



**CURE INTERNATIONAL, INC.  
AND SUBSIDIARIES**

Consolidated Financial Statements  
With Independent Auditors' Report

June 30, 2020 and 2019

# 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, 2020 and 2019, 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 54 percent and 59 percent of consolidated assets at June 30, 2020 and 2019, respectively, and consolidated revenues constituting 41 percent and 58 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, 2020 and 2019, 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.

*Capin Crouse LLP*

Grand Rapids, Michigan  
January 12, 2021

# CURE INTERNATIONAL, INC. AND SUBSIDIARIES

## Consolidated Statements of Financial Position

	June 30,	
	2020	2019
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 13,076,908	\$ 7,833,785
Patient and other receivables, net	11,221,470	15,067,597
Contributions receivable - pledges, net	2,810,070	3,111,427
Prepaid expenses and other assets	1,198,251	1,517,589
Inventory, net	3,219,417	2,519,212
Assets held for sale	140,985	140,985
Contributions receivable - land leases, net	23,725,443	23,823,015
Land, buildings, and equipment, net	58,872,691	68,462,910
 Total Assets	 \$ 114,265,235	 \$ 122,476,520
 <b>LIABILITIES AND NET ASSETS:</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 12,037,072	\$ 13,335,633
Deferred revenue	6,053,611	6,343,921
Severance payable	3,093,457	4,463,361
Notes payable	4,130,147	6,188,603
Paycheck protection program loan	216,699	-
Total liabilities	25,530,986	30,331,518
 Net assets:		
Net assets without donor restrictions	61,271,821	63,901,821
Net assets with donor restrictions	27,462,428	28,243,181
Total net assets	88,734,249	92,145,002
 Total Liabilities and Net Assets	 \$ 114,265,235	 \$ 122,476,520

See notes to consolidated financial statements

# CURE INTERNATIONAL, INC. AND SUBSIDIARIES

## Consolidated Statements of Activities

	Year Ended June 30,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE:</b>						
Patient revenue, net	\$ 46,592,887	\$ -	\$ 46,592,887	\$ 47,707,503	\$ -	\$ 47,707,503
Contributions	12,598,989	13,305,765	25,904,754	12,113,606	12,373,624	24,487,230
Gift-in-kind contributions	24,771,947	-	24,771,947	1,318,697	-	1,318,697
Government grants	404,243	-	404,243	267,256	-	267,256
Paycheck protection program grant	-	583,618	583,618	-	-	-
Inherent contribution	5,260,770	-	5,260,770	-	-	-
Sales income	2,295,693	-	2,295,693	-	-	-
Other income	1,304,876	-	1,304,876	1,454,228	-	1,454,228
Total revenue and support	<u>93,229,405</u>	<u>13,889,383</u>	<u>107,118,788</u>	<u>62,861,290</u>	<u>12,373,624</u>	<u>75,234,914</u>
<b>NET ASSETS RELEASED FROM:</b>						
Purpose restrictions	9,744,551	(9,744,551)	-	10,084,856	(10,084,856)	-
Time restrictions	4,925,585	(4,925,585)	-	6,387,412	(6,387,412)	-
Total Revenue, Support, and Reclassifications	<u>107,899,541</u>	<u>(780,753)</u>	<u>107,118,788</u>	<u>79,333,558</u>	<u>(4,098,644)</u>	<u>75,234,914</u>
<b>EXPENSES:</b>						
Program services	95,732,020	-	95,732,020	72,533,023	-	72,533,023
Supporting activities						
General and administration	10,316,782	-	10,316,782	9,453,370	-	9,453,370
Fund-raising	3,743,534	-	3,743,534	4,847,563	-	4,847,563
Total supporting services	<u>14,060,316</u>	<u>-</u>	<u>14,060,316</u>	<u>14,300,933</u>	<u>-</u>	<u>14,300,933</u>
Total Expenses	<u>109,792,336</u>	<u>-</u>	<u>109,792,336</u>	<u>86,833,956</u>	<u>-</u>	<u>86,833,956</u>
Change in Net Assets Before Cumulative Translation Adjustments	(1,892,795)	(780,753)	(2,673,548)	(7,500,398)	(4,098,644)	(11,599,042)
Cumulative Translation Adjustments	<u>(737,205)</u>	<u>-</u>	<u>(737,205)</u>	<u>(197,549)</u>	<u>-</u>	<u>(197,549)</u>
Change in Net Assets	(2,630,000)	(780,753)	(3,410,753)	(7,697,947)	(4,098,644)	(11,796,591)
Net Assets, Beginning of Year	<u>63,901,821</u>	<u>28,243,181</u>	<u>92,145,002</u>	<u>71,599,768</u>	<u>32,341,825</u>	<u>103,941,593</u>
Net Assets, End of Year	<u>\$ 61,271,821</u>	<u>\$ 27,462,428</u>	<u>\$ 88,734,249</u>	<u>\$ 63,901,821</u>	<u>\$ 28,243,181</u>	<u>\$ 92,145,002</u>

