



CURE INTERNATIONAL, INC. AND
SUBSIDIARIES

Consolidated Financial Statements
With Independent Auditors' Report

June 30, 2023 and 2022

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, 2023 and 2022, 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 financial position of CURE International, Inc. and Subsidiaries as of June 30, 2023 and 2022, 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
December 15, 2023

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Consolidated Statements of Financial Position

	June 30,	
	2023	2022
ASSETS:		
Cash and cash equivalents	\$ 8,154,817	\$ 8,699,041
Cash held for board designations	94,519	2,086,685
Investments held for board designations	2,912,544	-
Insurance and other receivables, net	748,646	732,117
Contributions receivable - pledges	5,388,680	5,166,360
Prepaid expenses and other assets	758,184	1,599,395
Inventory, net	4,795,817	3,110,373
Operating right-of-use asset	366,706	426,145
Contributions receivable - leases, net	25,292,093	25,656,318
Land, buildings, and equipment, net	20,705,934	16,995,632
Total Assets	\$ 69,217,940	\$ 64,472,066
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,652,585	\$ 1,327,412
Operating lease liability	378,482	433,150
Total liabilities	2,031,067	1,760,562
Net assets:		
Net assets without donor restrictions	28,901,700	27,990,865
Net assets with donor restrictions	38,285,173	34,720,639
Total net assets	67,186,873	62,711,504
Total Liabilities and Net Assets	\$ 69,217,940	\$ 64,472,066

See notes to consolidated financial statements

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Consolidated Statements of Activities

Year Ended June 30,

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 16,720,229	\$ 23,141,398	\$ 39,861,627	\$ 16,946,022	\$ 19,550,489	\$ 36,496,511
Contributed nonfinancial assets	1,786,359	556,256	2,342,615	2,347,563	-	2,347,563
Insurance billing and cost recovery	1,915,467	-	1,915,467	2,202,498	-	2,202,498
Government grants	624,082	-	624,082	360,747	-	360,747
Loss on disposal of land, buildings, and equipment	-	-	-	(473,560)	-	(473,560)
Other income	784,139	-	784,139	435,395	-	435,395
Total revenue and support	21,830,276	23,697,654	45,527,930	21,818,665	19,550,489	41,369,154
NET ASSETS RELEASED FROM:						
Purpose restrictions	12,650,742	(12,650,742)	-	11,375,163	(11,375,163)	-
Time restrictions	7,482,378	(7,482,378)	-	3,594,997	(3,594,997)	-
Total Revenue, Support, and Reclassifications	41,963,396	3,564,534	45,527,930	36,788,825	4,580,329	41,369,154
EXPENSES:						
Program services	33,516,425	-	33,516,425	30,810,439	-	30,810,439
Supporting activities						
General and administration	2,259,137	-	2,259,137	1,896,019	-	1,896,019
Fund-raising	4,828,305	-	4,828,305	3,874,254	-	3,874,254
Total supporting activities	7,087,442	-	7,087,442	5,770,273	-	5,770,273
Total Expenses	40,603,867	-	40,603,867	36,580,712	-	36,580,712
Change in Net Assets Before Cumulative Translation Adjustments	\$ 1,359,529	\$ 3,564,534	\$ 4,924,063	\$ 208,113	\$ 4,580,329	\$ 4,788,442

(continued)

See notes to consolidated financial statements

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Consolidated Statements of Activities (continued)

	Year Ended June 30,					
	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Cumulative Translation Adjustments	(448,694)	-	(448,694)	(1,196,300)	-	(1,196,300)
Change in Net Assets	910,835	3,564,534	4,475,369	(988,187)	4,580,329	3,592,142
Net Assets, Beginning of Year	27,990,865	34,720,639	62,711,504	28,979,052	30,140,310	59,119,362
Net Assets, End of Year	\$ 28,901,700	\$ 38,285,173	\$ 67,186,873	\$ 27,990,865	\$ 34,720,639	\$ 62,711,504

See notes to consolidated financial statements

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Consolidated Statement of Functional Expenses

