

LOVE WITHOUT BOUNDARIES FOUNDATION

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2008 & 2007

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Padden, Denn & Drewry, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Love Without Boundaries Foundation

We have audited the accompanying statements of financial position of Love Without Boundaries Foundation (a non-profit organization) as of December 31, 2008 and 2007, and the related statements of activities and changes in net assets, and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Love Without Boundaries Foundation as of December 31, 2008 and 2007, and the results of operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Medford, New Jersey
May 26, 2009

Padden, Denn & Drewry, LLC
Certified Public Accountants



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Love Without Boundaries Foundation

Statements of Financial Position

As of December 31

Assets	2008	2007
Current assets:		
Cash and cash equivalents	\$ 648,870	\$ 775,234
Inventory	85,113	86,196
Prepaid Expenses	458	458
Total assets	<u>\$ 734,441</u>	<u>\$ 861,888</u>
Liabilities and Net Assets		
Net assets:		
Unrestricted net assets	\$ 487,838	\$ 570,640
Temporarily restricted net assets	246,603	291,248
Total liabilities and net assets	<u>\$ 734,441</u>	<u>\$ 861,888</u>

Love Without Boundaries Foundation
Statements of Activities & Changes in Net Assets
For The Year Then Ended December 31, 2008

Revenues	Unrestricted	Temporarily Restricted	Total
Contributions	\$ 202,185	\$ 1,374,253	\$ 1,576,438
Fundraising	36,981	-	36,981
Promotion Sales	29,713	-	29,713
Investment Income	11,663	-	11,663
Net assets released from restrictions	1,418,898	1,418,898	-
Total revenue	<u>1,699,440</u>	<u>(44,645)</u>	<u>1,654,795</u>
Expenses			
Program	1,643,085	-	1,643,085
Administration	117,868	-	117,868
Fundraising	21,289	-	21,289
Total expenses	<u>1,782,242</u>	<u>-</u>	<u>1,782,242</u>
Changes in net assets	(82,802)	(44,645)	(127,447)
Net assets as of beginning of year	<u>570,640</u>	<u>291,248</u>	<u>861,888</u>
Net assets as of end of year	<u>\$ 487,838</u>	<u>\$ 246,603</u>	<u>\$ 734,441</u>

Love Without Boundaries Foundation
Statements of Activities & Changes in Net Assets
For The Year Then Ended December 31, 2007

Revenues	Unrestricted	Temporarily Restricted	Total
Contributions	\$ 243,120	\$ 1,524,933	\$ 1,768,053
Fundraising	43,313	-	43,313
Promotion Sales	73,136	-	73,136
Investment Income	13,844	-	13,844
Net assets released from restrictions	1,397,783	(1,397,783)	-
Total revenue	<u>1,771,196</u>	<u>127,150</u>	<u>1,898,346</u>
Expenses			
Program	1,449,843	-	1,449,843
Administration	48,860	-	48,860
Fundraising	16,669	-	16,669
Total expenses	<u>1,515,372</u>	<u>-</u>	<u>1,515,372</u>
Changes in net assets	255,824	127,150	382,974
Net assets as of beginning of year	<u>314,816</u>	<u>164,098</u>	<u>478,914</u>
Net assets as of end of year	<u>\$ 570,640</u>	<u>\$ 291,248</u>	<u>\$ 861,888</u>

Love Without Boundaries Foundation

Statements of Cash Flows For The Years Then Ended December 31

	2008	2007
Change in net assets	\$ (127,447)	\$ 382,974
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Inventory and other assets	1,083	(57,848)
Net cash provided by operating activities	(126,364)	325,126
Net increase/(decrease) in cash and cash equivalents	(126,364)	325,126
Cash and cash equivalents as of beginning of year	775,234	450,108
Cash and cash equivalents as of end of year	<u>\$ 648,870</u>	<u>\$ 775,234</u>

LOVE WITHOUT BOUNDARIES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
Years Then Ended December 31, 2008 and 2007

**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING
POLICIES**

Nature of Operations

Love Without Boundaries Foundation (LWB) is a non-profit organization that provides humanitarian aid to orphaned children in China. LWB is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue code and related Oklahoma State Tax statutes. Therefore, LWB has made no provision for federal or state income taxes in the accompanying financial statements. There was no taxable unrelated business income for 2008 or 2007.

Basis of Presentation

The accompanying financial statements of LWB are prepared on the accrual basis.