See notes to consolidated financial statements

# CURE INTERNATIONAL, INC. AND SUBSIDIARIES

## Consolidated Statement of Functional Expenses

	Year Ended June 30, 2020				
	Program Services	Supporting Activities			Total Expenses
		General and Administrative	Fund-raising	Total Supporting Activities	
Salaries and benefits	\$ 37,013,109	\$ 5,775,090	\$ 1,979,080	\$ 7,754,170	\$ 44,767,279
Gifts-in-kind expense:					
Donated medical equipment, medicine and supplies	24,850,758	-	-	-	24,850,758
Donated land leases	568,875	-	-	-	568,875
Hospital medical equipment, medicine and supplies	12,916,884	-	-	-	12,916,884
Depreciation and amortization	9,773,797	1,584,955	1,445	1,586,400	11,360,197
Professional fees	2,300,975	686,671	532,748	1,219,419	3,520,394
Repairs and maintenance	2,291,534	436,116	584	436,700	2,728,234
Occupancy	2,140,377	451,401	91,937	543,338	2,683,715
Travel, meetings and seminars	945,913	290,281	794,458	1,084,739	2,030,652
Office supplies and equipment	712,564	407,713	131,932	539,645	1,252,209
Miscellaneous	857,542	45,650	10,510	56,160	913,702
Grants to other organizations	793,520	-	-	-	793,520
Interest	-	430,474	-	430,474	430,474
Printing, postage, and video production	200,110	5,317	200,840	206,157	406,267
Bad debt	296,535	26,714	-	26,714	323,249
Bank fees	69,527	176,400	-	176,400	245,927
	\$ 95,732,020	\$ 10,316,782	\$ 3,743,534	\$ 14,060,316	\$ 109,792,336

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 Expenses
		General and Administrative	Fund-raising	Total Supporting Activities	
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 medical equipment, medicine and supplies	11,725,689	-	-	-	11,725,689
Professional fees	2,658,527	421,551	755,911	1,177,462	3,835,989
Occupancy	2,906,077	507,411	123,890	631,301	3,537,378
Travel, meetings and seminars	1,509,387	361,101	1,046,597	1,407,698	2,917,085
Repairs and maintenance	2,350,871	392,110	-	392,110	2,742,981
Grants to other organizations	2,395,029	-	-	-	2,395,029
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
Donated land leases	563,468	-	-	-	563,468
Bank fees	31,520	167,724	-	167,724	199,244
Bad debt	72,288	69,136	-	69,136	141,424
	\$ 72,533,023	\$ 9,453,370	\$ 4,847,563	\$ 14,300,933	\$ 86,833,956

