

CURE INTERNATIONAL, INC.

***FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS***

JUNE 30, 2008

CURE INTERNATIONAL, INC.

TABLE OF CONTENTS

	<u>Page</u>
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1
FINANCIAL STATEMENTS	
<i>Statements of Financial Position,</i> June 30, 2008 and 2007	2
<i>Statement of Activities and Changes in Net Assets,</i> Year ended June 30, 2008 with Summarized Information for 2007	3
<i>Statement of Functional Expenses,</i> Year ended June 30, 2008 with Summarized Information for 2007	4
<i>Statements of Cash Flows,</i> Years ended June 30, 2008 and 2007	5
<i>Notes to Financial Statements</i>	6

TAIT, WELLER & BAKER LLP

Certified Public Accountants

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**The Board of Directors
Cure International, Inc.
Lemoyne, Pennsylvania**

We have audited the accompanying statement of financial position of Cure International, Inc. as of June 30, 2008, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Cure International, Inc.'s 2007 financial statements and, in our report dated September 6, 2007, we expressed an unqualified opinion.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cure International, Inc. as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Tait, Weller & Baker LLP

**Philadelphia, Pennsylvania
January 15, 2009**

CURE INTERNATIONAL, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 9,756,306	\$ 2,319,413
Investments (<i>Note 2</i>)	385,591	2,542,754
Contributions receivable (<i>Note 4</i>)	229,392	-
Prepaid expenses and other assets	616,869	420,716
Advances to field	34,379	60,946
Accounts receivable - U.S. Government	3,384	216,482
Patient and other receivables	<u>3,247,744</u>	<u>2,574,268</u>
Total current assets	<u>14,273,665</u>	<u>8,134,579</u>
Inventory of donated medical equipment and supplies	<u>21,650,472</u>	<u>20,676,654</u>
Plant assets, net of accumulated depreciation of \$3,999,925 in 2008 and \$2,795,423 in 2007 (<i>Note 3</i>)	17,412,256	13,128,747
Contributions receivable (<i>Note 4</i>)	600,797	-
Beneficial interest in trusts (<i>Note 5</i>)	<u>1,583,269</u>	<u>1,768,824</u>
	<u>19,596,322</u>	<u>14,897,571</u>
Total assets	<u>\$55,520,459</u>	<u>\$43,708,804</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	<u>\$ 4,865,282</u>	<u>\$ 3,951,743</u>
Total liabilities	<u>4,865,282</u>	<u>3,951,743</u>
NET ASSETS		
Unrestricted		
Operations	23,116,137	14,011,230
Donated medical equipment and supplies	<u>21,650,472</u>	<u>20,676,654</u>
Total unrestricted	44,766,609	34,687,884
Temporarily restricted (<i>Note 6</i>)	<u>5,888,568</u>	<u>5,069,177</u>
Total net assets	<u>50,655,177</u>	<u>39,757,061</u>
Total liabilities and net assets	<u>\$55,520,459</u>	<u>\$43,708,804</u>

