



CURE INTERNATIONAL, INC. AND  
SUBSIDIARIES

Consolidated Financial Statements  
With Independent Auditors' Report

June 30, 2022 and 2021

# CURE INTERNATIONAL, INC. AND SUBSIDIARIES

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
CURE International, Inc. and Subsidiaries  
Grand Rapids, Michigan

### ***Opinion***

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, 2022 and 2021, and the consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of CURE International, Inc. and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management 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, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CURE International, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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

***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 CURE International, Inc. and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CURE International, Inc. and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Capin Crouse LLP*

Grand Rapids, Michigan  
November 11, 2022

# CURE INTERNATIONAL, INC. AND SUBSIDIARIES

## Consolidated Statements of Financial Position

	June 30,	
	2022	2021
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 8,699,041	\$ 8,587,821
Cash held for board designations	2,086,685	-
Insurance and other receivables, net	732,117	670,913
Contributions receivable - pledges, net	5,166,360	3,395,648
Prepaid expenses and other assets	1,599,395	263,508
Inventory, net	3,110,373	2,420,470
Assets held for sale	-	1,968,888
Operating right-of-use asset	426,145	485,730
Contributions receivable - leases, net	25,656,318	25,989,909
Land, buildings, and equipment, net	16,995,632	17,403,792
	<b>\$ 64,472,066</b>	<b>\$ 61,186,679</b>
<b>Total Assets</b>	<b>\$ 64,472,066</b>	<b>\$ 61,186,679</b>
<b>LIABILITIES AND NET ASSETS:</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 1,327,412	\$ 1,572,779
Operating lease liability	433,150	485,730
Deferred revenue	-	8,808
<b>Total liabilities</b>	<b>1,760,562</b>	<b>2,067,317</b>
<b>Net assets:</b>		
Net assets without donor restrictions	27,990,865	28,979,052
Net assets with donor restrictions	34,720,639	30,140,310
<b>Total net assets</b>	<b>62,711,504</b>	<b>59,119,362</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 64,472,066</b>	<b>\$ 61,186,679</b>

See notes to consolidated financial statements

# CURE INTERNATIONAL, INC. AND SUBSIDIARIES

## Consolidated Statements of Activities

	Year Ended June 30,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE:</b>						
Contributions	\$ 16,946,022	\$ 19,550,489	\$ 36,496,511	\$ 4,352,857	\$ 20,938,000	\$ 25,290,857
Contributed nonfinancial assets	2,347,563	-	2,347,563	7,018,978	-	7,018,978
Inherent contribution	-	-	-	4,405,481	-	4,405,481
Insurance billing and cost recovery	2,202,498	-	2,202,498	2,580,022	-	2,580,022
Government grants	360,747	-	360,747	446,613	216,699	663,312
Loss on disposal of land, buildings, and equipment	(473,560)	-	(473,560)	-	-	-
Other income	435,395	-	435,395	779,539	-	779,539
<b>Total revenue and support</b>	<b>21,818,665</b>	<b>19,550,489</b>	<b>41,369,154</b>	<b>19,583,490</b>	<b>21,154,699</b>	<b>40,738,189</b>
<b>NET ASSETS RELEASED FROM:</b>						
Purpose restrictions	11,375,163	(11,375,163)	-	9,609,172	(9,609,172)	-
Time restrictions	3,594,997	(3,594,997)	-	8,867,645	(8,867,645)	-
<b>Total Revenue, Support, and Reclassifications</b>	<b>36,788,825</b>	<b>4,580,329</b>	<b>41,369,154</b>	<b>38,060,307</b>	<b>2,677,882</b>	<b>40,738,189</b>
<b>EXPENSES:</b>						
Program services	30,810,439	-	30,810,439	26,422,059	-	26,422,059
Supporting activities						
General and administration	1,896,019	-	1,896,019	2,374,937	-	2,374,937
Fund-raising	3,874,254	-	3,874,254	3,125,325	-	3,125,325
<b>Total supporting activities</b>	<b>5,770,273</b>	<b>-</b>	<b>5,770,273</b>	<b>5,500,262</b>	<b>-</b>	<b>5,500,262</b>
<b>Total Expenses</b>	<b>36,580,712</b>	<b>-</b>	<b>36,580,712</b>	<b>31,922,321</b>	<b>-</b>	<b>31,922,321</b>
<b>Change in Net Assets Before Cumulative</b>						
Translation Adjustments and Discontinued Operations	208,113	4,580,329	4,788,442	6,137,986	2,677,882	8,815,868