See notes to consolidated financial statements



# CURE INTERNATIONAL, INC. AND SUBSIDIARIES

## Consolidated Statements of Cash Flows

	Year Ended June 30,	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (3,410,753)	\$ (11,796,591)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	11,360,197	11,830,219
Change in allowance for doubtful accounts	716,029	1,250,478
Foreign currency translation adjustments	737,205	197,549
Contributions restricted for long term purposes	(1,946,372)	(1,357,096)
Loss on disposal of buildings and equipment, net	-	39,978
Change in obsolete inventory	(342,647)	-
Noncash revenue recognition of loan forgiveness	(583,628)	-
Net acquisition adjustment (International Aid)	(5,260,770)	-
Changes in:		
Patient and other receivables, net	3,401,110	(6,122,349)
Contributions receivable, net	(174,571)	3,227,377
Prepaid expenses and other assets	1,159,296	(85,645)
Inventory	2,902,038	208,167
Accounts payable and accrued expenses	(1,022,230)	1,573,421
Deferred revenue	(290,310)	(165,018)
Severance payable	(1,369,904)	2,421,113
<b>Net Cash Provided By Operating Activities</b>	<b>5,874,690</b>	<b>1,221,603</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of buildings and equipment, net	(1,057,595)	(2,922,798)
Proceeds from sale of buildings and equipment, net	-	855,373
<b>Net Cash Used By Investing Activities</b>	<b>(1,057,595)</b>	<b>(2,067,425)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds on notes payable	800,317	-
Payments made on notes payable	(2,058,456)	(1,553,936)
Contributions received for long term purposes	2,421,372	707,096
<b>Net Cash Used By Financing Activities</b>	<b>1,163,233</b>	<b>(846,840)</b>
Effect of Exchange Rate on Cash	(737,205)	197,549
Change in Cash and Cash Equivalents	5,243,123	(1,495,113)
Cash and Cash Equivalents, Beginning of Year	7,833,785	9,328,898
Cash and Cash Equivalents, End of Year	<b>\$ 13,076,908</b>	<b>\$ 7,833,785</b>
<b>SUPPLEMENTAL INFORMATION:</b>		
Cash paid for interest	\$ 406,267	\$ 955,719
Noncash financing transaction of loan forgiveness recognized as revenue	\$ 583,628	\$ -
Noncash relief of accounts payable through transfer of assets	\$ 451,936	\$ -
Noncash recognition of assets and liabilities of assets acquired (International Aid)	\$ 3,797,058	\$ -

See notes to consolidated financial statements

# CURE INTERNATIONAL, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

June 30, 2020 and 2019

### 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 Ortopedic 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"); 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.

As of July 1, 2019, International Aid (IA) was acquired by CURE through sole membership as further discussed in Note 15. All intercompany accounts and transactions have been eliminated.

## CURE INTERNATIONAL, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

June 30, 2020 and 2019

#### 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, 2020 and 2019, the amounts on deposit that exceeded federally insured limits were approximately \$12,321,000 and \$7,510,000, 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, 2020 and 2019. Additionally, management has determined a discount on contributions to be collectible beyond one year is immaterial, therefore no discount has been recorded.

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, 2020, the contribution receivable and discount related to these leases were \$53,646,268 and \$29,920,825, respectively, resulting to a net contributions receivable of \$23,725,443. 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.

##### 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, 2020 and 2019, were \$808,312 and \$1,680,262, 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, 2020 and 2019

#### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

##### INVENTORY, NET

Inventory, net consists primarily of donated medical equipment, medicine and supplies. Inventory that is purchased is valued at the lower of cost or net realizable value for June 30, 2020 and 2019, 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. Medicine 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. Medicine 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 equipment, medicine and supplies are recorded when used at the value recorded on date of receipt. At June 30, 2020, gross inventory was \$4,969,417, less an obsolescence reserve of \$1,750,000, resulting to a net inventory balance of \$3,219,417. At June 30, 2019, gross inventory was \$2,519,212, less an obsolescence reserve of \$0-, resulting to a net inventory balance of \$2,519,212.

##### 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. See Note 18 for information on the subsequent sale of the Dominican Republic.

##### 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

UAE is required to record a provision for employee's end of service benefits and as a result CURE had a severance payable balance of \$3,093,457 and \$4,463,361 at June 30, 2020 and 2019, respectively.

## CURE INTERNATIONAL, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

June 30, 2020 and 2019

#### 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 management and 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 equipment, medicine, supplies, 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 approximately \$650,000 and \$700,000 for the years ended June 30, 2020 and 2019, respectively.

