

**LOVE WITHOUT BOUNDARIES FOUNDATION**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2011 & 2010**

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**INDEPENDENT AUDITOR'S REPORT**

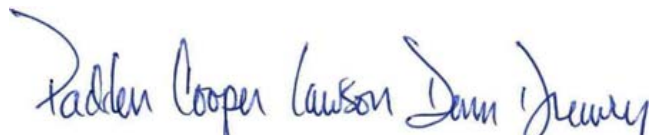
To the Board of Directors  
Love Without Boundaries Foundation

We have audited the accompanying statements of financial position of Love Without Boundaries Foundation (a non-profit organization) as of December 31, 2011 and 2010, 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, 2011 and 2010, 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  
May 31, 2012**

  
**Padden Cooper Lawson Denn Drewry, LLC**  
**Certified Public Accountants**



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# Love Without Boundaries Foundation

## Statements of Financial Position

As of December 31

<b>Assets</b>	<b>2011</b>	<b>2010</b>
Current assets:		
Cash and cash equivalents	\$ 912,624	\$ 813,221
Total assets	<u>\$ 912,624</u>	<u>\$ 813,221</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accrued expenses	\$ 18,488	\$ 13,326
Net assets:		
Unrestricted net assets	590,267	529,866
Temporarily restricted net assets	303,869	270,029
Total net assets	<u>894,136</u>	<u>799,895</u>
Total liabilities and net assets	<u>\$ 912,624</u>	<u>\$ 813,221</u>

**Love Without Boundaries Foundation**  
Statements of Activities & Changes in Net Assets  
For The Year Then Ended December 31, 2011

<b>Revenues</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Contributions	\$ 292,262	\$ 1,437,088	\$ 1,729,350
Fundraising	88,816	-	88,816
Grants	-	27,124	27,124
Promotion Sales	12,244	-	12,244
Investment Income	272	-	272
Net assets released from restrictions	1,430,372	( 1,430,372)	-
Total revenue	<u>1,823,966</u>	<u>33,840</u>	<u>1,857,806</u>
<b>Expenses</b>			
Program	1,621,790	-	1,621,790
Administration	108,037	-	108,038
Fundraising	33,738	-	33,737
Total expenses	<u>1,763,565</u>	<u>-</u>	<u>1,763,565</u>
Changes in net assets	60,401	33,840	94,241
Net assets as of beginning of year	<u>529,866</u>	<u>270,029</u>	<u>799,895</u>
Net assets as of end of year	<u>\$ 590,267</u>	<u>\$ 303,869</u>	<u>\$ 894,136</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 Cash Flows For The Years Then Ended December 31

	2011	2010
Change in net assets	\$ 94,241	\$ 131,565
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Inventory and other assets	-	458
Accrued Expenses	5,162	( 19,889)
Net cash provided by operating activities	5,162	( 19,431)
Net increase/ (decrease) in cash and cash equivalents	99,403	112,134
Cash and cash equivalents as of beginning of year	813,221	701,087
Cash and cash equivalents as of end of year	<u>\$ 912,624</u>	<u>\$ 813,221</u>

**LOVE WITHOUT BOUNDARIES FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Then Ended December 31, 2011 and 2010

**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 administers aid in education, foster care, healing homes, medical, and orphanage assistance, which enables children to receive families through adoption or to become self-sustaining members of their communities.

*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.

### *Income Taxes*

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 2011 or 2010.

## **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>2011</b>	<b>2010</b>
Foster Care	\$ 158,637	\$ 113,727
Education	82,777	98,475
Orphanage Assistance	35,913	32,220
Healing Homes	26,542	25,607
Total temporarily restricted net assets	<u>\$ 303,869</u>	<u>\$ 270,029</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 \$ 11,750 and \$22,597 for 2011 and 2010, 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, 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, 2011 were comprised of the following:

	Program						Administrative	Total
	Medical	Foster care	Healing homes	Education	Special Projects	Orphanage		
Program	\$ 2,113	\$ 198,133	\$ 128,942	\$ 58,951	\$ 18,525	\$ 142,305	\$ -	\$ 548,969
Medical	418,714	1,790	58,341	-	-	4,179	-	483,024
China Staff	36,391	40,049	124,389	80,404	-	20,797	-	302,030
Salaries	18,540	9,059	12,891	5,903	585	7,422	31,900	86,300
Transportation & travel	25,014	6,200	20,325	11,137	-	2,547	11,124	76,347
Bank & credit card fees	12,440	6,199	8,529	3,975	387	4,912	4,314	40,756
Caregiver	19,744	103	3,108	-	-	5,989	-	28,944
Clothing	94	412	691	1,407	-	26,121	-	28,725
Professional fees	-	-	-	-	-	-	25,298	25,298
Website & computer	-	-	-	-	-	-	16,683	16,683
Meals	8	4	13,837	838	-	3	-	14,690
Supplies	4,133	133	1,796	4,980	-	3,356	-	14,398
Insurance	2,186	1,067	3,361	2,587	69	968	3,758	13,996
Printing & publication	1,853	881	1,290	595	-	733	6,872	12,224
Postage & delivery	375	56	148	146	2	3,621	5,131	9,479
Telephone & internet	1,554	1,055	1,397	1,182	17	1,140	669	7,014
Payroll taxes	1,510	737	1,050	481	48	604	2,424	6,854
Training	2,022	482	686	1,355	-	2,294	-	6,839
Miscellaneous	1,361	601	1,933	535	-	479	1,382	6,291
IRA Contribution	542	265	376	173	17	217	957	2,547
Office expense	199	437	120	119	1	18	559	1,453
Foreign exchange	-	-	-	-	-	-	( 3,034)	( 3,034)
	\$ 548,793	\$ 267,663	\$ 383,210	\$ 174,768	\$ 19,651	\$ 227,705	\$ 108,037	\$1,729,827

Functional expenses for the year then ended December 31, 2010 were comprised of the following:

	Program							Total	
	Medical	Foster care	Healing homes	Education	Special Projects	Orphanage	Administrative		
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	
	\$ 339,132	\$ 217,814	\$ 381,268	\$ 172,954	\$ 28,661	\$ 171,662	\$ 93,306	\$ 1,404,797	

## **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, 2011. The amount in excess of the FDIC limit was \$ 270,759 and \$331,366 as of December 31, 2011 and 2010, 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 May 31, 2012, 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, 2011.