

BEYOND BORDERS, INC.
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED
JUNE 30, 2006 AND 2005

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Independent Auditor's Report

Board of Directors
Beyond Borders, Inc.
Norristown, PA 19404

I have audited the accompanying statement of financial position of Beyond Borders, Inc. (a nonprofit organization) as of June 30, 2006 and 2005 and the related statements of activities and of cash flows, for the years then ended. The financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit 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 includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Beyond Borders, Inc. as of June 30, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on Page 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

September 18, 2006

BEYOND BORDERS, INC.
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2006 AND 2005

ASSETS

	2006	2005
Cash and cash equivalents (Note 9)	\$209,225	\$203,893
The Starfish Fund (Note 2)	157,973	153,238
Notes receivable	34,646	31,156
Accounts receivable	75,444	14,460
Prepaid expenses	12,751	13,710
Property and equipment (Note 3)	1,414	2,353
	<u>\$491,453</u>	<u>\$418,810</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 14,741	\$ 2,431
Deferred revenue	48,188	3,380
Accrued pension (Note 5)	115,315	107,462
Total liabilities	<u>178,244</u>	<u>113,273</u>
Net assets:		
Unrestricted	54,311	99,252
Temporarily restricted	258,898	206,285
Total net assets	<u>313,209</u>	<u>305,537</u>
	<u>\$491,453</u>	<u>\$418,810</u>

See notes to financial statements.

BEYOND BORDERS, INC.
 STATEMENTS OF ACTIVITIES
 YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
Unrestricted:		
Revenue (Note 6)		
Contributions	\$214,221	\$241,649
Grants	30,000	24,000
Interest income	5,173	2,937
Net assets released from restrictions	<u>451,597</u>	<u>497,410</u>
Total revenue	<u>700,991</u>	<u>765,996</u>
Expenses:		
Program services (Note 7):		
Education in Haiti	432,190	335,709
Apprenticeship in Shared Living	41,045	38,015
Transformational Travel	25,658	35,513
Constituency Education	43,517	36,518
New Initiatives	-	9,251
Dominican Republic expansion	21,001	-
Agency (Note 4)	61,666	211,605
Support services:		
Management and general	66,290	57,861
Fund raising	<u>54,565</u>	<u>38,823</u>
Total expenses	<u>745,932</u>	<u>763,295</u>
Increase (decrease) in unrestricted net assets	(44,941)	<u>2,701</u>
Temporarily restricted:		
Contributions	406,991	273,832
Interest income	4,735	3,190
Agency (Note 4)	92,484	225,057
Net assets released from restrictions	<u>(451,597)</u>	<u>(497,410)</u>
Increase in temporarily restricted net assets	<u>52,613</u>	<u>4,669</u>
Increase in net assets	7,672	7,370
Net assets at beginning of year	<u>305,537</u>	<u>298,167</u>
Net assets at end of year	<u>\$313,209</u>	<u>\$305,537</u>

See notes to financial statements.

BEYOND BORDERS, INC.
STATEMENTS OF CASH FLOWS
JUNE 30, 2006 AND 2005

	2006	2005
Cash flows from operating activities		
Increase in net assets	\$ 7,672	\$ 7,370
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	939	1,492
(Increase) decrease in:		
Accounts receivable	(60,984)	45,468
Prepaid expenses	959	(6,870)
Increase (decrease) in:		
Accounts payable	12,310	390
Accrued pension	7,853	18,754
Deferred revenue	<u>44,808</u>	<u>(5,580)</u>
Net cash provided by operating activities	<u>13,557</u>	<u>61,024</u>
Cash flows from investing activities		
Increase in investment	<u>(8,225)</u>	<u>(8,572)</u>
Net cash used in investing activities	<u>(8,225)</u>	<u>(8,572)</u>
Net increase in cash	5,332	52,452
Cash and cash equivalents at beginning of year	<u>203,893</u>	<u>151,441</u>
Cash and cash equivalents at end of year	<u>\$ 209,225</u>	<u>\$203,893</u>

See notes to financial statements.

BEYOND BORDERS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2006 AND 2005

1. **Nature of activities and summary of significant accounting policies:**

Nature of activities:

Beyond Borders, Inc. (the "Organization") was incorporated as a nonprofit organization in January 1993 as a group of people who join together out of devotion to Christ to work for justice and peace by fostering transformative learning within and across cultural and economic borders. The Organization is committed to fostering transformative learning primarily among the people of Haiti, the Dominican Republic, and North America in these areas: Christian education, cultural exchange, literacy, leadership development, and teacher training.

Basis of accounting:

The accompanying financial statements are prepared on the accrual basis of accounting.

Property and equipment and depreciation and amortization:

Property and equipment are stated at cost. Expenditures for maintenance, repairs and renewals of a minor nature are charged against earnings as incurred. Major improvements and betterments are capitalized. Depreciation and amortization is provided by the use of the straight-line method over the estimated useful lives of the related assets.