	Year Ended June 30, 2023				
	Program Services	Supporting Activities			Total Expenses
		General and Administrative	Fund-raising	Total Supporting Activities	
Salaries and benefits	\$ 18,284,568	\$ 973,560	\$ 2,346,063	\$ 3,319,623	\$ 21,604,191
Hospital medical equipment, medicine and supplies	4,169,589	-	-	-	4,169,589
Professional fees	2,169,084	372,925	737,130	1,110,055	3,279,139
Depreciation and amortization	1,769,663	20,755	-	20,755	1,790,418
Travel, meetings and seminars	1,019,367	65,878	680,924	746,802	1,766,169
Gifts-in-kind expense:					
Donated medical equipment, medicine and supplies	251,795	-	-	-	251,795
Donated land leases and office space	920,481	-	-	-	920,481
Donated services	252,032	-	-	-	252,032
Occupancy	1,182,639	192,062	3,777	195,839	1,378,478
Miscellaneous	1,083,222	42,291	9,255	51,546	1,134,768
Advertising and promotion	434,808	7,311	479,632	486,943	921,751
Information technology	340,240	158,837	158,113	316,950	657,190
Repairs and maintenance	590,491	6,296	-	6,296	596,787
Office supplies and equipment	38,661	87,717	413,411	501,128	539,789
Shipping, duty and freight	453,028	-	-	-	453,028
Insurance	415,806	20,243	-	20,243	436,049
Bank fees	34,259	311,262	-	311,262	345,521
Grants to other organizations	106,692	-	-	-	106,692
	\$ 33,516,425	\$ 2,259,137	\$ 4,828,305	\$ 7,087,442	\$ 40,603,867

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	\$ 14,619,526	\$ 891,735	\$ 2,149,918	\$ 3,041,653	\$ 17,661,179
Hospital medical equipment, medicine and supplies	3,876,747	-	-	-	3,876,747
Professional fees	1,874,707	262,342	603,510	865,852	2,740,559
Grants to other organizations	1,390,491	-	-	-	1,390,491
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	1,163,413	125,300	3,540	128,840	1,292,253
Miscellaneous	883,729	61,301	5,950	67,251	950,980
Office supplies and equipment	317,494	83,155	306,971	390,126	707,620
Repairs and maintenance	693,220	15,318	-	15,318	708,538
Information technology	395,856	105,600	104,859	210,459	606,315
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
	\$ 30,810,439	\$ 1,896,019	\$ 3,874,254	\$ 5,770,273	\$ 36,580,712

See notes to consolidated financial statements

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Year Ended June 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 4,475,369	\$ 3,592,142
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	1,790,418	1,641,799
Change in allowance for doubtful accounts	16,000	-
Foreign currency translation adjustments	448,694	1,196,300
Contributions restricted for long term purposes	(11,732,824)	(3,389,620)
Loss on disposal of buildings and equipment, net	-	473,560
Noncash recognition of land lease expense	(586,890)	(586,890)
Realized and unrealized loss on investments	132,885	-
Changes in:		
Insurance and other receivables, net	(41,637)	(131,356)
Contributions receivable- pledges	2,227,580	(601,962)
Prepaid expenses and other assets	836,714	(1,315,573)
Inventory, net	(1,742,426)	(886,838)
Contributions receivable- land leases, net	951,115	920,481
Accounts payable and accrued expenses	72,204	(193,614)
Right of use asset and liability	4,771	7,005
Deferred revenue	-	(9,133)
Net Cash Provided (Used) By Operating Activities	(3,148,027)	716,301
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of land, buildings and equipment, net	(5,565,406)	(2,365,142)
Proceeds from sale of land, buildings and equipment, net	-	2,074,260
Purchase of investments held for board designations	(3,045,429)	-
Net Cash Used By Investing Activities	(8,610,835)	(290,882)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions received for long term purposes	9,266,924	2,220,870
Net Cash Provided By Financing Activities	9,266,924	2,220,870
Effect of Exchange Rate on Cash	(44,452)	(448,384)
Change in Cash and Cash Equivalents and Cash Held for Board Designations	(2,536,390)	2,197,905
Cash and Cash Equivalents and Cash Held for Board Designations, Beginning of Year	10,785,726	8,587,821
Cash and Cash Equivalents and Cash Held for Board Designations, End of Year	\$ 8,249,336	\$ 10,785,726
Cash and cash equivalents	\$ 8,154,817	\$ 8,699,041
Cash held for board designations	\$ 94,519	\$ 2,086,685
	\$ 8,249,336	\$ 10,785,726
SUPPLEMENTAL INFORMATION:		
Land, building and equipment in accounts payable	\$ 328,076	\$ -

See notes to consolidated financial statements

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

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.