CURE INTERNATIONAL, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2008 with Summarized Information for 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2008 Totals</u>	<u>2007 Totals</u>
SUPPORT AND REVENUE				
Contributions	\$ 10,826,285	\$ 9,158,012	\$ 19,984,297	\$ 11,776,117
Contributions – donated medical equipment and supplies and services (<i>Note 7</i>)	8,339,549	-	8,339,549	7,329,527
Contributions – donated use of facilities and land	643,291	-	643,291	606,902
Government grants	1,728,261	-	1,728,261	1,977,782
Interest and dividends	201,745	-	201,745	82,280
Realized and unrealized (loss) gain in investments	(50,314)	-	(50,314)	241,302
Patient revenue and other income	<u>16,279,839</u>	<u>-</u>	<u>16,279,839</u>	<u>13,101,454</u>
Total	<u>37,968,656</u>	<u>9,158,012</u>	<u>47,126,668</u>	<u>35,115,364</u>
Net assets released from restrictions (<i>Note 6</i>)	<u>8,153,066</u>	<u>(8,153,066)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>46,121,722</u>	<u>1,004,946</u>	<u>47,126,668</u>	<u>35,115,364</u>
EXPENSES				
Program Services	<u>32,853,870</u>	<u>-</u>	<u>32,853,870</u>	<u>32,001,060</u>
Supporting Services				
Administration	963,399	-	963,399	1,085,113
Fund-raising	<u>2,651,127</u>	<u>-</u>	<u>2,651,127</u>	<u>1,507,558</u>
Total supporting services	<u>3,614,526</u>	<u>-</u>	<u>3,614,526</u>	<u>2,592,671</u>
Total expenses	<u>36,468,396</u>	<u>-</u>	<u>36,468,396</u>	<u>34,593,731</u>
OTHER CHANGES				
Change in value – trusts (<i>Note 5</i>)	-	(185,555)	(185,555)	118,689
Exchange gain on consolidation	<u>425,399</u>	<u>-</u>	<u>425,399</u>	<u>127,908</u>
CHANGE IN NET ASSETS	10,078,725	819,391	10,898,116	768,230
NET ASSETS				
Beginning of year	<u>34,687,884</u>	<u>5,069,177</u>	<u>39,757,061</u>	<u>38,988,831</u>
End of year	<u>\$ 44,766,609</u>	<u>\$ 5,888,568</u>	<u>\$ 50,655,177</u>	<u>\$ 39,757,061</u>

CURE INTERNATIONAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2008 with Summarized Information for 2007

	<u>Program Services</u>	<u>Administration</u>	<u>Fund- Raising</u>	<u>2008 Totals</u>	<u>2007 Totals</u>
Salaries and benefits	\$11,605,203	\$460,379	\$ 884,993	\$ 12,950,575	\$ 10,557,331
Hospital operating costs and other grant support (includes in-kind materials and facilities/land of \$4,765,506 in 2008 and \$7,516,625 in 2007)	19,286,115	-	188,126	19,474,241	20,817,539
Office rent and other expenses	22,440	52,286	750	75,476	82,767
Office supplies and equipment	17,571	36,103	25,996	79,670	67,660
Printing, postage and video production	186,641	28,491	1,079,965	1,295,097	437,386
Professional fees	107,994	66,728	141,983	316,705	270,812
Telephone expense	12,575	47,868	19,670	80,113	69,672
Travel, meetings and seminars	673,638	56,061	243,028	972,727	994,212
Bank fees	-	20,778	-	20,778	22,495
Depreciation expense	927,891	173,980	57,993	1,159,864	1,209,714
Miscellaneous	<u>13,802</u>	<u>20,725</u>	<u>8,623</u>	<u>43,150</u>	<u>64,143</u>
Total expenses	<u>\$32,853,870</u>	<u>\$963,399</u>	<u>\$2,651,127</u>	<u>\$36,468,396</u>	<u>\$34,593,731</u>

CURE INTERNATIONAL, INC.

STATEMENT OF CASH FLOWS

Years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$10,898,116	\$ 768,230
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities</i>		
Depreciation and amortization	1,159,864	1,209,714
Gift-in-kind	(8,339,549)	(7,329,527)
Unrealized gain on foreign exchange rates	(425,399)	(127,908)
Realized and unrealized (gain) loss on investments	50,314	(241,302)
(Increase) decrease in assets		
Prepaid and other assets	(196,153)	19,962
Advances to field	26,567	(60,946)
Patient and other receivables	(673,476)	(1,257,938)
Contributions receivable	(830,189)	491,672
Beneficial interest in trusts	185,555	(118,689)
Inventory of donated medical equipment and supplies	7,365,731	8,176,496
Accounts receivable – U.S. Government	213,098	(216,482)
Increase in liabilities		
Accounts payable and accrued expenses	<u>913,539</u>	<u>1,735,514</u>
Net cash provided by operating activities	<u>10,348,018</u>	<u>3,048,796</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	7,008,721	(2,649,189)
Purchase of plant assets	(5,017,974)	(2,814,421)
Proceeds from the sales of investments	<u>(4,901,872)</u>	<u>1,548,002</u>
Net cash used in investing activities	<u>(2,911,125)</u>	<u>(3,915,608)</u>
Net increase (decrease) in cash and cash equivalents	7,436,893	(866,812)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>2,319,413</u>	<u>3,186,225</u>
End of year	<u>\$ 9,756,306</u>	<u>\$ 2,319,413</u>

CURE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES

Cure International, Inc. (“**CURE**”) is a not-for-profit, interdenominational organization that establishes hospitals in developing countries with a primary focus on the physically disabled child. CURE is devoted to implementing “Centers of Excellence”, bringing the latest techniques in cost effective medical care and organization to developing countries with a focus on excellence in patient care, compassion, training and in the quality of equipment and facilities. To that end, CURE has four main areas of focus; hospital management; financial support and partnering; sending key personnel; and training local doctors, nurses, and administrators.

