

**LOVE WITHOUT BOUNDARIES FOUNDATION**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2012 & 2011**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Love Without Boundaries Foundation

We have audited the accompanying financial statements of Love Without Boundaries Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012 and 2011, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation


and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***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, 2012 and 2011, 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 24, 2013

  
Padden Cooper  
Certified Public Accountants

# Love Without Boundaries Foundation

## Statements of Financial Position

As of December 31

<b>Assets</b>	<b>2012</b>	<b>2011</b>
Current assets:		
Cash and cash equivalents	\$ 1,009,269	\$ 912,624
Total assets	<u>\$ 1,009,269</u>	<u>\$ 912,624</u>
 <b>Liabilities and Net Assets</b>		
Current liabilities:		
Accrued expenses	\$ 24,336	\$ 18,488
Net assets:		
Unrestricted net assets	637,765	590,267
Temporarily restricted net assets	347,168	303,869
Total net assets	<u>984,933</u>	<u>894,136</u>
Total liabilities and net assets	<u>\$ 1,009,269</u>	<u>\$ 912,624</u>

**Love Without Boundaries Foundation**  
**Statements of Activities & Changes in Net Assets**  
**For The Year Then Ended December 31, 2012**

<b>Revenues</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Contributions	\$ 355,290	\$ 1,870,127	\$ 2,225,417
Fundraising	85,708	-	85,708
Grants	-	25,000	25,000
Promotion Sales	10,417	-	10,417
Net assets released from restrictions	1,851,828	( 1,851,828)	-
Total revenue	<u>2,303,243</u>	<u>43,299</u>	<u>2,346,542</u>
<b>Expenses</b>			
Program	2,051,182	-	2,051,182
Administration	144,117	-	144,117
Fundraising	60,446	-	60,446
Total expenses	<u>2,255,745</u>	<u>-</u>	<u>2,255,745</u>
Changes in net assets	47,498	43,299	90,797
Net assets as of beginning of year	<u>590,267</u>	<u>303,869</u>	<u>894,136</u>
Net assets as of end of year	<u>\$ 637,765</u>	<u>\$ 347,168</u>	<u>\$ 984,933</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 Cash Flows For The Years Then Ended December 31

	<b>2012</b>	<b>2011</b>
Change in net assets	\$ 90,797	\$ 94,241
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Accrued Expenses	5,848	5,162
Net cash provided by operating activities	5,848	5,162
Net increase in cash and cash equivalents	96,645	99,403
Cash and cash equivalents as of beginning of year	912,624	813,221
Cash and cash equivalents as of end of year	<u>\$ 1,009,269</u>	<u>\$ 912,624</u>



LOVE WITHOUT BOUNDARIES FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
Years Then Ended December 31, 2012 and 2011

**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 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 2012 or 2011.

## **NOTE 2: TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes: (note: all funds restricted for medical purposes were utilized for medical purposes in fiscal year ended December 31, 2011).

	<b>2012</b>	<b>2011</b>
Foster Care	\$ 160,498	\$ 158,637
Education	86,887	82,777
Healing Homes	58,761	26,542
Orphanage Assistance	27,668	35,913
Medical	13,354	-
Total temporarily restricted net assets	<u>\$ 347,168</u>	<u>\$ 303,869</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 Accounting Standards Codification No. 958-605, "Financial Statements of Not For Profit Organizations, Revenue Recognition", formerly Statement of Financial Accounting Standards No. 116. Auction items valued at \$20,138 and \$11,750 for 2012 and 2011, respectively have been included in contributions and expenses in the statement of activities.

### **NOTE 4: FUNCTIONAL ALLOCATION OF EXPENSES**

In 2012, LWB functionalized its expenses according to three main categories. These categories include program, administrative and fundraising. In 2011, LWB only used two categories; 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. These consist of insurance, office supplies and other miscellaneous expenses associated with the daily operations of LWB administrative offices.

Included in fundraising expenses are joint costs that have been allocated based on time estimates. The activities that resulted in joint costs include personnel and related expenses.

Functional expenses for the year then ended December 31, 2012 were comprised of the following:

	Program						Administrative	Fundraising	Total
	Medical	Foster care	Healing homes	Education	Special Projects	Orphanage			
Program	\$ 4,364	\$ 207,107	\$ 239,765	\$ 79,874	\$ 35,458	\$ 75,502	\$ -	\$ -	\$ 642,070
Medical	585,074	811	45,200	-	-	6,264	-	-	637,349
China Staff	37,133	45,129	172,884	104,863	-	16,591	-	-	376,600
Salaries	35,145	13,297	25,243	12,399	1,853	7,623	42,507	28,000	166,067
Transportation & travel	30,459	5,461	18,525	27,302	-	3,217	16,909	-	101,873
Bank & credit card fees	16,434	6,269	11,693	5,821	858	3,573	4,504	-	49,152
Caregiver	33,237	32	3,035	-	-	5,946	-	-	42,250
Professional fees	3,241	247	470	231	-	466	32,463	-	37,118
Clothing	347	206	217	341	-	32,382	-	-	33,493
Events	-	-	-	-	-	-	-	30,109	30,109
Insurance	1,666	630	6,775	16,417	88	457	3,970	-	30,003
Website & computer	-	-	-	-	-	99	16,483	-	16,582
Meals	-	-	14,248	1,878	-	-	-	-	16,126
Postage & delivery	1,268	309	453	624	28	1,221	9,690	-	13,593
Supplies	443	234	2,535	6,954	-	2,979	-	-	13,145
Payroll taxes	2,647	1,002	1,901	934	140	574	3,102	2,109	12,409
Printing & publication	145	131	9	113	-	3	9,116	-	9,517
Training	-	-	-	4,234	-	3,461	-	-	7,695
Telephone & internet	1,496	1,067	1,575	1,236	30	906	762	-	7,072
Foreign exchange	1,598	296	840	( 426)	-	526	2,109	-	4,943
IRA Contribution	1,004	380	721	354	53	218	834	228	3,792
Miscellaneous	1,579	91	174	410	-	52	1,383	-	3,689
Office expense	292	15	442	54	2	8	285	-	1,098
	\$ 757,572	\$ 282,714	\$ 546,705	\$ 263,613	\$ 38,510	\$ 162,068	\$ 144,117	\$ 60,446	\$ 2,255,745

Functional expenses for the year then ended December 31, 2011 were comprised of the following:

	Program								
	Medical	Foster care	Healing homes	Education	Special Projects	Orphanage	Administrative	Total	
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	

See independent auditor's report.

## **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, 2012. The amount in excess of the FDIC limit was \$464,782 and \$270,759 as of December 31, 2012 and 2011, 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: SUBSEQUENT EVENTS**

LWB did not have any other subsequent events through June 24, 2013, 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, 2012.