(continued)

See notes to consolidated financial statements

## CURE INTERNATIONAL, INC. AND SUBSIDIARIES

### Consolidated Statements of Activities (continued)

	Year Ended June 30,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Cumulative Translation Adjustments	(1,196,300)	-	(1,196,300)	(570,314)	-	(570,314)
Change in Net Assets Prior to Discontinued Operations	(988,187)	4,580,329	3,592,142	5,567,672	2,677,882	8,245,554
<b>DISCONTINUED OPERATIONS</b>						
Net Loss on Discontinued Operations (Note 16)	-	-	-	(37,860,441)	-	(37,860,441)
Change in Net Assets	(988,187)	4,580,329	3,592,142	(32,292,769)	2,677,882	(29,614,887)
Net Assets, Beginning of Year	28,979,052	30,140,310	59,119,362	61,271,821	27,462,428	88,734,249
Net Assets, End of Year	<u>\$ 27,990,865</u>	<u>\$ 34,720,639</u>	<u>\$ 62,711,504</u>	<u>\$ 28,979,052</u>	<u>\$ 30,140,310</u>	<u>\$ 59,119,362</u>

See notes to consolidated financial statements

# CURE INTERNATIONAL, INC. AND SUBSIDIARIES

## Consolidated Statement of Functional Expenses

	Year Ended June 30, 2022				
	Program Services	Supporting Activities			Total Expenses
		General and Administrative	Fund-raising	Total Supporting Activities	
Salaries and benefits	\$ 14,545,735	\$ 891,735	\$ 2,149,918	\$ 3,041,653	\$ 17,587,388
Hospital medical equipment, medicine and supplies	3,394,762	-	-	-	3,394,762
Professional fees	1,739,009	262,342	603,510	865,852	2,604,861
Grants to other organizations	2,580,796	-	-	-	2,580,796
Gifts-in-kind expense:					
Donated medical equipment, medicine and supplies	1,013,871	-	-	-	1,013,871
Donated land leases and office space	920,481	-	-	-	920,481
Donated services	225,235	-	-	-	225,235
Depreciation and amortization	1,621,345	20,454	-	20,454	1,641,799
Travel, meetings and seminars	799,474	87,221	501,713	588,934	1,388,408
Occupancy	1,152,561	125,300	3,540	128,840	1,281,401
Miscellaneous	690,154	61,301	5,950	67,251	757,405
Office supplies and equipment	317,494	83,155	306,971	390,126	707,620
Repairs and maintenance	505,382	15,318	-	15,318	520,700
Information technology	289,290	105,600	104,859	210,459	499,749
Printing, postage, and video production	454,824	-	-	-	454,824
Insurance	399,053	17,619	-	17,619	416,672
Advertising and promotion	126,170	6,962	197,793	204,755	330,925
Bank fees	34,803	219,012	-	219,012	253,815
	<u>\$ 30,810,439</u>	<u>\$ 1,896,019</u>	<u>\$ 3,874,254</u>	<u>\$ 5,770,273</u>	<u>\$ 36,580,712</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 and office space	666,447	-	-	-	666,447
Hospital medical equipment, medicine and supplies	2,990,408	-	-	-	2,990,408
Professional fees	1,187,239	341,699	579,999	921,698	2,108,937
Occupancy	939,963	255,845	95,352	351,197	1,291,160
Depreciation and amortization	1,090,837	88,743	-	88,743	1,179,580
Office supplies and equipment	541,547	99,652	189,101	288,753	830,300
Grants to other organizations	792,870	-	129	129	792,999
Miscellaneous	521,096	25,464	4,945	30,409	551,505
Printing, postage, and video production	78,136	881	448,752	449,633	527,769
Travel, meetings and seminars	364,571	40,102	33,194	73,296	437,867
Repairs and maintenance	360,636	29,688	58	29,746	390,382
Bank fees	28,328	285,638	-	285,638	313,966
Bad debt	54,410	147,660	-	147,660	202,070
	\$ 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 Statements of Cash Flows