Sales income is derived from services fees to various donors to defray the costs of warehousing, repairing, and distributing donated and purchase medical equipment and pharmaceuticals, and personal care items. Revenue from such fees is recognized when items are shipped.

## CURE INTERNATIONAL, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

June 30, 2020 and 2019

#### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

##### SUPPORT AND REVENUE, continued

In July 2019, CURE acquired International Aid resulting in the recognition of an inherent contribution. This is further disclosed in Note 15.

##### ALLOCATION OF FUNCTIONAL EXPENSES

The costs of providing the various programs and supporting 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 and total supporting activities 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, 2020 and 2019.

#### 3. LIQUIDITY AND AVAILABILITY OF RESOURCES:

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

	June 30,	
	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 13,076,908	\$ 7,833,785
Patient and other receivables, net	11,221,470	15,067,597
Contributions receivable - pledges, net	2,810,070	3,111,427
Financial assets, at year end	<u>27,108,448</u>	<u>26,012,809</u>
Less those unavailable for general expenditure within one year, due to:		
Contributions receivable to be received beyond one year	(50,000)	(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>(869,028)</u>	<u>(1,936,668)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 26,189,420</u>	<u>\$ 23,342,808</u>

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.

**CURE INTERNATIONAL, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

June 30, 2020 and 2019

4. CONTRIBUTIONS RECEIVABLE, NET:

As of June 30, 2020, contributions receivable are expected to be collected in the following periods:

	<u>Less than One Year</u>	<u>1-5 Years</u>	<u>Greater than Five Years</u>	<u>Total</u>
Donated land leases	\$ 107,887	\$ 447,033	\$ 53,091,348	\$ 53,646,268
Donor pledges	<u>2,760,070</u>	<u>50,000</u>	<u>-</u>	<u>2,810,070</u>
Less				
Present value discount at 2.33%	<u>-</u>	<u>-</u>	<u>(29,920,825)</u>	<u>(29,920,825)</u>
Total	<u>\$ 2,867,957</u>	<u>\$ 497,033</u>	<u>\$ 23,170,523</u>	<u>\$ 26,535,513</u>

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

	<u>Less than One Year</u>	<u>1-5 Years</u>	<u>Greater than Five Years</u>	<u>Total</u>
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>

5. LAND, BUILDINGS, AND EQUIPMENT, NET:

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

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
U.S. Mission Support Center:		
Land and buildings	\$ 2,100,000	\$ -
Furniture and equipment	160,090	146,807
Overseas Hospitals:		
Land and hospital buildings	78,878,521	78,681,655
Furniture and equipment	55,152,066	63,832,499
Construction in progress	<u>289,616</u>	<u>207,537</u>
	136,580,293	142,868,498
Less accumulated depreciation	<u>(77,707,602)</u>	<u>(74,405,588)</u>
	<u>\$ 58,872,691</u>	<u>\$ 68,462,910</u>

**CURE INTERNATIONAL, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

June 30, 2020 and 2019

6. LINES OF CREDIT:

During the years ended June 30, 2020 and 2019, 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, 2020 and 2019. Interest accrues on the line at a rate of 2.5 percent above LIBOR (effective rate was approximately 3 and 5.25 percent at June 30, 2020 and 2019, respectively). There were no draws during the years ended June 30, 2020 and 2019. The note matures in August 2020. Subsequent to year end, the line of credit was renewed with a new maturity date of August 2021.

UAE had 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%. There was no outstanding balance in this facility at June 30, 2019. This facility agreement was not renewed during the year ended June 30, 2020.

7. NOTES PAYABLE:

Notes payable consists of:

	June 30,	
	2020	2019
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. The note was paid in full during 2020.	\$ 1,124,308	\$ 1,732,821
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%.	3,005,839	4,455,782
	\$ 4,130,147	\$ 6,188,603

