



**CURE INTERNATIONAL, INC.
AND SUBSIDIARIES**

Consolidated Financial Statements
With Independent Auditors' Report

June 30, 2021 and 2020

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

Board of Directors
CURE International, Inc. and Subsidiaries
Grand Rapids, 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, 2021 and 2020, 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 -0- percent and 54 percent of consolidated assets at June 30, 2021 and 2020, respectively, and consolidated revenues constituting 21 percent and 41 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, 2021 and 2020, 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
November 18, 2021

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Consolidated Statements of Financial Position

	June 30,	
	2021	2020
ASSETS:		
Cash and cash equivalents	\$ 8,587,821	\$ 13,076,908
Patient and other receivables, net	670,913	11,221,470
Contributions receivable - pledges, net	3,395,648	2,810,070
Prepaid expenses and other assets	263,508	1,198,251
Inventory, net	2,420,470	3,219,417
Assets held for sale	1,968,888	140,985
Contributions receivable - leases, net	25,989,909	23,725,443
Land, buildings, and equipment, net	17,403,792	58,872,691
	\$ 60,700,949	\$ 114,265,235
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,572,779	\$ 12,037,072
Deferred revenue	8,808	6,053,611
Severance payable	-	3,093,457
Notes payable	-	4,130,147
Paycheck protection program loan	-	216,699
Total liabilities	1,581,587	25,530,986
Net assets:		
Net assets without donor restrictions	28,979,052	61,271,821
Net assets with donor restrictions	30,140,310	27,462,428
Total net assets	59,119,362	88,734,249
Total Liabilities and Net Assets	\$ 60,700,949	\$ 114,265,235

See notes to consolidated financial statements

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Consolidated Statements of Activities

	Year Ended June 30,					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 4,111,215	\$ 20,938,000	\$ 25,049,215	\$ 12,598,989	\$ 13,305,765	\$ 25,904,754
Gift-in-kind contributions	7,018,978	-	7,018,978	24,771,947	-	24,771,947
Inherent contribution	4,405,481	-	4,405,481	5,260,770	-	5,260,770
Insurance billing and cost recovery	2,580,022	-	2,580,022	3,259,036	-	3,259,036
Government grants	446,613	216,699	663,312	404,243	583,618	987,861
Sales income	190,132	-	190,132	2,295,693	-	2,295,693
Other income	831,049	-	831,049	785,779	-	785,779
Total revenue and support	19,583,490	21,154,699	40,738,189	49,376,457	13,889,383	63,265,840
NET ASSETS RELEASED FROM:						
Purpose restrictions	9,609,172	(9,609,172)	-	9,744,551	(9,744,551)	-
Time restrictions	8,867,645	(8,867,645)	-	4,925,585	(4,925,585)	-
Total Revenue, Support, and Reclassifications	38,060,307	2,677,882	40,738,189	64,046,593	(780,753)	63,265,840
EXPENSES:						
Program services	26,422,059	-	26,422,059	52,094,239	-	52,094,239
Supporting activities						
General and administration	2,374,937	-	2,374,937	3,005,574	-	3,005,574
Fund-raising	3,125,325	-	3,125,325	3,376,821	-	3,376,821
Total supporting activities	5,500,262	-	5,500,262	6,382,395	-	6,382,395
Total Expenses	31,922,321	-	31,922,321	58,476,634	-	58,476,634
Change in Net Assets Before Cumulative						
Translation Adjustments and Discontinued Operations	\$ 6,137,986	\$ 2,677,882	\$ 8,815,868	\$ 5,569,959	\$ (780,753)	\$ 4,789,206

(continued)

See notes to consolidated financial statements

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Consolidated Statements of Activities (continued)