	Year Ended June 30,	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 3,592,142	\$ (29,614,887)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	1,641,799	1,179,580
Change in allowance for doubtful accounts	-	174,482
Foreign currency translation adjustments	1,196,300	570,314
Contributions restricted for long term purposes	(3,389,620)	(969,870)
(Gain) loss on disposal of buildings and equipment, net	473,560	(238,961)
Noncash recognition of land lease expense	(586,890)	(666,447)
Noncash revenue recognition of loan forgiveness	-	(216,699)
Net acquisition adjustment (Zimbabwe)	-	(4,405,481)
Noncash transfer of discontinued operations (UAE)	-	34,541,673
Changes in:		
Insurance and other receivables, net	(131,356)	(130,368)
Contributions receivable- pledges, net	(601,962)	(800,441)
Prepaid expenses and other assets	(1,315,573)	(88,579)
Inventory, net	(886,838)	(205,335)
Contributions receivable- land leases, net	920,481	(1,598,019)
Accounts payable and accrued expenses	(193,614)	(405,276)
Right of use assets and liabilities	7,005	-
Deferred revenue	(9,133)	-
Net Cash Provided (Used) By Operating Activities	716,301	(2,874,314)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of land, buildings and equipment, net	(2,365,142)	(2,429,104)
Proceeds from sale of land, buildings and equipment, net	2,074,260	414,775
Net Cash Used By Investing Activities	(290,882)	(2,014,329)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions received for long term purposes	2,220,870	969,870
Net Cash Provided By Financing Activities	2,220,870	969,870
Effect of Exchange Rate on Cash	(448,384)	(570,314)
Change in Cash and Cash Equivalents	2,197,905	(4,489,087)
Cash and Cash Equivalents, Beginning of Year	8,587,821	13,076,908
Cash and Cash Equivalents, End of Year	\$ 10,785,726	\$ 8,587,821
Cash and cash equivalents	\$ 8,699,041	\$ 8,587,821
Cash held for board designations	2,086,685	-
	\$ 10,785,726	\$ 8,587,821
<b>SUPPLEMENTAL INFORMATION:</b>		
Noncash financing transaction of loan forgiveness recognized as revenue	\$ -	\$ 216,699
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)	\$ -	\$ 4,405,481
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, 2022 and 2021

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. CURE's revenue is generated primarily from charitable contributions.

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.

### 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") , 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.

The consolidated financial statements are presented in United States (U.S.) dollars. The financial records of these controlled organizations (besides 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).

# CURE INTERNATIONAL, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

### 2. SIGNIFICANT ACCOUNTING POLICIES:

#### PRINCIPLES OF CONSOLIDATION, continued

The consolidated financial statements do not include the financial position, results of activities or cash flow of CURE's affiliated organizations (CURE UK and CURE Canada) due to their financial and administrative independence.

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 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, 2022 and 2021, the amounts on deposit that exceeded federally insured limits were approximately \$10,357,000 and \$8,346,000, 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.

#### CASH HELD FOR BOARD DESIGNATIONS

During the year ended June 30, 2022, CURE established a board designated Vision Fund and Medical Malpractice Fund. The Vision Fund was initially established with the proceeds of a building sale, and will continue to be funded by allocating 50% of all estate gifts without donor restrictions. The purpose of the Vision Fund is to support the ongoing capital needs of CURE, or other purposes as the board sees fit. As of June 30, 2022, the Vision Fund totaled \$1,890,855. There was no similar fund for the year ended June 30, 2021.

The Medical Malpractice Fund is to be used to settle medical malpractice cases. CURE's board intends to fund the reserve with \$100,000 a year until the fund reaches \$1,000,000. As of June 30, 2022, the Medical Malpractice Fund totaled \$195,830. There was no similar fund for the year ended June 30, 2021.

#### 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, 2022 and 2021. Additionally, management has determined a discount on contributions to be collectible beyond one year is immaterial, therefore no discount has been recorded.

# CURE INTERNATIONAL, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### CONTRIBUTIONS RECEIVABLE, NET, continued

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, 2022, the contribution receivable and discount related to these leases were \$54,599,676, and \$28,943,358, respectively, resulting to a net contributions receivable of \$25,656,318. At June 30, 2021, the contribution receivable and discount related to these leases were \$55,520,156 and \$29,520,248, respectively, resulting to a net contributions receivable of \$25,989,909.

Additionally, CURE has an office lease with a board member for donated office space, expiring in April 2030. 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, 2022, the contribution receivable and discount related to this lease was \$2,286,302, and \$129,280, respectively, resulting to a net receivable of \$2,157,022. 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.

#### CONDITIONAL CONTRIBUTIONS RECEIVABLE

Conditional contributions receivable, that is those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. As of June 30, 2022, CURE had outstanding conditional contributions receivable of approximately \$2,250,000, conditioned on various steps in a hospital construction project and the signing of partner agreements. There were no conditional contributions receivable as of June 30, 2021.