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

Year Ending June 30,

2021	\$ 3,859,770
2022	270,377
	\$ 4,130,147



**CURE INTERNATIONAL, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

June 30, 2020 and 2019

8. PAYCHECK PROTECTION PROGRAM LOAN:

CURE obtained a Paycheck Protection Program loan administered by the Small Business Administration (SBA) under the U.S. Coronavirus Aid Relief and Economic Security (CARES) Act. This unsecured note, dated April 24, 2020, is in the amount of \$800,327 with a fixed interest rate of 1%. The maturity date is April 24, 2022. Management intends to apply for loan forgiveness based upon the qualification outlined by the SBA in the respective loan agreement. As of June 30, 2020, CURE has incurred \$583,628 of eligible costs and have recognized the anticipated forgiveness as a contribution (recorded as paycheck protection program grant on the consolidated statement of activities as of June 30, 2020) in accordance with ASU 2018-08. The outstanding balance of \$216,699 is recorded as a Paycheck Protection Program loan on the consolidated statements of financial position as of June 30, 2020. Any unforgiven portion of the loan will be paid back in 18 equal monthly installments, plus interest. Payments will commence on November 24, 2020, and mature on April 24, 2022.

9. 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 \$6,053,611 and \$6,343,921 as of June 30, 2020 and 2019, respectively. As of June 30, 2020 and 2019, 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.

10. 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,	
	2020	2019
Contributions receivable - land leases	\$ 23,725,443	\$ 23,823,015
Contributions receivable - time restricted	2,810,070	3,111,427
Hospital construction and equipment	630,701	630,701
Hospital operations	244,997	151,853
Hydrocephalus programs	51,217	98,204
Clubfoot programs	-	427,981
	\$ 27,462,428	\$ 27,815,200

## CURE INTERNATIONAL, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

June 30, 2020 and 2019

#### 11. GIFTS-IN-KIND

CURE receives donations of medical equipment, medicine and supplies for use in relief and development programs. CURE ships all such gifts-in-kind to one of the branch or related hospitals, or similar not-for-profit organizations. This activity is driven from the acquisition of International Aid and recording all International Aid activity in the consolidated financial statements effective July 1, 2019, as noted in Note 15.

In accordance with Interagency Standards established by the Accord Network, CURE only records the value of gifts-in-kind for which it receives and exercises variance power, which is the discretion to distribute or redistribute the commodity without the donor's prior consent in accordance with its mission and purpose.

#### 12. 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 for both years ended June 30, 2020 and 2019.

#### 13. RELATED PARTIES:

CURE had a contract with International Aid to utilize consulting services from International Aid's chief executive officer to fill the role of CURE's chief administration officer position. CURE paid the organization a fee for both consulting services and warehouse and other related services support. In 2019, CURE paid International Aid approximately \$388,000 to utilize consulting services from the other organization's chief executive officer to fill the role of CURE's chief administration officer position. During 2020, CURE acquired International Aid as described in Note 15.

Further, the board of directors at CURE contributed approximately \$3,700,000 and \$3,900,000 during the years ended June 30, 2020 and 2019, respectively.

## CURE INTERNATIONAL, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

June 30, 2020 and 2019

#### 14. 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, 2020 and 2019, net assets of non-U.S. operations were 64% 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 years ended June 30, 2020 and 2019, are reflected accordingly on the consolidated statements of activities.

As of 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.

#### 15. ACQUISITION OF INTERNATIONAL AID:

On July 1, 2019, CURE acquired International Aid (IA), which was formally an independent not-for-profit 501(c)(3) corporation. The substance of this transaction is that IA granted to CURE all the assets of the organization and CURE assumed responsibility for all outstanding liabilities. IA will continue as an organization, but all activity is run through CURE and is reported in the consolidated financial statements. As part of the acquisition, CURE recognized, at fair value, assets totaling \$5,795,153 and assumed liabilities totaling \$534,583. The difference of \$5,260,770 was recorded as an inherent contribution and reflected on the consolidated statements of activities for the year ended June 30, 2020.

#### 16. CONTINGENCIES:

CURE is involved in an administrative audit with the California Attorney General (AG). The ultimate liability or conclusion of the audit findings, if any, cannot be determined at this time because considerable uncertainties exist. However, based on the facts currently available, management believes that the ultimate outcome of matters that are pending or asserted will not have a materially adverse effect on CURE's financial position. Accordingly, no adjustment has been made to reflect the proceedings by the California AG.