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 Corporate Office ("CO"), International Aid ("IA"), its branch offices, 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). During the year ended June 30, 2023, CURE granted International Aid to another, non-controlled organization. International Aid's activity subsequent to the spin off (November 1, 2022) is not reflected in the consolidated financial statements. This spin off was not material to the consolidated financial statements as of June 30, 2023.

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.

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

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.

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, 2023 and 2022, the amounts on deposit that exceeded federally insured limits were approximately \$7,322,000 and \$10,357,000, respectively.

CASH AND INVESTMENTS HELD FOR BOARD DESIGNATIONS

During the year ending 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, 2023 and June 30, 2022, the Vision Fund totaled \$2,915,587 and \$1,890,855, respectively.

The Medical Malpractice Fund is to be used to settle medical malpractice cases. CURE's board initially funded the reserve with \$200,000, and will fund an additional \$100,000 a year until the fund reaches \$1,000,000. As of June 30, 2023 and June 30, 2022, the Medical Malpractice Fund totaled \$94,519 and \$195,830, respectively.

INVESTMENTS HELD FOR BOARD DESIGNATIONS

Investments held for board designations consist of fixed income and equities with readily determinable fair values that are reported at fair value based upon quoted market prices.

Donated investments are reported at market value at the date of donation. Investment returns consist of dividends, interest and realized and unrealized gains and losses, and are included in other income without donor restrictions in the consolidated statements of activities unless a donor or law restricts their use.

CONTRIBUTIONS RECEIVABLE- PLEDGES

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, 2023 and 2022. 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, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CONTRIBUTIONS RECEIVABLE- LEASES, NET

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, 2023, the contribution receivable and discount related to these leases were \$53,679,195 and \$28,387,102, respectively, resulting to a net contributions receivable of \$25,292,093. 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.

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, 2023, the contribution receivable and discount related to this lease was \$2,032,268, and \$126,443, respectively, resulting to a net receivable of \$1,905,825. 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.

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, 2023 and June 30, 2022, CURE had outstanding conditional contributions receivable of approximately \$4,132,000 and \$2,250,000, respectively.

INSURANCE AND OTHER RECEIVABLES, NET

Insurance and other receivables, net consists of amounts due from third-party payers and government assistance programs 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 receivable based on estimates of uncollectible amounts. During the year ended June 30, 2023, CURE transitioned to only charging patients who have insurance, as disclosed in the Charity Care Policy in Note 2. With that transition, CURE does not record an allowance for doubtful accounts as all but immaterial amounts billed the insurance companies are collected. The allowance for doubtful accounts related to insurance accounts receivable as of June 30, 2023 and 2022, were \$0 and \$53,890, 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.

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

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, 2023 and 2022, 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, 2023, gross inventory was \$4,883,817, less an obsolescence reserve of \$88,000, resulting to a net inventory balance of \$4,795,817. 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.

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, 2023 and 2022

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.

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 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 (donated medical equipment, medicine and supplies) related to this grant was \$916,701 and \$653,923, respectively, for the years ended June 30, 2023 and 2022. For the remaining grants, CURE recognizes related government grant revenue as expenditures are incurred.

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. Patient service revenue is recorded net of discounts of approximately \$707,000 and \$930,000 for the years ended June 30, 2023 and 2022, respectively.

CHARITY CARE

CURE does not charge patients for any of the services provided. When available, CURE will submit a request for reimbursement to a patient's insurance to recover some of the cost for a surgery. CURE utilizes private donations to subsidize the cost of services provided to patients. Charity Care provided to patients totaled approximately \$38,800,000 and \$32,600,000 for the year ended June 30, 2023 and 2022, respectively. Charity Care provided to patients is estimated based on the direct program expenses, plus 15% to cover indirect costs, less insurance and cost recovery proceeds.

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

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 activities of CURE. Management allocates costs in two ways: the ratio of each program services and supporting activities to budgeted expenses and staff time attributed to the function. CURE incurred no joint costs during the years ended June 30, 2023 and 2022.

ADVERTISING COSTS

CURE expenses advertising costs as they are incurred.

DISCLOSURES ABOUT THE FAIR VALUE OF FINANCIAL ASSETS

CURE follows the provisions of the *Fair Value Measurements and Disclosure* topic of the FASB ASC. These standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. CURE uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. There were no investments valued at Level 2 or Level 3 as of June 30, 2023 and 2022.

