

LOVE WITHOUT BOUNDARIES FOUNDATION

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 & 2008

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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, 2009 and 2008, 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, 2009 and 2008, and the changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

**Medford, New Jersey
June 3, 2010**

**Padden Cooper Lawson Denn Drewry, LLC
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Love Without Boundaries Foundation

Statements of Financial Position

As of December 31

Assets	2009	2008
Current assets:		
Cash and cash equivalents	\$ 701,087	\$ 648,870
Inventory	-	85,113
Prepaid Expenses	458	458
Total assets	<u>\$ 701,545</u>	<u>\$ 734,441</u>
Liabilities and Net Assets		
Current liabilities:		
Accrued expenses	\$ 33,215	\$ -
Net assets:		
Unrestricted net assets	437,277	487,838
Temporarily restricted net assets	231,053	246,603
Total net assets	<u>668,330</u>	<u>734,441</u>
Total liabilities and net assets	<u>\$ 701,545</u>	<u>\$ 734,441</u>

Love Without Boundaries Foundation
Statements of Activities & Changes in Net Assets
For The Year Then Ended December 31, 2009

Revenues	Unrestricted	Temporarily Restricted	Total
Contributions	\$ 219,410	\$ 1,054,143	\$ 1,273,553
Fundraising	63,821	-	63,821
Promotion Sales	12,173	-	12,173
Investment Income	1,789	-	1,789
Net assets released from restrictions	1,069,693	(1,069,693)	-
Total revenue	<u>1,366,886</u>	<u>(15,550)</u>	<u>1,351,336</u>
Expenses			
Program	1,187,366	-	1,187,366
Administration	121,398	-	121,398
Fundraising	108,683	-	108,683
Total expenses	<u>1,417,447</u>	<u>-</u>	<u>1,417,447</u>
Changes in net assets	(50,561)	(15,550)	(66,111)
Net assets as of beginning of year	<u>487,838</u>	<u>246,603</u>	<u>734,441</u>
Net assets as of end of year	<u>\$ 437,277</u>	<u>\$ 231,053</u>	<u>\$ 668,330</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 Cash Flows For The Years Then Ended December 31

	2009	2008
Change in net assets	\$(66,111)	\$(127,447)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Inventory and other assets	85,113	1,083
Accrued Expenses	33,215	-
Net cash provided by operating activities	118,328	(126,364)
Net increase/ (decrease) in cash and cash equivalents	52,217	(126,364)
Cash and cash equivalents as of beginning of year	648,870	775,234
Cash and cash equivalents as of end of year	\$ 701,087	\$ 648,870

LOVE WITHOUT BOUNDARIES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
Years Then Ended December 31, 2009 and 2008

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 2009 or 2008.

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)

	2009	2008
Nutrition	\$ 42,792	\$ 62,750
Special projects	-	-
Foster Care	89,071	91,074
Education	99,190	92,779
Total temporarily restricted net assets	<u>\$ 231,053</u>	<u>\$ 246,603</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 main categories. These categories include program and administrative. Program expenses are costs directly incurred by LWB to provide special care for orphaned children. The program expenses are divided into further categories. These categories include medical, foster care, healing homes, education, nutrition, special projects, and orphanage assistance.

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, 2009 were comprised of the following:

	Program							Administrative	Total
	Medical	Foster care	Healing homes	Education	Nutrition	Special Projects	Orphanage		
Program	\$ 744	\$ 151,030	\$ 113,740	\$ 100,754	\$ 82,499	\$ 52,459	\$ 11,581	\$ 457	\$ 513,264
Medical	351,498	6,305	14,117	1,970	-	3,953	-	-	377,843
China Staff	23,120	38,519	55,006	62,605	1,383	-	11,669	647	192,949
Salaries	4,122	2,031	2,024	1,783	887	701	453	15,500	39,500
Bank & credit card fees	20	31	2	41	-	-	3	34,098	34,195
Transportation & travel	14,936	1,681	7,142	2,841	1,211	-	260	5,958	34,029
Clothing	-	-	434	897	-	7,184	13,488	-	22,003
Website & computer	-	-	-	-	-	-	-	16,942	16,942
Professional fees	-	-	-	-	-	-	-	16,755	16,755
Supplies	966	9	1,950	3,125	-	1,872	3,025	-	10,947
Foreign exchange	-	-	-	-	-	-	-	8,401	8,401
Telephone & internet	1,152	1,621	1,058	886	-	-	908	2,310	7,935
Postage & delivery	155	128	91	138	143	268	244	6,447	7,614
Insurance	1,171	621	366	622	-	95	585	3,998	7,458
Caregiver	4,235	-	1,221	-	-	1,551	-	-	7,007
Meals	4	-	6,277	407	-	-	-	-	6,688
Printing & publication	25	-	11	106	-	-	-	5,931	6,073
Miscellaneous	-	103	322	395	-	-	1,811	2,132	4,763
Training	2,702	-	-	702	-	-	-	-	3,404
Payroll taxes	348	171	171	150	75	59	38	1,309	3,334
Office expense	30	29	100	-	-	-	-	513	672
	\$ 405,228	\$ 202,279	\$ 204,032	\$ 177,422	\$ 86,198	\$ 68,142	\$ 44,065	\$ 121,398	\$ 1,308,764

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>

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 \$329,394 and \$204,537 as of December 31, 2009 and 2008, 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.

NOTE 5: INVENTORY

At the end of 2009, the LWB Board of Directors decided to write off all items that remained in inventory and close LWB's online store. LWB recorded a loss on inventory write off of \$82,591. Online sales were outsourced to a vendor who produces and ships items as ordered and submits the proceeds to LWB.

NOTE 6: SUBSEQUENT EVENTS

LWB did not have any other subsequent events through June 3, 2010, which is the date the financial statements were available to be issued for events requiring recording or disclosure in the financial statements for the year ended December, 31, 2009.