	Year Ended June 30,					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Cumulative Translation Adjustments	(570,314)	-	(570,314)	(737,205)	-	(737,205)
Change in Net Assets Prior to Discontinued Operations	5,567,672	2,677,882	8,245,554	4,832,754	(780,753)	4,052,001
DISCONTINUED OPERATIONS						
Net Loss on Discontinued Operations (Note 16)	(37,860,441)	-	(37,860,441)	(7,462,754)	-	(7,462,754)
Change in Net Assets	(32,292,769)	2,677,882	(29,614,887)	(2,630,000)	(780,753)	(3,410,753)
Net Assets, Beginning of Year	61,271,821	27,462,428	88,734,249	63,901,821	28,243,181	92,145,002
Net Assets, End of Year	<u>\$ 28,979,052</u>	<u>\$ 30,140,310</u>	<u>\$ 59,119,362</u>	<u>\$ 61,271,821</u>	<u>\$ 27,462,428</u>	<u>\$ 88,734,249</u>

See notes to consolidated financial statements

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Consolidated Statement of Functional Expenses

	Year Ended June 30, 2021				
	Program Services	Supporting Activities			Total Expenses
		General and Administrative	Fund-raising	Total Supporting Activities	
Salaries and benefits	\$ 12,577,816	\$ 1,059,565	\$ 1,773,795	\$ 2,833,360	\$ 15,411,176
Gifts-in-kind expense:					
Donated medical equipment, medicine and supplies	4,227,755	-	-	-	4,227,755
Donated land leases	666,447	-	-	-	666,447
Hospital medical equipment, medicine and supplies	2,990,408	-	-	-	2,990,408
Depreciation and amortization	1,090,837	88,743	-	88,743	1,179,580
Professional fees	1,187,239	341,699	579,999	921,698	2,108,937
Repairs and maintenance	360,636	29,688	58	29,746	390,382
Occupancy	939,963	255,845	95,352	351,197	1,291,160
Travel, meetings and seminars	364,571	40,102	33,194	73,296	437,867
Office supplies and equipment	541,547	99,652	189,101	288,753	830,300
Miscellaneous	521,096	25,464	4,945	30,409	551,505
Grants to other organizations	792,870	-	129	129	792,999
Printing, postage, and video production	78,136	881	448,752	449,633	527,769
Bad debt	54,410	147,660	-	147,660	202,070
Bank fees	28,328	285,638	-	285,638	313,966
	\$ 26,422,059	\$ 2,374,937	\$ 3,125,325	\$ 5,500,262	\$ 31,922,321

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 Supporting Activities	Total Expenses
		General and Administrative	Fund-raising		
Salaries and benefits	\$ 12,954,308	\$ 1,708,024	\$ 1,979,080	\$ 3,687,104	\$ 16,641,412
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	6,597,118	-	-	-	6,597,118
Depreciation and amortization	1,250,721	80,883	1,439	82,322	1,333,043
Professional fees	1,122,491	641,547	532,748	1,174,295	2,296,786
Repairs and maintenance	223,731	39,538	584	40,122	263,853
Occupancy	1,007,412	133,764	91,937	225,701	1,233,113
Travel, meetings and seminars	799,218	70,264	427,745	498,009	1,297,227
Office supplies and equipment	544,043	104,237	131,932	236,169	780,212
Miscellaneous	953,534	45,600	10,516	56,116	1,009,650
Grants to other organizations	793,520	-	-	-	793,520
Printing, postage, and video production	200,110	5,317	200,840	206,157	406,267
Bad debt	189,681	-	-	-	189,681
Bank fees	38,719	176,400	-	176,400	215,119
	\$ 52,094,239	\$ 3,005,574	\$ 3,376,821	\$ 6,382,395	\$ 58,476,634