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position.

Level 1 Fair Value Measurements

Fixed income and equities: The fair values are based on quoted market prices in an active market.

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

RECLASSIFICATIONS

Certain prior year amounts were reclassified to conform with current year presentation within the program services allocation on the consolidated statement of functional expense. There was no change to consolidated net assets as of June 30, 2023 or 2022, as a result of these reclassifications. See below for expenses reclassified:

	June 30, 2022 As Originally Presented	Reclassification	June 30, 2022 As Reclassified
Salaries and benefits	\$ 14,545,735	\$ 73,791	\$ 14,619,526
Hospital medical equipment, medicine and supplies	3,394,762	481,985	3,876,747
Professional fees	1,739,009	135,698	1,874,707
Grants to other organizations	2,580,796	(1,190,305)	1,390,491
Occupancy	1,152,561	10,852	1,163,413
Miscellaneous	690,154	193,575	883,729
Repairs and maintenance	505,382	187,838	693,220
Information technology	289,290	106,566	395,856
	\$ 24,897,689	\$ -	\$ 24,897,689

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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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,	
	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 8,154,817	\$ 8,699,041
Cash held for board designations	94,519	2,086,685
Investments held for board designations	2,912,544	-
Insurance and other receivables, net	748,646	732,117
Contributions receivable - pledges	5,388,680	5,166,360
Financial assets, at year end	17,299,206	16,684,203
Less those unavailable for general expenditure within one year, due to:		
Cash held for board designations	(94,519)	(2,086,685)
Investments held for board designations	(2,912,544)	-
Contributions receivable to be received beyond one year	(50,000)	(712,235)
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	(10,220,464)	(5,395,140)
Financial assets available to meet cash needs for general expenditures within one year	\$ 4,021,679	\$ 8,490,143

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 line of credit, as described in Note 8, 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

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4. INVESTMENTS HELD FOR BOARD DESIGNATIONS:

Investments held for board designations , at fair value, consists of the following:

	June 30,	
	2023	2022
Investments held at fair value (Level 1):		
Fixed income	\$ 45,429	\$ -
Equities	2,867,115	-
	<u>\$ 2,912,544</u>	<u>\$ -</u>

5. CONTRIBUTIONS RECEIVABLE, NET:

As of June 30, 2023, 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	\$ 920,481	\$ 4,602,403	\$ 48,156,312	\$ 53,679,196
Donor pledges	5,338,680	50,000	-	5,388,680
Less				
Present value discount at 1.45%	(27,634)	(87,968)	(10,841)	(126,443)
Present value discount at 2.33%	(550,758)	(2,711,610)	(24,998,292)	(28,260,660)
Total	<u>\$ 6,259,161</u>	<u>\$ 4,652,403</u>	<u>\$ 23,147,179</u>	<u>\$ 30,680,773</u>

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 land 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)
Total	<u>\$ 5,120,572</u>	<u>\$ 4,044,470</u>	<u>\$ 21,657,636</u>	<u>\$ 30,822,678</u>

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

Operating right-of-use asset and liability consist of the following:

	June 30,	
	2023	2022
Operating lease right-of-use asset	\$ 366,706	\$ 426,145
Operating lease liability	378,482	433,150
Operating lease cost	66,176	66,176
Weighted-average discount rate	1.65%	1.65%
Weighted-average remaining lease term (in years)	6.0	7.0

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 Ending June 30,	
2024	\$ 63,464
2025	65,383
2026	67,133
2027	69,151
2028	71,471
Thereafter	77,229
Less Interest	(35,349)
	\$ 378,482

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Notes to Consolidated Financial Statements

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7. LAND, BUILDINGS, AND EQUIPMENT, NET:

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

	June 30,	
	2023	2022
U.S. Corporate Office:		
Land and buildings	\$ 327,414	\$ 327,414
Furniture and equipment	209,873	144,578
Construction in progress	910,042	-
Overseas Hospitals:		
Land and hospital buildings	16,433,346	16,452,885
Furniture and equipment	12,261,359	11,412,411
Construction in progress	3,957,036	831,794
	34,099,070	29,169,082
Less accumulated depreciation	(13,393,136)	(12,173,450)
	\$ 20,705,934	\$ 16,995,632

During the year ended June 30, 2023, CURE began renovations on several of its hospitals. The projects are expected to be completed in fiscal year 2025 but the timeline can be impacted by local country laws and regulations. CURE has entered into agreements with various construction companies with a remaining commitment of approximately \$2,600,000 as of June 30, 2023.