The net assets of LWB and changes therein are classified and reported as follows:

- Unrestricted net assets are utilized to account for support and revenues that are absent of donor-imposed restrictions. Included in unrestricted net assets are legally unrestricted board appropriated or designated amounts.
- Temporarily restricted net assets consist of donations restricted by donors for designated program or asset acquisitions within LWB.

Revenue and support recognition

LWB recognizes revenue when they are constructively received or unconditionally pledged and records these revenues as unrestricted or restricted support according to donor stipulations that limit the use of these funds due to time or purpose.

In addition, LWB generates revenues from special events, interest income and other activities. These revenues are used to support general operations and programs of LWB.

LWB receives a substantial amount of services donated by its members in carrying out its mission. No amounts have been recorded in the financial statement for those services since they do not meet the criteria for recognition under SFAS No. 116.

Cash and cash equivalents

LWB considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents.

The functional currency of LWB is the applicable local currency. The translation of the applicable foreign currencies into U.S. dollars is performed for assets and liabilities using current exchange rates in effect at the balance sheet date, for equity accounts using historical exchange rates, and for revenue and expense activity using the applicable month's average exchange rates.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the average cost method.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes: (note: all funds restricted for medical purposes have been utilized for medical purposes)

	2008	2007
Nutrition	\$ 62,750	\$ 67,503
Special projects	-	47,328
Foster Care	91,074	95,935
Education	92,779	80,482
Total temporarily restricted net assets	<u>\$ 246,603</u>	<u>\$ 291,248</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or occurrence of events specified by the donors.

NOTE 3: FUNCTIONAL ALLOCATION OF EXPENSES

LWB has functionalized its expenses according to two categories. These categories are program and administrative.

Program expenses are costs directly incurred by LWB to provide special care for orphaned children. This included expenses such as medical, educational, nutrition, and for its various other charitable programs.

Included in administrative expenses are those costs necessary to run the LWB office. This consists of insurance, office supplies and other miscellaneous expenses associated with the daily operations of LWB administrative offices.

Functional expenses for the year then ended December 31, 2008 were comprised of the following:

	Program	Administrative	Total
Medical	\$ 780,712	\$ -	\$ 780,712
Foster care	329,467	-	329,467
Orphanage assistance	205,408	-	205,408
Education	171,330	-	171,330
Nutrition	104,803	-	104,803
Salaries & wages	27,000	10,000	37,000
Payment processing	-	27,001	27,001
Website	-	18,847	18,847
Accounting / bookkeeping	-	15,915	15,915
Other administrative	-	15,031	15,031
Office supplies	8,006	7,008	15,014
Facilitator	14,237	-	14,237
Travel	-	8,266	8,266
Bank charges	-	4,960	4,960
Payroll taxes	2,122	821	2,943
Postage and delivery	-	2,798	2,798
Insurance	-	2,750	2,750
Legal	-	2,000	2,000
Telephone	-	1,464	1,464
Printing & publications	-	1,007	1,007
	<u>\$ 1,643,085</u>	<u>\$ 117,868</u>	<u>\$ 1,760,953</u>

Functional expenses for the year then ended December 31, 2007 were comprised of the following:

	Program	Administrative	Total
Medical	\$ 887,599	\$ -	\$ 887,599
Foster care	173,757	-	173,757
Orphanage assistance	159,838	-	159,838
Education	116,925	-	116,925
Nutrition	91,196	-	91,196
Payment processing	-	27,983	27,983
Facilitator	20,528	-	20,528
Adoption assistance	-	6,305	6,305
Printing & publications	-	5,169	5,169
Postage and delivery	-	2,750	2,750
Insurance	-	2,354	2,354
Bank charges	-	2,038	2,038
Telephone	-	915	915
Special projects	-	805	805
Website	-	541	541
	<u>\$ 1,449,843</u>	<u>\$ 48,860</u>	<u>\$ 1,498,703</u>

NOTE 4: CONCENTRATION OF CREDIT RISK

LWB maintains several depository accounts at various financial institutions. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 thru December 31, 2009. Effective October 3, 2008 the basic limit on federal deposit insurance coverage was temporarily increased from \$100,000 to \$250,000. The amount in excess of the FDIC limit was \$204,537 and \$470,827 as of December 31, 2008 and 2007, respectively.

Foreign exchange risk represents exposures to changes in the values of current holdings and future cash flows denominated in other currencies. The types of instruments exposed to this risk are cash held by foreign facilitators or banks and future cash flows in foreign currencies arising from foreign exchange transactions whose values fluctuate with changes in currency exchange rates.