

**LOVE WITHOUT BOUNDARIES FOUNDATION**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2010 & 2009**

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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, 2010 and 2009, 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, 2010 and 2009, 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 6, 2011**

  
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# Love Without Boundaries Foundation

## Statements of Financial Position

As of December 31

<b>Assets</b>	<b>2010</b>	<b>2009</b>
Current assets:		
Cash and cash equivalents	\$ 813,221	\$ 701,087
Prepaid Expenses	-	458
Total assets	<u>\$ 813,221</u>	<u>\$ 701,545</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accrued expenses	\$ 13,326	\$ 33,215
Net assets:		
Unrestricted net assets	529,866	437,277
Temporarily restricted net assets	<u>270,029</u>	<u>231,053</u>
Total net assets	799,895	668,330
Total liabilities and net assets	<u>\$ 813,221</u>	<u>\$ 701,545</u>

**Love Without Boundaries Foundation**  
Statements of Activities & Changes in Net Assets  
For The Year Then Ended December 31, 2010

<b>Revenues</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Contributions	\$ 302,943	\$ 1,124,032	\$ 1,426,975
Fundraising	88,119	-	88,119
Grants	-	45,000	45,000
Promotion Sales	16,745	-	16,745
Investment Income	444	-	444
Net assets released from restrictions	1,130,056	( 1,130,056)	-
Total revenue	<u>1,538,307</u>	<u>38,976</u>	<u>1,577,283</u>
<b>Expenses</b>			
Program	1,311,491	-	1,311,491
Administration	93,306	-	93,306
Fundraising	40,921	-	40,921
Total expenses	<u>1,445,718</u>	<u>-</u>	<u>1,445,718</u>
Changes in net assets	92,589	38,976	131,565
Net assets as of beginning of year	<u>437,277</u>	<u>231,053</u>	<u>668,330</u>
Net assets as of end of year	<u>\$ 529,866</u>	<u>\$ 270,029</u>	<u>\$ 799,895</u>

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

<b>Revenues</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
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>
<b>Expenses</b>			
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 Cash Flows For The Years Then Ended December 31

	2010	2009
Change in net assets	\$ 131,565	(\$ 66,111)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Inventory and other assets	458	85,113
Accrued Expenses	( 19,889)	33,215
Net cash provided by operating activities	( 19,431)	118,328
Net increase/ (decrease) in cash and cash equivalents	112,134	52,217
Cash and cash equivalents as of beginning of year	701,087	648,870
Cash and cash equivalents as of end of year	<u>\$ 813,221</u>	<u>\$ 701,087</u>

LOVE WITHOUT BOUNDARIES FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
Years Then Ended December 31, 2010 and 2009

**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 2010 or 2009.

*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 recognition*

LWB recognizes revenues 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.



### *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.

### *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)

	<b>2010</b>	<b>2009</b>
Foster Care	\$ 113,727	\$ 89,071
Education	98,475	99,190
Orphanage Assistance	32,220	-
Healing Homes	25,607	-
Nutrition	-	42,792
Total temporarily restricted net assets	<u>\$ 270,029</u>	<u>\$ 231,053</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: DONATED SERVICES AND MATERIALS**

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. Auction items valued at \$22,597 and \$0 for 2010 and 2009, respectively have been included in contributions and expenses in the statement of activities.

### **NOTE 4: 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, 2010 were comprised of the following:

	Program							
	Medical	Foster care	Healing homes	Education	Special Projects	Orphanage	Administrative	Total
Program	\$ 1,684	\$ 157,071	\$ 154,750	\$ 85,674	\$ 26,263	\$ 100,235	\$ -	\$ 525,677
Medical	253,470	3,009	87,574	-	-	3,767	-	347,820
China Staff	21,429	34,885	74,678	52,191	-	18,112	-	201,295
Salaries	17,426	11,263	19,715	8,943	1,538	8,729	26,500	94,114
Transportation & travel	22,444	2,667	14,787	10,113	-	2,927	8,402	61,340
Bank & credit card fees	7,360	4,839	8,294	3,853	647	3,827	3,956	32,776
Clothing	-	40	924	637	-	23,217	-	24,818
Website & computer	-	-	-	-	-	-	23,379	23,379
Professional fees	-	-	-	-	-	-	16,355	16,355
Caregiver	9,795	189	2,673	145	23	1,462	-	14,287
Insurance	229	588	1,144	2,067	20	203	4,501	8,752
Supplies	82	-	2,739	3,550	-	3,645	-	10,016
Meals	10	6	8,139	521	-	5	-	8,681
Payroll taxes	1,339	865	1,514	687	118	671	2,027	7,221
Telephone & internet	1,204	1,083	1,611	1,146	32	1,090	649	6,815
Miscellaneous	1,225	483	1,197	698	-	870	1,096	5,569
Postage & delivery	355	312	311	201	20	2,365	1,089	4,653
Training	722	438	767	1,604	-	339	-	3,870
Printing & publication	120	59	103	69	-	139	2,554	3,044
Foreign exchange	-	-	-	-	-	-	2,602	2,602
Office expense	238	17	348	855	-	59	196	1,713
	<u>\$ 339,132</u>	<u>\$ 217,814</u>	<u>\$ 381,268</u>	<u>\$ 172,954</u>	<u>\$ 28,661</u>	<u>\$ 171,662</u>	<u>\$ 93,306</u>	<u>\$1,404,797</u>

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
	<u>\$ 405,228</u>	<u>\$ 202,279</u>	<u>\$ 204,032</u>	<u>\$ 177,422</u>	<u>\$ 86,198</u>	<u>\$ 68,142</u>	<u>\$ 44,065</u>	<u>\$ 121,398</u>	<u>\$ 1,308,764</u>

## **NOTE 5: 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, 2010. The amount in excess of the FDIC limit was \$399,943 and \$329,394 as of December 31, 2010 and 2009, 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 6: 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 7: SUBSEQUENT EVENTS**

LWB did not have any other subsequent events through June 6, 2011, 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, 2010.