See notes to consolidated financial statements

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Year Ended June 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (29,614,887)	\$ (3,410,753)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	1,179,580	11,360,197
Change in allowance for doubtful accounts	174,482	716,029
Foreign currency translation adjustments	570,314	737,205
Contributions restricted for long term purposes	(969,870)	(1,946,372)
Gain on disposal of buildings and equipment, net	(238,961)	-
Change in obsolete inventory	-	(342,647)
Noncash recognition of land lease expense	(666,447)	(568,875)
Noncash revenue recognition of loan forgiveness	(216,699)	(583,628)
Net acquisition adjustment (Zimbabwe and International Aid (IA))	(4,405,481)	(5,260,770)
Noncash transfer of discontinued operations (UAE)	34,541,673	-
Changes in:		
Patient and other receivables, net	(130,368)	3,401,110
Contributions receivable, net	(2,398,460)	394,304
Prepaid expenses and other assets	(88,579)	1,159,296
Inventory, net	(205,335)	2,902,038
Accounts payable and accrued expenses	(405,276)	(1,022,230)
Deferred revenue	-	(290,310)
Severance payable	-	(1,369,904)
Net Cash Provided (Used) By Operating Activities	(2,874,314)	5,874,690
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of land, buildings and equipment, net	(2,429,104)	(1,057,595)
Proceeds from sale of land, buildings and equipment, net	414,775	-
Net Cash Used By Investing Activities	(2,014,329)	(1,057,595)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds on notes payable	-	800,317
Payments made on notes payable	-	(2,058,456)
Contributions received for long term purposes	969,870	2,421,372
Net Cash Provided By Financing Activities	969,870	1,163,233
Effect of Exchange Rate on Cash	(570,314)	(737,205)
Change in Cash and Cash Equivalents	(4,489,087)	5,243,123
Cash and Cash Equivalents, Beginning of Year	13,076,908	7,833,785
Cash and Cash Equivalents, End of Year	\$ 8,587,821	\$ 13,076,908
SUPPLEMENTAL INFORMATION:		
Cash paid for interest	\$ -	\$ 406,267
Noncash financing transaction of loan forgiveness recognized as revenue	\$ 216,699	\$ 583,628
Noncash relief of accounts payable through transfer of assets	\$ -	\$ 451,936
Noncash transfer of land, buildings, and equipment, net to assets held for sale	\$ 1,968,888	\$ -
Noncash recognition of assets and liabilities of assets acquired (Zimbabwe and IA)	\$ 4,405,481	\$ 3,797,058
Noncash grant expense of discontinued operations (UAE)	\$ 34,541,673	\$ -

See notes to consolidated financial statements

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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 (beside Zimbabwe) 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; the main office which is the Mission Support Center ("MSC"), International Aid ("IA"), its branch offices, Kanad Hospital, formerly known as the Oasis Hospital ("UAE"), Centro de Ortopedica y Especialidades CURE Internacional ("Dominican Republic"), CURE Hospital des Enfants au Niger ("Niger"), 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"), Cure International Bulawayo Children's Hospital ("Zimbabwe"), 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. This acquisition is recognized on the consolidated statements of activities as an inherent contribution during the year ended June 30, 2020.

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES:

PRINCIPLES OF CONSOLIDATION, continued

In August 2020, the land and hospital located in the Dominican Republic sold, and all remaining assets of that branch transferred to CURE headquarters (MSC).

As of October 1, 2020, UAE was acquired by another nonprofit organization, and all assets, liabilities, and net assets of UAE transferred to that third party as a grant expense. UAE activity is shown on the consolidated statements of activities as discontinued operations for June 30, 2021 and 2020, and further disclosed in Note 16.

CURE acquired an additional hospital as of October 1, 2020 in Zimbabwe. The hospital name was changed to CURE Hospital of Zimbabwe (Zimbabwe). This acquisition is recognized on the consolidated statements of activities as an inherent contribution during the year ended June 30, 2021.

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, 2021 and 2020, the amounts on deposit that exceeded federally insured limits were approximately \$8,346,000 and \$12,321,000, 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, 2021 and 2020. 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, 2021, the contribution receivable and discount related to these leases were \$55,520,156, and \$29,530,248, respectively, resulting to a net contributions receivable of \$25,989,909. 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.

During the year ended June 30, 2021, CURE entered into a ten year office lease with a board member for donated office space. The fair value of the rent to be received, discounted to its present value, is recorded as gift-in-kind revenue and contributions receivable. At June 30, 2021, the contribution receivable and discount related to this lease was \$2,540,335, and \$160,150, respectively, resulting to a net receivable of \$2,380,185.

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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, 2021 and 2020, were \$-0- and \$808,312, 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.

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, 2021 and 2020, 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, 2021, gross inventory was \$2,508,470 less an obsolescence reserve of \$88,000 resulting to a net inventory balance of \$2,420,470. 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.

