u>	<u>2014</u>
U.S. Headquarters		
Land and office building	\$ 714,244	\$ 672,689
Furniture and equipment	424,999	464,836
Overseas Hospitals		
Land and hospital buildings ⁽¹⁾	21,625,351	20,863,534
Furniture and equipment	15,390,906	16,030,620
Hospitals and additions to hospitals under construction		
UAE ⁽¹⁾	90,256,207	85,711,587
Philippines ⁽²⁾	<u>-</u>	<u>2,928,577</u>
	128,411,707	126,671,843
Less accumulated depreciation	<u>16,946,843</u>	<u>17,414,165</u>
	<u>\$111,464,864</u>	<u>\$109,257,678</u>

⁽¹⁾ Includes \$90,290,844 received as a contribution in-kind for the UAE hospital (see below). The hospital was opened in August 2015.

⁽²⁾ The hospital in the Philippines began operations on January 2015.

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 2015 and 2014.

The Government of the United Arab Emirates approved a grant in the approximate amount of \$90,642,000 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, 2014, CURE recorded \$1,404,297 (cumulative amount recorded approximately \$90 million at the currency exchange rate in effect at the time of payment) of donated construction services, which is included in Contributions – In-Kind in the Statement of Activities and Changes in Net Assets. No amounts were received in 2015.

CURE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2015 And 2014

(6) LINES OF CREDIT

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 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, 2015 and 2014.

UAE has a \$2,721,977 line of credit with a commercial bank in Abu Dhabi, United Arab Emirates. Outstanding balances are subject to an interest rate of 3% over the 3 month Emirates Bank Offering Rate (EBOR) with a minimum interest rate of 7.5%. Any amounts drawn are payable on demand by the bank. The agreement is renewable on February 28, 2016. No amounts were outstanding on this line of credit at June 30, 2015. The outstanding balance at June 30, 2014 was \$820,640.

Additionally, UAE has an overdraft facility agreement in the amount of \$1,360,989 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 5%. 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 7.5%. The agreement is renewable on February 28, 2016. No amounts were outstanding on this overdraft facility at June 30, 2015. \$426,225 was outstanding on this facility at June 30, 2014, and was below the fixed deposit balance. This facility is secured by a fixed deposit at the bank which had a balance of \$1,035,296 and \$1,028,345 at June 30, 2015 and 2014 respectively.

(7) NOTES PAYABLE

A summary of CURE's notes payable at June 30, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
(A) UAE – Term Loan (Equipment)	\$3,654,797	\$4,348,762
UAE – Vehicle Loan	<u>847</u>	<u>5,958</u>
	<u>\$3,655,644</u>	<u>\$4,354,720</u>

(A) UAE – Term Loan (Equipment)

The UAE has a term-loan agreement with a commercial bank in Abu Dhabi, United Arab Emirates for the purchase of new machinery and equipment in the amount of \$5,389,500. On February 12, 2015, this term loan agreement was amended to reduce the interest rate from 8.5% to 7.5% and to pay the remaining balance over 19 quarterly installments of \$230,551 with a final installment on January 31, 2020 covering the residual loan balance plus interest. As of June 30, 2014, \$4,095,754 was advanced to a supplier to secure equipment for the hospital and was included as Advances 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 \$436,235 and \$546,604 for the years ended June 30, 2015 and 2014, respectively.

CURE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2015 And 2014

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

<u>Year Ending</u>	<u>Payments</u>
June 30, 2016	\$ 715,268
June 30, 2017	721,660
June 30, 2018	777,326
June 30, 2019	837,285
June 30, 2020	<u>604,105</u>
	<u>\$3,655,644</u>

(8) DEFERRED INCOME

On March 24, 2015, UAE entered into a Management and Exclusivity Agreement relating to requisition of on-site and off-site specimen testing and laboratory services, with Proficiency Healthcare Diagnostic Laboratories LLC (PHD). The period of the agreement is for 25 years and is renewable for 25 years. The total contract value is approximately \$7.6 million, including \$265,854 for the purchase of certain laboratory equipment and PHD has paid \$6,866,485, and the remaining amount is payable 12 months from the date of the agreement. In addition, UAE has also entered into an operating lease agreement with PHD for space over the same 25 year term as the Management Agreement at approximately \$200,000 annually.

(9) NET ASSETS

Unrestricted change in net assets is comprised of the following:

	<u>2015</u>	<u>2014</u>
Operating results	\$ 2,661,249	\$ 4,591,637
In-Kind contributions on construction of UAE hospital (See Note 5 and 10)	-	1,404,297
Reduction in value of donated equipment	(1,299,044)	-
Depreciation on hospital buildings and equipment	(2,395,643)	(2,629,556)
Change in inventory of donated medical equipment and supplies	<u>25,599</u>	<u>(646,328)</u>
Change in unrestricted net assets	<u>\$(1,007,839)</u>	<u>\$ 2,720,050</u>

Temporarily restricted net assets at June 30, 2015 and 2014 are available for the following purpose:

	<u>2015</u>	<u>2014</u>
Hospital construction and equipment	\$ 500,354	\$ 577,202
Hospital operations	1,753,137	1,773,000
Clubfoot programs	147,331	156,793
Hydrocephalus programs	-	75,967
Pledges receivable – Time Restricted	<u>4,775,290</u>	<u>6,032,618</u>
	<u>\$7,176,112</u>	<u>\$8,615,580</u>

During the year ended June 30, 2015, net assets were released from donor restrictions by incurring expenses for missionary, program and capital expenditures of \$10,584,929, and release of time restrictions of \$6,560,751.

CURE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2015 And 2014

(10) CONTRIBUTIONS – IN-KIND

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

	<u>2015</u>	<u>2014</u>
Medical and hospital equipment and supplies	\$612,104	\$2,660,647
Construction costs (Hospital in UAE)	<u>-</u>	<u>1,404,297</u>
	<u>\$612,104</u>	<u>\$4,064,944</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 \$187,000 and \$173,000 for the years ended June 30, 2015 and 2014, 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.

(12) SUBSEQUENT EVENTS

Subsequent events after the balance sheet through the date that the financial statements were available for issuance, November 19, 2015 have been evaluated in the preparation of the financial statements and management has determined that there are no subsequent events that would require disclosure or adjustment in the financial statements.