8. LINE OF CREDIT:

During the year ended June 30, 2022, CURE had a \$2,000,000 revolving line of credit with a financial institution. Interest accrued on the line at a rate of 2.5 percent above LIBOR (effective rate was approximately 3.5 percent at June 30, 2022). In January 2023, the revolving line matured and was not renewed. CURE entered into another revolving line of credit agreement with a financial institution totaling \$2,000,000. Interest accrues on the line at a rate of 7.7 percent and will mature in January 2024. There were no draws during the years ended June 30, 2023 and 2022, and a \$-0- balance as of June 30, 2023 and 2022. CURE was in compliance with all debt covenants during the years ended June 30, 2023 and 2022.

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

9. NET ASSETS WITHOUT DONOR RESTRICTIONS:

Net assets without donor restrictions are comprised of:

	June 30,	
	2023	2022
Undesignated	\$ 25,894,637	\$ 25,904,180
Board designated- Vision Fund	2,912,544	1,890,855
Board designated- Medical Malpractice Fund	94,519	195,830
	<u>\$ 28,901,700</u>	<u>\$ 27,990,865</u>

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,	
	2023	2022
Contributions receivable - land leases	\$ 25,292,093	\$ 25,656,318
Contributions receivable - time restricted	5,142,877	5,166,360
Hospital construction and equipment	7,809,694	3,557,443
Hospital operations	40,509	340,518
	<u>\$ 38,285,173</u>	<u>\$ 34,720,639</u>

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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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,	
	2023	2022
Donated medical equipment, medicine and supplies	\$ 1,534,327	\$ 1,535,438
Donated land leases and office space	556,256	586,890
Donated services	252,032	225,235
	<u>\$ 2,342,615</u>	<u>\$ 2,347,563</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.

CURE records donated medical equipment and supplies at fair market value as in-kind contribution revenue with a corresponding increase in inventory. CURE uses third party websites to find comparable products or reaches out to medical suppliers to determine the value if the value of the item is not easily identifiable. CURE then discounts the value by 20% in order to determine the products fair value.

CURE records donated services at fair market value of the services provided. CURE utilized the Birches Group Salary Survey to determine the fair value wages by country for the services provided.

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 services and supporting activities expense, allocated according to square footage used by purpose.

As of June 30, 2023 and 2022, all contributed nonfinancial assets are without donor restrictions, and are utilized for CURE's hospital programming. CURE does not hold contributed nonfinancial assets for sale.

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Notes to Consolidated Financial Statements

June 30, 2023 and 2022

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. In the year ended June 30, 2022, employees could join the plan after completing six months of service. In the year ended June 30, 2023, employees could join the plan on the date of hire. Total expense charged for contributions to the plan was approximately \$337,000 and \$259,000 for the years ended June 30, 2023 and 2022, respectively.

CURE contributes to various governmental pension plans for foreign nationals based on the laws and regulations present in each country CURE has hospitals in. Total pension expense related to these contributions was approximately \$770,000 and \$553,000 for the years ended June 30, 2023 and 2022.

13. RELATED PARTIES:

The board of directors at CURE contributed approximately \$4,260,000 and \$3,888,000 (including noncash donations of leased office space of approximately \$223,000 and \$226,000 disclosed in Note 2) during the years ended June 30, 2023 and 2022, respectively.

CURE UK and CURE Canada are related parties of CURE. CURE received income of \$1,046,000 and \$331,254 from CURE UK and CURE Canada (including a receivable of approximately \$540,000 and \$1,007,471) as of June 30, 2023 and 2022, respectively. CURE utilizes services from a company owned by a family member of CURE's CEO. CURE paid that company approximately \$128,000 and \$-0- for the years ended June 30, 2023 and 2022, respectively. All related party activity is reported on the consolidated statements of financial position and consolidated statements of activities as of June 30, 2023 and 2022, respectively.

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, 2023 and 2022, net assets of non-U.S. operations were 30% and 29% 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, 2023 and 2022, 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.

CURE INTERNATIONAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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15. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through December 15, 2023, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.