#### INSURANCE AND OTHER RECEIVABLES, NET

Insurance and other receivables, net consists of amounts due from 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 insurance and other receivables based on estimates of uncollectible amounts. The allowance for doubtful accounts related to insurance and other receivables as of June 30, 2022 and 2021, were \$53,890 and \$123,370, 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, 2022 and 2021

### 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, 2022 and 2021, 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. Donated inventory is further discussed in Note 11. At June 30, 2022, gross inventory was \$3,198,373 less an obsolescence reserve of \$88,000 resulting to a net inventory balance of \$3,110,373. 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.

#### ASSETS HELD FOR SALE

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 consolidated statements of financial position after CURE met all the requirements under Financial Accounting Standards Board (FASB) Codification section 360-10-45. During the year ended June 30, 2022, the main office and warehouse space for MSC was sold.

#### 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.

#### 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.

# CURE INTERNATIONAL, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### 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 \$-0- and \$616,254 for the years ended June 30, 2022 and 2021, respectively.

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 five ongoing grants from the United States Agency for International Development. One of the grants is funded by in-kind donations. The amount recognized as contributed nonfinancial assets related to this grant was \$1,210,361 and \$-0-, respectively, for the years ended June 30, 2022 and 2021. For the remaining grants, CURE recognizes related government grant revenue as expenditures are incurred. As of June 30, 2022 and 2021, total revenue and related expenses of approximately \$361,000 and \$446,000, respectively, has been recognized.

Insurance billing and cost recovery comprises of fees charged for inpatient and outpatient hospital services. This 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. Insurance billing and cost recovery is recorded net of discounts of approximately \$930,000 and \$628,000 for the years ended June 30, 2022 and 2021, respectively.

The loss on disposal of land, buildings, and equipment is related to the net activity of the sale of the property held for sale and assets disposed of in Kenya in the amount of \$473,560 for the year ended June 30, 2022. There was no loss on disposal for the year ended June 30, 2021.

In October 2020, CURE acquired a hospital in Zimbabwe, resulting in the recognition of an inherent contribution on the consolidated statements of activities. This acquisition is further disclosed in Note 15.

# CURE INTERNATIONAL, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### 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 service or supporting functions of CURE. Management allocates costs in two ways: the ratio of each program and supporting activities to budget expenses and staff time attributed to the function. CURE incurred no joint costs during the years ended June 30, 2022 and 2021.

#### RECENTLY ADOPTED ACCOUNTING STANDARDS

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. Adoption of this standard had no impact on net assets as of June 30, 2022 and 2021.

In 2016, the FASB issued ASU No. 2016-02, *Leases* (topic 842 of the FASB Accounting Standards Codification). CURE adopted the provisions of this new standard during the year ended June 30, 2022 on retrospective approach. The new standard requires organizations that lease assets with terms of more than 12 months to recognize on the consolidated statements of financial position the assets and liabilities for the right-of-use and obligations created by the leases. Lessor accounting remained largely unchanged under the new standard. Adoption of this standard had an immaterial effect on change in net assets or net assets in total for the years ended June 30, 2022 and 2021. Additional disclosures were added in Notes 2 and 5. CURE has elected the transition package relief option for leases commenced before the effective date of the standard, which allows CURE the option to not reassess existing or expiring contracts, lease classification or initial direct costs.



# CURE INTERNATIONAL, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

### 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,	
	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 8,699,041	\$ 8,587,821
Cash held for board designations	2,086,685	-
Insurance and other receivables, net	732,117	670,913
Contributions receivable - pledges, net	5,166,360	3,395,648
Financial assets, at year end	16,684,203	12,654,382
Less those unavailable for general expenditure within one year, due to:		
Cash held for board designations	(2,086,685)	-
Contributions receivable to be received beyond one year	(712,235)	(650,000)
Restrictions by donors with purpose and time restrictions to be spent beyond one year, excluding time restrictions related to donated land leases and office space	(5,395,140)	(484,272)
Financial assets available to meet cash needs for general expenditures within one year	\$ 8,490,143	\$ 11,520,110

CURE is substantially supported by contributions, 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 7, that can be drawn upon as needed. With board approval, the board designated funds could be made available for general expenditures within the next 12 months, if needed.