ASSETS HELD FOR SALE

During fiscal year 2018, the board resolved to close the hospital in the Dominican Republic. The Dominican Republic hospital sold in August 2020. The assets are classified as held for sale and are reported separately on the consolidated statements of financial position in 2020. During fiscal year 2021, CURE listed the main office and warehouse space for MSC for sale. The net property was transferred to assets held for sale on the statements of consolidated financial position after CURE met all the requirements under Financial Accounting Standards Board (FASB) Codification section 360-10-45. Subsequent to June 30, 2021, the main office and warehouse space for MSC was sold.

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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, and useful lives range from 3 to 27.5 years. 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 was required to record a provision for employee's end of service benefits and as a result CURE had a severance payable balance of \$-0- and \$3,093,457 at June 30, 2021 and 2020, respectively. UAE was acquired by a third party during fiscal year 2021, and the other organization assumed the remaining liability, resulting in \$-0- severance payable as of June 30, 2021.

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. Contributions are recorded net of special event expense of \$616,254 and \$657,970 for the years ended June 30, 2021 and 2020, respectively.

Gift-in-kind contributions consist of donated medical equipment, medicine, supplies, and donated leases.

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE, continued

CURE records government grants as income when the grants are unconditionally awarded, or as deferred revenue until expenditures are incurred if deemed reciprocal. CURE has three ongoing grants totaling \$2,800,000, from the United States Agency for International Development. CURE recognizes related government grant revenue as expenditures are incurred. As of June 30, 2021 and 2020, total revenue and related expenses of approximately \$446,000 and \$404,200, respectively, has been recognized.

Insurance billing and cost recovery comprises of fees charged for inpatient and outpatient hospital services. Insurance billing and cost recovery 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 \$628,000 and \$650,000 for the years ended June 30, 2021 and 2020, 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.

In October 2020, CURE acquired Zimbabwe, resulting in the recognition of an inherent contribution on the consolidated statements of activities. These acquisitions are further disclosed in Note 15. During the year ended June 30, 2020, CURE acquired International Aid, resulting in the recognition of an inherent contribution on the consolidated statements of activities.

ALLOCATION OF FUNCTIONAL EXPENSES

The costs of providing the various program services 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, 2021 and 2020.

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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,	
	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 8,587,821	\$ 13,076,908
Patient and other receivables, net	670,913	11,221,470
Contributions receivable - pledges, net	3,395,648	2,810,070
Financial assets, at year end	12,654,382	27,108,448
Less those unavailable for general expenditure within one year, due to:		
Contributions receivable to be received beyond one year	(650,000)	(50,000)
Restrictions by donors with purpose and time restrictions to be spent beyond one year, excluding time restrictions related to donated land leases	(484,272)	(869,028)
Financial assets available to meet cash needs for general expenditures within one year	\$ 11,520,110	\$ 26,189,420

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 one facility, as described in Note 6, that can be drawn upon as needed.

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

4. CONTRIBUTIONS RECEIVABLE, NET:

As of June 30, 2021, 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 leases	\$ 920,480	\$ 3,681,922	\$ 50,917,753	\$ 55,520,155
Donor pledges	<u>2,745,649</u>	<u>650,000</u>	<u>-</u>	<u>3,395,649</u>
Less				
Present value discount at 1.45%	-	-	(160,150)	(160,150)
Present value discount at 2.33%	<u>-</u>	<u>-</u>	<u>(29,370,097)</u>	<u>(29,370,097)</u>
Total	<u>\$ 3,666,129</u>	<u>\$ 4,331,922</u>	<u>\$ 21,387,506</u>	<u>\$ 29,385,557</u>

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>

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

5. LAND, BUILDINGS, AND EQUIPMENT, NET:

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

	June 30,	
	2021	2020
U.S. Mission Support Center:		
Land and buildings	\$ 73,961	\$ 2,100,000
Furniture and equipment	17,983	160,090
Construction in progress	266,759	-
Overseas Hospitals:		
Land and hospital buildings	16,920,994	78,878,521
Furniture and equipment	10,937,704	55,152,066
Construction in progress	235,915	289,616
	28,453,316	136,580,293
Less accumulated depreciation	(11,049,524)	(77,707,602)
	\$ 17,403,792	\$ 58,872,691