## CURE INTERNATIONAL, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

June 30, 2020 and 2019

#### 17. RISKS AND UNCERTAINTIES:

In March of 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the consolidated financial position and results of CURE for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve.

#### 18. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through January 12, 2021, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.

The line of credit was renewed subsequent to year end as disclosed in Note 6.

Further, prior to the year ended June 30, 2020, CURE resolved to carve out the hospital and related programs of Oasis Hospital (UAE), to another not-for-profit organization. As of June 30, 2020, the assets, liabilities and related activity of UAE are recorded in CURE's consolidated financial statements. Subsequent to year end, these assets were granted to the other not-for-profit organization with an effective date of October 1, 2020.

In July 2020, CURE was approved for three new grants from the United States Agency for International Development, totaling approximately \$2,800,000.

In August 2020, CURE entered into a sales agreement to sell the Dominican Republic facility and operations, which was classified as held for sale as of June 30, 2020. The sale was complete in September 2020.

As of October 1, 2020, CURE signed an agreement with the Zimbabwe Orthopedic Trust, detailing an agreement to formally align hospital operations for a children's hospital in Bulawayo, Zimbabwe.

## **SUPPLEMENTARY INFORMATION**

**INDEPENDENT AUDITORS' REPORT  
ON THE SUPPLEMENTARY INFORMATION**

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

We have audited the consolidated financial statements of CURE International, Inc. and Subsidiaries as of and for the years ended June 30, 2020 and 2019, and our report thereon dated January 12, 2021, which expresses an unmodified opinion on those consolidated financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of activities and financial position are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole as of and for the years ended June 30, 2020 and 2019.

*Capin Crouse LLP*

Grand Rapids, Michigan  
January 12, 2021

# CURE INTERNATIONAL, INC. AND SUBSIDIARIES

## Consolidating Statement of Financial Position

June 30, 2020, with comparative totals at June 30, 2019

	2020			2019 Totals
	MSC & Hospitals	U.A.E.	Total	
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 9,007,599	\$ 4,069,309	\$ 13,076,908	\$ 7,833,785
Patient and other receivables, net	763,427	10,458,043	11,221,470	15,067,597
Contributions receivable - pledges, net	2,810,070	-	2,810,070	3,111,427
Prepaid expenses and other assets	255,344	942,907	1,198,251	1,517,589
Inventory	2,321,091	898,326	3,219,417	2,519,212
Assets held for sale	140,985	-	140,985	140,985
Contributions receivable - land leases, net	23,725,443	-	23,725,443	23,823,015
Land, buildings, and equipment, net	14,020,804	44,851,887	58,872,691	68,462,910
	<b>\$ 53,044,763</b>	<b>\$ 61,220,472</b>	<b>\$114,265,235</b>	<b>\$122,476,520</b>
<b>LIABILITIES AND NET ASSETS:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued expenses	\$ 1,954,256	\$ 10,082,816	\$ 12,037,072	\$ 13,335,633
Deferred revenue	-	6,053,611	6,053,611	6,343,921
Severance payable	-	3,093,457	3,093,457	4,463,361
Notes payable	-	4,130,147	4,130,147	6,188,603
Paycheck protection program loan	216,699	-	216,699	-
Total liabilities	2,170,955	23,360,031	25,530,986	30,331,518
<b>Net assets:</b>				
Net assets without donor restrictions	23,411,380	37,860,441	61,271,821	63,901,821
Net assets with donor restrictions	27,462,428	-	27,462,428	28,243,181
Total net assets	50,873,808	37,860,441	88,734,249	92,145,002
Total Liabilities and Net Assets	<b>\$ 53,044,763</b>	<b>\$ 61,220,472</b>	<b>\$114,265,235</b>	<b>\$122,476,520</b>