# CURE INTERNATIONAL, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

4. CONTRIBUTIONS RECEIVABLE, NET:

As of June 30, 2022, contributions receivable are expected to be collected in the following periods:

	Less than One Year	1-5 Years	Greater than Five Years	Total
Donated leases	\$ 666,447	\$ 3,332,235	\$ 50,600,994	\$ 54,599,676
Donor pledges	4,454,125	712,235	-	5,166,360
Less				
Present value discount at 1.45%	-	-	(129,280)	(129,280)
Present value discount at 2.33%	-	-	(28,814,078)	(28,814,078)
<b>Total</b>	<b>\$ 5,120,572</b>	<b>\$ 4,044,470</b>	<b>\$ 21,657,636</b>	<b>\$ 30,822,678</b>

As of June 30, 2021, contributions receivable are expected to be collected in the following periods:

	Less than One Year	1-5 Years	Greater than Five Years	Total
Donated land leases	\$ 920,480	\$ 3,681,922	\$ 50,917,753	\$ 55,520,155
Donor pledges	2,745,649	650,000	-	3,395,649
Less				
Present value discount at 1.45%	-	-	(160,150)	(160,150)
Present value discount at 2.33%	-	-	(29,370,097)	(29,370,097)
<b>Total</b>	<b>\$ 3,666,129</b>	<b>\$ 4,331,922</b>	<b>\$ 21,387,506</b>	<b>\$ 29,385,557</b>

# CURE INTERNATIONAL, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

5. OPERATING RIGHT-OF-USE ASSET AND LIABILITY:

CURE leases warehouse space which holds CURE's inventory. The lease has an original maturity date of April 2024, with two options to renew for five year terms. CURE has determined it is more than likely to renew for one five year term. The calculations below are based on CURE executing one option, and extending the lease term to April 2029.

Operating right-of-use assets and liabilities consist of the following:

	June 30,	
	2022	2021
Operating lease right-of-use	\$ 426,145	\$ 485,730
Operating lease liabilities	433,150	485,730
Operating lease cost	66,176	-
Weighted-average discount rate	1.65%	1.65%
Weighted-average remaining lease term (in years)	7	8

Future minimum lease payments required under operating leases that have an initial or remaining non-cancelable lease term in excess of one year are as follows:

Year ended June 30,	
2023	\$ 66,504
2024	63,464
2025	65,383
2026	67,133
2027	69,151
Thereafter	132,670
Less Interest	(31,155)
	\$ 433,150

# CURE INTERNATIONAL, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

6. LAND, BUILDINGS, AND EQUIPMENT, NET:

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

	June 30,	
	2022	2021
U.S. Mission Support Center:		
Land and buildings	\$ 327,414	\$ 73,961
Furniture and equipment	144,578	17,983
Construction in progress	-	266,759
Overseas Hospitals:		
Land and hospital buildings	16,452,885	16,920,994
Furniture and equipment	11,412,411	10,937,704
Construction in progress	831,794	235,915
	29,169,082	28,453,316
Less accumulated depreciation	(12,173,450)	(11,049,524)
	\$ 16,995,632	\$ 17,403,792

CURE launched a capital campaign to renovate several of the hospitals. Construction was started on two hospitals resulting in construction in process as of June 30, 2022 and 2021. The projects are expected to be completed in fiscal year 2025, but this may be delayed due to the nature of operating in developing countries. As of June 30, 2022, CURE has entered into an agreement with a construction company with a remaining commitment of approximately \$1,300,000.

7. LINE OF CREDIT:

During the years ended June 30, 2022 and 2021, CURE has a \$2,000,000 unsecured, revolving line of credit with a financial institution. CURE was in compliance with all debt covenants during the years ended June 30, 2022 and 2021. Interest accrues on the line at a rate of 2.5 percent above LIBOR (effective rate was approximately 3.5 and 2.75 percent at June 30, 2022 and 2021, respectively). There were no draws during the years ended June 30, 2022 and 2021, and a \$-0- balance as of June 30, 2022 and 2021. The note matures in January 2023.

8. PAYCHECK PROTECTION PROGRAM LOAN:

CURE obtained a Paycheck Protection Program (PPP) 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. 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 statements of activities). There was no PPP loan activity during the year ended June 30, 2022.