Uses of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial statement presentation:

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows. As permitted by the statement, the Organization does not use fund accounting.

BEYOND BORDERS, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2006 AND 2005

1. **Nature of activities and summary of significant accounting policies - continued:**

Financial statement presentation – continued:

The Organization also follows SFAS No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raised or Hold Contributions for Others*. Funds received in the names of other organizations and individuals are held as a liability until disbursement to the affiliate. The funds are not recorded as revenue or expense by the organization.

Contributions:

The Organization has also adopted SFAS No. 116, “Accounting for Contributions Received and Contributions Made.” Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Income Taxes:

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Cash and cash equivalents:

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

2. **The Starfish Fund:**

On March 10, 2004, Beyond Borders, Inc. created The Starfish Fund as a restricted account to receive a gift of \$150,000 to be available for use by the Matenwa Community Learning Center (MCLC) in Haiti. Income from the fund is to be used to support the staff and educational mission as defined by those who govern the MCLC. Up to 10% of principal may be distributed in any one year.

BEYOND BORDERS, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2006 AND 2005

3. **Property and equipment:**

Description	Estimated life range (years)	2006	2005
Office equipment	5 and 8	\$6,832	\$8,604
Less accumulated depreciation		<u>5,418</u>	<u>6,251</u>
Net property and equipment		<u>\$1,414</u>	<u>\$2,353</u>

Depreciation expense for the years ended June 30, 2006 and 2005 were \$939 and \$1,492 respectively.

4. **Agency funds:**

The Organization is the agent for several beneficiaries in Haiti. Funds are received and held for these beneficiaries until the funds are disbursed to them. This arrangement is contingent upon the beneficiaries remaining in agreement with the mission and work of the organization. Refer to supplemental information.

5. **Pension plan liability:**

The Organization began a pension fund considered non-qualified under the Internal Revenue Code (IRC) during fiscal 1997 for all employees with the intent of disbursing the funds to the employees upon their retirement or separation from the Organization. Subject to approval by the Board of Trustees, the employee can request a payment while still employed in the event of an urgent need.

6. **Donated services:**

Unpaid volunteers conduct a portion of the Organization's functions. The value of this contributed time is not reflected in the accompanying financial statements as the volunteers' time does not meet criteria for recognition under SFAS No. 117.

7. **Contributions and gifts to others:**

Limye Lavi typically receives a substantial part of its revenue from Beyond Borders. That funding amounted to \$186,855 and \$285,434 in years ended June 30, 2006 and 2005 respectively. These contributions represent substantially all of Limye Lavi's revenue in each of those years respectively.

BEYOND BORDERS, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2006 AND 2005

8. **Related party transaction – lease:**

The Organization leases office space and pays utilities to three employees under annually renewable operating leases.

Total occupancy costs for the years ended June 30, 2006 and 2005 were \$7,500 and \$6,000, respectively.

9. **Concentration of credit risk:**

The Organization maintains its cash and cash equivalents with high quality financial institutions. One of the institutions is not insured or otherwise protected by the Federal Deposit Insurance Corporation or any other governmental agency. Those accounts totaled \$194,790 and \$152,188 for the fiscal years ended June 30, 2006 and 2005 respectively.

SUPPLEMENTARY INFORMATION

BEYOND BORDERS, INC.
SCHEDULE OF AGENCY FUNDS – RECEIPTS AND DISBURSEMENTS
YEARS ENDED JUNE 30, 2006 AND 2005

	2005				2006				
	Balance	Receipts	Disburse- ments	Retained for administration	Balance	Receipts	Disburse- ments	Retained for administration	Balance
Agent for:									
Bluntschli	\$ -	\$ 15,224	\$ 14,176	\$ 1,048	\$ -	\$ 4,522	\$ 4,070	\$ 452	\$ -
MCLC Breakfast	10,931	2,472	14,832	54	(1,483)	13,558	13,400	633	(1,958)
Circles of Change	(10,000)	72,179	62,179	-	-	-	-	-	-
Chris Low/MCLC	22,357	65,602	48,682	1,738	37,539	74,404	36,692	5,615	69,636
Emergency Relief	-	52,432	49,811	2,621	-	-	-	-	-
Schools Alive	-	710	-	-	710	-	710	-	-
APA (Fremy Cesar)	<u>120</u>	<u>1270</u>	<u>1295</u>	<u>-</u>	<u>95</u>	<u>-</u>	<u>95</u>	<u>-</u>	<u>-</u>
	<u>\$23,408</u>	<u>\$209,889</u>	<u>\$190,975</u>	<u>\$ 5,461</u>	<u>\$36,861</u>	<u>\$ 92,484</u>	<u>\$ 54,967</u>	<u>\$ 6,700</u>	<u>\$67,678</u>