6. LINES OF CREDIT:

During the years ended June 30, 2021 and 2020, 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, 2021 and 2020. Interest accrues on the line at a rate of 2.5 percent above LIBOR (effective rate was approximately 2.75 and 3 percent at June 30, 2021 and 2020, respectively). There were no draws during the years ended June 30, 2021 and 2020, and a \$-0- balance as of June 30, 2021 and 2020. The note matures in August 2021. Subsequent to year end, the line of credit was renewed with a new maturity date of January 2023.

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

7. NOTES PAYABLE:

Notes payable consists of:

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
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 was secured by equipment. UAE was granted to another organization during the year ended June 30, 2021, and this debt was reassigned to that organization.	\$ -	\$ 1,124,308
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%. UAE was granted to another organization during the year ended June 30, 2021, and this debt was reassigned to that organization.	<u>-</u>	<u>3,005,839</u>
	<u>\$ -</u>	<u>\$ 4,130,147</u>

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 during the year ended June 30, 2020. This unsecured note, dated April 24, 2020, is in the amount of \$800,317 with a fixed interest rate of 1%. As of June 30, 2020, CURE incurred \$583,618 of eligible costs and recognized the anticipated forgiveness as revenue (recorded as government grants on the consolidated statement of activities as of June 30, 2020). During the year ended June 30, 2021, CURE obtained full forgiveness by the SBA and the outstanding balance of \$216,699 was recognized as revenue (recorded as government grants on the consolidated statement of activities).

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. 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 as of June 30, 2020. UAE was acquired by a third party during fiscal year 2021, and the other organization assumed the remaining liability, resulting in \$-0- deferred revenue as of June 30, 2021.

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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,	
	2021	2020
Contributions receivable - land leases	\$ 25,989,909	\$ 23,725,443
Contributions receivable - time restricted	3,395,648	2,810,070
Hospital construction and equipment	399,824	630,701
Hospital operations	337,064	244,997
Hydrocephalus programs	17,865	51,217
	<u>\$ 30,140,310</u>	<u>\$ 27,462,428</u>

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.

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 \$172,000 and \$151,000 for the years ended June 30, 2021 and 2020, respectively.

13. RELATED PARTIES:

The board of directors at CURE contributed approximately \$3,575,000 during the year ended June 30, 2021, which includes a noncash gift of approximately \$2,380,000 for donated office space. A net contribution receivable is recorded in the amount of approximately \$2,380,000 reflecting the 10 year commitment of donated rent as of June 30, 2021. The board of directors at CURE contributed approximately \$3,700,000 during the year ended June 30, 2020.

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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, 2021 and 2020, net assets of non-U.S. operations were 38% and 64% 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, 2021 and 2020, are reflected accordingly on the consolidated statements of activities.

As of the date of this report, 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. ACQUISITIONS OF ZIMBABWE AND INTERNATIONAL AID:

On October 1, 2020, CURE acquired the Bulawayo Children's Hospital (Zimbabwe), which was formally an independent organization. The substance of this transaction is that Zimbabwe granted to CURE all the assets of the organization and CURE assumed responsibility for all outstanding liabilities (if any). All activity of Zimbabwe is run through CURE and is reported in the consolidated financial statements. As part of the acquisition, CURE recognized, at fair value, assets totaling \$4,405,481 and assumed liabilities totaling \$-0- and was recorded as an inherent contribution and reflected on the consolidated statements of activities for the year ended June 30, 2021.

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.

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

16. DISCONTINUED OPERATIONS:

On October 1, 2021, CURE transferred the management and oversight of Kanad Hospital, formerly known as the Oasis Hospital (UAE) to an unrelated, faith based non-profit with a presence in the middle east. The transition of UAE represents a strategic shift in CURE's operations as CURE continues to focus on serving children in areas with no or limited access to quality surgical care. UAE was determined to be outside of the core mission of CURE. This is classified as discontinued operations due to the hospital no longer operating within CURE, but the operation and mission of the hospital are continuing under the non-profit that now oversees the hospital.