# CURE INTERNATIONAL, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

9. NET ASSETS WITHOUT DONOR RESTRICTIONS:

Net assets without donor restrictions are comprised of:

	June 30,	
	2022	2021
Undesignated	\$ 25,904,180	\$ 28,979,052
Board designated- Vision Fund	1,890,855	-
Board designated- Medical Malpractice Fund	195,830	-
	<u>\$ 27,990,865</u>	<u>\$ 28,979,052</u>

10. NET ASSETS WITH DONOR RESTRICTIONS:

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

	June 30,	
	2022	2021
Contributions receivable - land leases	\$ 25,656,318	\$ 25,989,909
Contributions receivable - time restricted	5,166,360	3,395,648
Hospital construction and equipment	3,557,443	399,824
Hospital operations	340,518	337,064
Hydrocephalus programs	-	17,865
	<u>\$ 34,720,639</u>	<u>\$ 30,140,310</u>

# CURE INTERNATIONAL, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

### 11. CONTRIBUTED NONFINANCIAL ASSETS:

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.

Contributed nonfinancial assets consist of the following:

	June 30,	
	2022	2021
Donated medical equipment, medicine and supplies	\$ 1,535,438	\$ 4,088,065
Donated land leases and office space	586,890	2,930,913
Donated services	225,235	-
	<u>\$ 2,347,563</u>	<u>\$ 7,018,978</u>

CURE records donated space at fair market value of similar properties. CURE assesses fair value based on public records for similar space and land in the principal market the transaction occurred. See Note 2, contributions receivable, for further information on the donated land leases and office space.

Donated medical equipment, medicine, and supplies are recorded as contributed nonfinancial assets revenue with a corresponding increase in inventory on the date of donation. CURE's estimates fair value base on the wholesale values that would be received for selling the goods in their principal market, discounted 20% to account for the items 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.

Donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by the individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received in the consolidated statements of activities. CURE receives skilled services by doctors, engineers, and nurses. CURE utilized the Birches Group Salary Survey to determine the fair value wages by country for the services provided. Some donated services do not meet the specialized skill requirement but contribute significantly to CURE's program activities. These non-specialized donated services are not recorded as contributed nonfinancial assets revenue in the consolidated statements of activities.

# CURE INTERNATIONAL, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

### 11. CONTRIBUTED NONFINANCIAL ASSETS, continued:

Donated medical equipment, medicine, and supplies and donated services are recorded as program expenses as the donated items and services are used to support program services.

Donated land leases and office space are recorded as program and supporting service expense, allocated according to square footage used by purpose.

For the years ended June 30, 2022 and 2021, all contributed nonfinancial assets are without donor restrictions, and are utilized for CURE's hospital operations. CURE does not hold contributed nonfinancial assets for sale.

### 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 \$259,000 and \$172,000 for the years ended June 30, 2022 and 2021, respectively.

### 13. RELATED PARTIES:

The board of directors at CURE contributed approximately \$3,888,000 and \$3,575,000 during the years ended June 30, 2022 and 2021, respectively. In the year ended June 30, 2021, a board member donated office space. A net related party contribution receivable is recorded in the amount of approximately \$2,286,000 and \$2,380,000 reflecting the 10 year commitment of donated office space (commencing April 2021), as of June 30, 2022 and 2021, respectively.

CURE UK and CURE Canada are related parties of CURE. CURE received income of \$331,254 and \$2,140,477 from CURE UK and CURE Canada (including a receivable of \$1,007,471 and \$1,577,483) as of June 30, 2022 and 2021, respectively. All related party activity is reported on the consolidated statements of financial position and consolidated statements of activities as of June 30, 2022 and 2021, respectively.

# CURE INTERNATIONAL, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

### 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, 2022 and 2021, net assets of non-U.S. operations were 29% and 38% 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, 2022 and 2021, 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. ACQUISITION OF ZIMBABWE HOSPITAL:

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.



# CURE INTERNATIONAL, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

### 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, 2022 and 2021, consists of the following:

	Year Ended June 30,	
	2022	2021
Support and Revenue:		
Insurance billing and cost recovery	\$ -	\$ 11,729,934
Other income	-	52,075
	-	11,782,009
Expenses:		
Program services	-	7,259,205
General and administration	-	4,666,085
Fund-raising	-	168,850
	-	12,094,140
Loss from discontinued operations	-	(312,131)
Grant expense for the transfer of UAE	-	(37,548,310)
Net loss from discontinued operations	<u>\$ -</u>	<u>\$ (37,860,441)</u>

Total depreciation expense of the discontinued operations was \$1,548,484 for the year ended June 30, 2021. 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. There was no activity as of June 30, 2022.

### 17. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through November 11, 2022, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.

Effective November 1, 2022, CURE is no longer the sole member of International Aid, Inc. As a result, International Aid Inc. will be operating independently of CURE.