BASIS OF PRESENTATION

The financial statements include the accounts of CURE, CURE International (UK) and hospital organizations controlled by CURE through Board of Directors/Governors and their economic interest in each hospital. The hospital organizations controlled by CURE are the Children’s Orthopedic Hospital of Uganda (“**Uganda**”), Beit Trust Cure Hospital (“**Malawi**”), Beit – CURE Hospital (“**Zambia**”), Cure International Center for Orthopedic Specialties (“**Dominican Republic**”), Cure International Afghanistan (“**Afghanistan**”), AIC CURE Hospital of Kenya (“**AIC CURE**”) and Oasis Hospital in the United Arab Emirates (“**UAE**”). These hospital organizations own and operate hospital facilities within the respective countries, except Afghanistan which operates from a government owned facility (*See Note 3*). In addition, at June 30, 2008, CURE has hospitals under construction in Ethiopia, Egypt, Honduras, and Niger.

The financial statements are presented in U.S. dollars. The financial records of these controlled organizations are kept in local currencies. Assets, liabilities and net assets are translated at year-end rates of exchange; revenue and expenses are translated at the average rates of exchange during the year.

ACCOUNTING ESTIMATES

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include money market funds and certificates of deposit with maturities of three months or less.

CURE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2008 and 2007

CONCENTRATION OF CREDIT RISK

CURE occasionally maintains deposits in excess of federally insured limits. Statement of Financial Accounting Standards No. 107 identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by monitoring the financial institutions in which the deposits are made.

INVESTMENTS

CURE records its investments in securities at fair value.

PLANT ASSETS

Property, plant and equipment are recorded at cost. Plant assets are depreciated over their estimated useful lives using the straight-line method of depreciation – 5 to 30 years.

DONATED MEDICAL EQUIPMENT, SUPPLIES AND FACILITIES

Inventory of donated medical equipment and supplies and the cost of donated construction services for the Hospital in the UAE are valued at the estimated fair value at date of receipt. Donated supplies are removed from inventory at the time of use or at the time of shipment to partner agencies of such goods at values assigned on the date of receipt. Donated medical equipment is amortized over the estimated useful life after commencement of use of such equipment based on the assigned value on date of receipt. CURE has also received, at no cost, the use of a hospital building and parcels of land to construct hospital buildings. These contributed facilities and land are recognized at the estimated fair rental value of such property.

NET ASSETS

CURE reports its resources, according to externally (donor) imposed restrictions, in the following net asset categories.

Unrestricted net assets include the following:

- ◆ *Operations* – Net assets attributable to operations include the revenues and expenses associated with the principal mission of CURE.
- ◆ *Donated Medical Equipment and Supplies* – Donated medical equipment and supplies are stated at fair value on the date of gift.

Temporarily restricted net assets include gifts for which donor-imposed restrictions have not been met.

CONTRIBUTIONS

CURE records unconditional promises to give (pledges) as a receivable and revenue in the year pledged net of the discount to present value of the future cash flows. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of the restriction is accomplished, temporarily restricted net assets are then classified to unrestricted net assets and reported in the statement of activities as “*net assets released from restrictions.*”

CURE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2008 and 2007

INCOME TAXES

Under provisions of the Internal Revenue Code Section 501(c)(3) and the applicable income tax regulations, CURE is exempt from taxes on income. Therefore, no provision for income taxes has been made.

PRIOR YEAR INFORMATION

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with CURE's audited financial statements for the year ended June 30, 2007, from which the summarized information was derived.