The net loss from discontinued operations presented in the consolidated statements of activities for the years ended June 30, 2021 and 2020 (retroactively applied), consists of the following:

	Years ended June 30,	
	2021	2020
Support and Revenue:		
Insurance billing and cost recovery	\$ 11,729,934	\$ 43,333,851
Other income	52,075	519,097
	11,782,009	43,852,948
Expenses:		
Program services	7,259,205	43,637,781
General and administration	4,666,085	7,311,208
Fund-raising	168,850	366,713
	12,094,140	51,315,702
Loss from discontinued operations	(312,131)	(7,462,754)
Grant expense for the transfer of UAE	(37,548,310)	-
Net Loss from discontinued operations	\$ (37,860,441)	\$ (7,462,754)

Total depreciation expense of the discontinued operations is \$1,548,484 and \$10,027,148, for the years ended June 30, 2021 and 2020, respectively. The total operating, investing and financing cash flows of the discontinued operations for the year ended June 30, 2021 were \$(3,318,768), \$-0-, and \$-0-, respectively. The total operating, investing and financing cash flows of the discontinued operations for the year ended June 30, 2020, were \$5,301,342, \$(256,683), and \$(2,058,456), respectively.

17. 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, 2021 and 2020

18. 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.

19. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through November 18, 2021, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.

Subsequent events are recorded in Note 2, Assets Held for Sale and Note 6, Lines of Credit.

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, 2021 and 2020, and our report thereon dated November 18, 2021, which expresses an unmodified opinion on those consolidated financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and the consolidating statements of activities 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 audits 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, 2021 and 2020.

Capin Crouse LLP

Grand Rapids, Michigan
November 18, 2021

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Consolidating Statement of Financial Position

June 30, 2021, with comparative totals at June 30, 2020

	2021			2020 Totals
	MSC, IA, & Hospitals	U.A.E.	Total	
ASSETS:				
Cash and cash equivalents	\$ 8,587,821	\$ -	\$ 8,587,821	\$ 13,076,908
Patient and other receivables, net	670,913	-	670,913	11,221,470
Contributions receivable - pledges, net	3,395,648	-	3,395,648	2,810,070
Prepaid expenses and other assets	263,508	-	263,508	1,198,251
Inventory, net	2,420,470	-	2,420,470	3,219,417
Assets held for sale	1,968,888	-	1,968,888	140,985
Contributions receivable - leases, net	25,989,909	-	25,989,909	23,725,443
Land, buildings, and equipment, net	17,403,792	-	17,403,792	58,872,691
Total Assets	\$ 60,700,949	\$ -	\$ 60,700,949	\$114,265,235
LIABILITIES AND NET ASSETS:				
Liabilities:				
Accounts payable and accrued expenses	\$ 1,572,779	\$ -	\$ 1,572,779	\$ 12,037,072
Deferred revenue	8,808	-	8,808	6,053,611
Severance payable	-	-	-	3,093,457
Notes payable	-	-	-	4,130,147
Paycheck protection program loan	-	-	-	216,699
Total liabilities	1,581,587	-	1,581,587	25,530,986
Net assets:				
Net assets without donor restrictions	28,979,052	-	28,979,052	61,271,821
Net assets with donor restrictions	30,140,310	-	30,140,310	27,462,428
Total net assets	59,119,362	-	59,119,362	88,734,249
Total Liabilities and Net Assets	\$ 60,700,949	\$ -	\$ 60,700,949	\$114,265,235

See notes to consolidated financial statements

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Consolidating Statement of Financial Position