See notes to consolidated financial statements

# CURE INTERNATIONAL, INC. AND SUBSIDIARIES

## Consolidating Statement of Financial Position

	June 30, 2019		
	MSC & Hospitals	U.A.E.	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 6,750,679	\$ 1,083,106	\$ 7,833,785
Patient and other receivables, net	675,685	14,391,912	15,067,597
Contributions receivable - pledges, net	3,111,427	-	3,111,427
Prepaid expenses and other assets	733,571	784,018	1,517,589
Inventory	1,521,567	997,645	2,519,212
Assets held for sale	140,985	-	140,985
Contributions receivable - land leases, net	23,823,015	-	23,823,015
Land, buildings, and equipment, net	14,056,076	54,406,834	68,462,910
	<b>\$ 50,813,005</b>	<b>\$ 71,663,515</b>	<b>\$122,476,520</b>
<b>LIABILITIES AND NET ASSETS:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued expenses	\$ 3,991,198	\$ 9,344,435	\$ 13,335,633
Deferred revenue	-	6,343,921	6,343,921
Severance payable	-	4,463,361	4,463,361
Notes payable	-	6,188,603	6,188,603
Total liabilities	3,991,198	26,340,320	30,331,518
<b>Net assets:</b>			
Net assets without donor restrictions	18,578,626	45,323,195	63,901,821
Net assets with donor restrictions	28,243,181	-	28,243,181
Total net assets	46,821,807	45,323,195	92,145,002
Total Liabilities and Net Assets	<b>\$ 50,813,005</b>	<b>\$ 71,663,515</b>	<b>\$122,476,520</b>

See notes to consolidated financial statements



# CURE INTERNATIONAL, INC. AND SUBSIDIARIES

## Consolidating Statements of Activities

	Year Ended June 30,					
	2020			2019		
	MSC & Hospitals	U.A.E.	Total	MSC & Hospitals	U.A.E.	Total
<b>SUPPORT AND REVENUE:</b>						
Contributions	\$ 25,904,754	\$ -	\$ 25,904,754	\$ 24,487,230	\$ -	\$ 24,487,230
Gift-in-kind contributions	24,771,947	-	24,771,947	1,318,697	-	1,318,697
Government grants	404,243	-	404,243	267,256	-	267,256
Paycheck protection program grant	583,618	-	583,618	-	-	-
Patient revenue, net	3,259,036	43,333,851	46,592,887	5,167,977	42,539,526	47,707,503
Inherent contributions	5,260,770	-	5,260,770	-	-	-
Sales income	2,295,693	-	2,295,693	-	-	-
Other income	785,779	519,097	1,304,876	497,544	956,684	1,454,228
<b>Total Support and Revenue</b>	<b>63,265,840</b>	<b>43,852,948</b>	<b>107,118,788</b>	<b>31,738,704</b>	<b>43,496,210</b>	<b>75,234,914</b>
<b>EXPENSES:</b>						
Program services	52,094,239	43,637,781	95,732,020	30,146,783	42,386,240	72,533,023
Supporting activities						
General and administration	3,005,574	7,311,208	10,316,782	1,578,978	7,874,392	9,453,370
Fund-raising	3,376,821	366,713	3,743,534	4,509,945	337,618	4,847,563
Total supporting services	6,382,395	7,677,921	14,060,316	6,088,923	8,212,010	14,300,933
<b>Total Expenses</b>	<b>58,476,634</b>	<b>51,315,702</b>	<b>109,792,336</b>	<b>36,235,706</b>	<b>50,598,250</b>	<b>86,833,956</b>
Change in Net Assets Before Cumulative Translation Adjustments	4,789,206	(7,462,754)	(2,673,548)	(4,497,002)	(7,102,040)	(11,599,042)
Cumulative Translation Adjustments	(737,205)	-	(737,205)	(162,717)	(34,832)	(197,549)
Change in Net Assets	4,052,001	(7,462,754)	(3,410,753)	(4,659,719)	(7,136,872)	(11,796,591)
Net Assets, Beginning of Year	46,821,807	45,323,195	92,145,002	51,481,526	52,460,067	103,941,593
Net Assets, End of Year	<u>\$ 50,873,808</u>	<u>\$ 37,860,441</u>	<u>\$ 88,734,249</u>	<u>\$ 46,821,807</u>	<u>\$ 45,323,195</u>	<u>\$ 92,145,002</u>

See notes to consolidated financial statements