

LOVE WITHOUT BOUNDARIES FOUNDATION

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 & 2012

TABLE OF CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT.....	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position.....	3
Statements of Activities & Changes in Net Assets.....	4-5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7-14

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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 statements of financial position as of December 31, 2013 and 2012, 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 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 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, 2013 and 2012, and the changes in its 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 27, 2014


Padden Cooper
Certified Public Accountants

Love Without Boundaries Foundation

Statements of Financial Position

As of December 31

Assets	2013	2012
Current assets:		
Cash and cash equivalents	\$ 1,061,995	\$ 1,009,269
Total current assets	1,061,995	1,009,269
Fixed assets, net	3,507	-
 Total assets	 \$ 1,065,502	 \$ 1,009,269
 Liabilities and Net Assets		
Current liabilities:		
Accrued expenses	\$ 24,491	\$ 24,336
Total current liabilities	24,491	24,336
Net assets:		
Unrestricted net assets	695,948	637,765
Temporarily restricted net assets	345,063	347,168
Total net assets	1,041,011	984,933
 Total liabilities and net assets	 \$ 1,065,502	 \$ 1,009,269

Love Without Boundaries Foundation
Statements of Activities & Changes in Net Assets
For The Year Then Ended December 31, 2013

Revenues	Unrestricted	Temporarily Restricted	Total
Contributions	\$ 605,884	\$ 1,579,175	\$ 2,185,059
Fundraising	64,865	-	64,865
Grants	-	124,000	124,000
Promotion Sales	12,777	-	12,777
Net assets released from restrictions	1,705,280	(1,705,280)	-
Total revenue	<u>2,388,806</u>	<u>(2,105)</u>	<u>2,386,701</u>
Expenses			
Program	2,063,698	-	2,063,698
Administration	196,029	-	196,029
Fundraising	70,896	-	70,896
Total expenses	<u>2,330,623</u>	<u>-</u>	<u>2,330,623</u>
Changes in net assets	58,183	(2,105)	56,078
Net assets as of beginning of year	<u>637,765</u>	<u>347,168</u>	<u>984,933</u>
Net assets as of end of year	<u>\$ 695,948</u>	<u>\$ 345,063</u>	<u>\$ 1,041,011</u>

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

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

	2013	2012
Operating activities		
Change in net assets	\$ 56,078	\$ 90,797
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	390	-
Accrued Expenses	155	5,848
Net cash provided by operating activities	<u>56,623</u>	<u>96,645</u>
Investing activities		
Purchase of fixed assets	(3,897)	-
Net cash used in investing activities	<u>(3,897)</u>	<u>-</u>
Net increase in cash and cash equivalents	52,726	96,645
Cash and cash equivalents as of beginning of year	1,009,269	912,624
Cash and cash equivalents as of end of year	<u>\$ 1,061,995</u>	<u>\$ 1,009,269</u>

LOVE WITHOUT BOUNDARIES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
Years Then Ended December 31, 2013 and 2012

**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, special projects, 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.

Property and equipment

Property and equipment are carried at cost. Depreciation of property and equipment is provided using the straight-line method for financial reporting purposes. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

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 2013 or 2012.

NOTE 2: FIXED ASSETS

Property and equipment, shown net of accumulated depreciation, at December 31, 2013 and 2012 consisted of the following:

	2013	2012
Computer equipment	\$ 3,897	\$ -
Less: accumulated depreciation	(390)	-
Property and equipment – net	<u>\$ 3,507</u>	<u>\$ -</u>

NOTE 3: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes: (note: all funds restricted for healing homes and medical purposes were utilized for healing homes and medical purposes in fiscal year ended December 31, 2013. All funds restricted for special projects were used for special projects in fiscal year ended December 31, 2012).