	June 30, 2020		
	MSC, IA, & Hospitals	U.A.E.	Total
ASSETS:			
Cash and cash equivalents	\$ 9,007,599	\$ 4,069,309	\$ 13,076,908
Patient and other receivables, net	763,427	10,458,043	11,221,470
Contributions receivable - pledges, net	2,810,070	-	2,810,070
Prepaid expenses and other assets	255,344	942,907	1,198,251
Inventory, net	2,321,091	898,326	3,219,417
Assets held for sale	140,985	-	140,985
Contributions receivable - leases, net	23,725,443	-	23,725,443
Land, buildings, and equipment, net	14,020,804	44,851,887	58,872,691
	<u>\$ 53,044,763</u>	<u>\$ 61,220,472</u>	<u>\$114,265,235</u>
LIABILITIES AND NET ASSETS:			
Liabilities:			
Accounts payable and accrued expenses	\$ 1,954,256	\$ 10,082,816	\$ 12,037,072
Deferred revenue	-	6,053,611	6,053,611
Severance payable	-	3,093,457	3,093,457
Notes payable	-	4,130,147	4,130,147
Paycheck protection program loan	216,699	-	216,699
Total liabilities	<u>2,170,955</u>	<u>23,360,031</u>	<u>25,530,986</u>
Net assets:			
Net assets without donor restrictions	23,411,380	37,860,441	61,271,821
Net assets with donor restrictions	27,462,428	-	27,462,428
Total net assets	<u>50,873,808</u>	<u>37,860,441</u>	<u>88,734,249</u>
Total Liabilities and Net Assets	<u>\$ 53,044,763</u>	<u>\$ 61,220,472</u>	<u>\$114,265,235</u>

See notes to consolidated financial statements

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Consolidating Statements of Activities

	Year Ended June 30,					
	2021			2020		
	MSC, IA, & Hospitals	U.A.E.	Total	MSC, IA, & Hospitals	U.A.E.	Total
SUPPORT AND REVENUE:						
Contributions	\$ 25,049,215	\$ -	\$ 25,049,215	\$ 25,904,754	\$ -	\$ 25,904,754
Gift-in-kind contributions	7,018,978	-	7,018,978	24,771,947	-	24,771,947
Inherent contributions	4,405,481	-	4,405,481	5,260,770	-	5,260,770
Insurance billing and cost recovery	2,580,022	-	2,580,022	3,259,036	-	3,259,036
Government grants	663,312	-	663,312	987,861	-	987,861
Sales income	190,132	-	190,132	2,295,693	-	2,295,693
Other income	831,049	-	831,049	785,779	-	785,779
Total Support and Revenue	40,738,189	-	40,738,189	63,265,840	-	63,265,840
EXPENSES:						
Program services	26,422,059	-	26,422,059	52,094,239	-	52,094,239
Supporting activities						
General and administration	2,374,937	-	2,374,937	3,005,574	-	3,005,574
Fund-raising	3,125,325	-	3,125,325	3,376,821	-	3,376,821
Total supporting activities	5,500,262	-	5,500,262	6,382,395	-	6,382,395
Total Expenses	31,922,321	-	31,922,321	58,476,634	-	58,476,634
Change in Net Assets Before Cumulative						
Translation Adjustments and						
Discontinued Operations	\$ 8,815,868	\$ -	\$ 8,815,868	\$ 4,789,206	\$ -	\$ 4,789,206

(continued)

See notes to consolidated financial statements

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Consolidating Statements of Activities
(continued)

	Year Ended June 30,					
	2021			2020		
	MSC, IA, & Hospitals	U.A.E.	Total	MSC, IA, & Hospitals	U.A.E.	Total
Cumulative Translation Adjustments	\$ (570,314)	\$ -	\$ (570,314)	\$ (737,205)	\$ -	\$ (737,205)
Change in Net Assets Prior to Discontinued Operations	8,245,554	-	8,245,554	4,052,001	-	4,052,001
DISCONTINUED OPERATIONS						
Net Loss on Discontinued Operations	-	(37,860,441)	(37,860,441)	-	(7,462,754)	(7,462,754)
Change in Net Assets	8,245,554	(37,860,441)	(29,614,887)	4,052,001	(7,462,754)	(3,410,753)
Net Assets, Beginning of Year	50,873,808	37,860,441	88,734,249	46,821,807	45,323,195	92,145,002
Net Assets, End of Year	<u>\$ 59,119,362</u>	<u>\$ -</u>	<u>\$ 59,119,362</u>	<u>\$ 50,873,808</u>	<u>\$ 37,860,441</u>	<u>\$ 88,734,249</u>

See notes to consolidated financial statements