(2) INVESTMENTS

Investments at June 30, 2008 consisted of the following:

	<u>Cost</u>	<u>Market</u>
Mutual Funds	\$ 172,195	\$163,267
Common Stock	<u>262,151</u>	<u>222,324</u>
	<u>\$434,346</u>	<u>\$385,591</u>

(3) PLANT ASSETS

Plant assets consist of the following at June 30:

	<u>2008</u>	<u>2007</u>
U.S. Headquarters		
Land and building	\$ 573,419	\$ 572,708
Furniture and equipment	325,600	282,827
Overseas Hospitals		
Land and building	12,031,767	8,704,580
Furniture and equipment	6,534,028	4,783,777
Hospitals under construction	<u>1,947,367</u>	<u>1,580,278</u>
	21,412,181	15,924,170
Less accumulated depreciation	<u>3,999,925</u>	<u>2,795,423</u>
	<u>\$17,412,256</u>	<u>\$13,128,747</u>

Hospitals in Afghanistan, Kenya, Malawi, Niger and Uganda operate under ground leases which expire between 2048 and 2099.

CURE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2008 and 2007

In addition, the Government of the United Arab Emirates approved a grant in the amount of \$73,569,500 (270 million Dhs.) to the General Health Authority for the hospital construction project of UAE. The construction project and related costs are subject to the approval of the Project Committee, established by the Government of the United Arab Emirates. As such, UAE records the construction costs and the related contribution in-kind when such expenses have been incurred. For the year ended June 30, 2008, CURE recorded \$2,300,225 (cumulative amount recorded \$2,635,225) of donated construction services which is included in Contributions – donated medical equipment and supplies and services in the Statement of Activities and Changes in Net Assets.

(4) CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are included in the financial statements as contributions receivable. These contributions receivable are recorded after discounting to the present value of the future cash flows. The contributions receivable are expected to be realized as follows:

	<u>2008</u>
In less than one year	\$229,392
One to five years	<u>600,797</u>
Contributions receivable	<u>\$830,189</u>

(5) BENEFICIAL INTEREST IN TRUSTS

CURE is the beneficiary of a charitable remainder unitrusts gifted by related parties. These agreements provide for payment of distributions to the grantors over their lifetimes. At the end of the term, the remaining assets will be distributed to CURE. The present value of assets to be received by CURE totaled \$1,583,269 and \$1,768,824 at June 30, 2008 and 2007, respectively.

(6) NET ASSETS

Temporarily restricted net assets at June 30, 2008 and 2007 are available for the following purpose:

	<u>2008</u>	<u>2007</u>
Hospital construction	\$3,475,110	\$3,300,353
Use in future periods – charitable remainder trusts	1,583,269	1,768,824
Pledges receivable	<u>830,189</u>	<u>-</u>
	<u>\$5,888,568</u>	<u>\$5,069,177</u>

During the year ended June 30, 2008, net assets were released from donor restrictions by incurring expenses for missionary, program and capital expenditures of \$8,153,066.

CURE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2008 and 2007

(7) CONTRIBUTIONS – DONATED MEDICAL EQUIPMENT AND SUPPLIES AND SERVICES

Contributions of donated medical equipment and supplies and services consist of the following at June 30:

	<u>2008</u>	<u>2007</u>
Medical and hospital equipment and supplies	\$5,739,324	\$6,694,527
Administrative services	300,000	300,000
Construction services (Hospital in UAE)	<u>2,300,225</u>	<u>335,000</u>
	<u>\$8,339,549</u>	<u>\$7,329,527</u>

(8) RELATED PARTY TRANSACTIONS

CURE received contributions of approximately \$3,984,000 in 2008 and \$3,067,000 in 2007 from its President and family members.

(9) PENSION PLANS

CURE has a Simplified Employee Pension Plan covering all employees, excluding foreign nationals, who have attained the age of 21 and have completed six months of service. CURE makes contributions to the plan on a discretionary basis based on a percentage of the employees compensation established by the Board of Directors. Total expense charged for contributions to the plan was approximately \$149,000 and \$130,000 for the years ended June 30, 2008 and 2007, respectively.

In addition, CURE has a 403(b) plan for employees who are United States citizens. CURE does not contribute to this plan.

TAIT, WELLER & BAKER LLP
Certified Public Accountants
Philadelphia, New Jersey, New York
www.taitweller.com