	2013	2012
Education	\$ 157,143	\$ 86,887
Foster care	146,081	160,498
Orphanage assistance	29,191	27,668
Special projects	12,648	-
Healing homes	-	58,761
Medical	-	13,354
Total temporarily restricted net assets	<u>\$ 345,063</u>	<u>\$ 347,168</u>

Current year contributed temporarily restricted funds were restricted as follows:

	2013	2012
Medical	\$ 505,383	\$ 708,699
Healing homes	497,761	516,121
Education	282,101	241,435
Foster care	259,968	256,886
Orphanage assistance	107,610	137,658
Special projects	50,352	34,328
Total temporarily restricted contributions	<u>\$ 1,703,175</u>	<u>\$ 1,895,127</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by donors as follows:

	<u>2013</u>	<u>2012</u>
Healing homes	\$ 556,522	\$ 483,903
Medical	518,736	695,345
Foster Care	274,385	255,025
Education	211,846	237,324
Orphanage Assistance	106,087	145,903
Special projects	37,704	34,328
Total temporarily restricted contributions	<u>\$ 1,705,280</u>	<u>\$ 1,851,828</u>

NOTE 4: 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 statements 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 \$0 and \$20,138 for 2013 and 2012, respectively have been included in contributions and expenses in the statement of activities.

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 through December 31, 2013. The amount in excess of the FDIC limit was \$579,334 and \$464,782 as of December 31, 2013 and 2012, 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: FUNCTIONAL ALLOCATION OF EXPENSES

LWB functionalizes its expenses according to three main categories. These categories include program, administrative and fundraising. 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, 2013 were comprised of the following:

	Program									
	Medical	Foster care	Healing homes	Education	Special Projects	Orphanage	Administrative	Fundraising	Total	
Medical	\$ 528,667	\$ 3,775	\$ 97,404	\$ 10	\$ 2,000	\$ 6,998	\$ -	\$ -	\$ 638,854	
Program	2,907	212,847	222,970	76,885	35,698	63,342	-	-	614,649	
China Staff	39,467	53,537	207,721	106,184	-	17,384	-	-	424,293	
Salaries	40,448	18,344	37,949	14,170	2,523	7,087	95,835	41,361	257,717	
Transportation & travel	31,243	14,465	24,468	13,635	-	1,523	11,697	-	97,031	
Bank & credit card fees	15,187	6,829	14,219	5,466	935	2,700	5,108	-	50,444	
Insurance	1,539	698	7,356	18,152	96	367	14,517	-	42,725	
Caregiver	22,217	682	5,947	41	-	7,417	-	-	36,304	
Events	-	-	-	-	-	-	-	25,837	25,837	
Website & computer	-	-	-	-	-	-	20,742	-	20,742	
Payroll taxes	3,120	1,415	2,927	1,093	195	546	6,778	3,292	19,366	
Professional fees	1,332	-	-	675	-	324	12,480	-	14,811	
Supplies	279	422	4,397	9,109	-	50	-	-	14,257	
Meals	20	9	13,102	200	-	4	-	-	13,335	
Printing & publication	137	20	363	15	-	96	10,806	-	11,437	
Postage & delivery	361	442	343	295	9	394	9,348	-	11,192	
Clothing	316	928	576	323	-	7,517	-	-	9,660	
IRA Contribution	1,453	659	1,363	509	90	254	2,029	406	6,763	
Telephone & internet	1,508	1,006	1,599	1,167	33	693	581	-	6,587	
Training	81	37	76	1,111	-	3,327	-	-	4,632	
Foreign exchange	867	268	575	(618)	-	179	2,864	-	4,135	
Miscellaneous	687	166	609	226	-	64	781	-	2,533	
Office expense	306	89	302	113	12	34	1,392	-	2,248	
Investment loss	-	-	-	-	-	-	681	-	681	
Depreciation	-	-	-	-	-	-	390	-	390	
	\$ 692,142	\$ 316,638	\$ 644,266	\$ 248,761	\$ 41,591	\$ 120,300	\$ 196,029	\$ 70,896	\$ 2,330,623	

See independent auditor's report.

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

NOTE 7: SUBSEQUENT EVENTS

LWB did not have any other subsequent events through May 27, 2014, 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, 2013.