



FORWARD EDGE
INTERNATIONAL

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Financial Statements
For the Year Ended
December 31, 2010

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Independent Auditor's Report

To the Board of Directors
Forward Edge International
Vancouver, Washington

I have audited the accompanying statement of financial position of Forward Edge International as of December 31, 2010, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit. The prior year summarized comparative information has been derived from the Organization's December 31, 2009 financial statements and, in my report dated March 31, 2010, I expressed an unqualified opinion on those financial statements.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, I express no such opinion. 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. 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 Forward Edge International as of December 31, 2010, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Richard Winkel, CPA

June 2, 2011

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Forward Edge International
Statement of Financial Position
As of December 31, 2010

(with comparative totals for 2009)

	<u>2010</u>	<u>2009</u>
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 199,791	\$ 111,530
Investments	26,559	5,113
Employee Receivables	7,014	3,310
Prepaid Expenses and Other Assets	<u>10,154</u>	<u>14,764</u>
Total Current Assets	243,518	134,717
Fixed Assets, net of depreciation	<u>873,660</u>	<u>990,000</u>
Total Assets	<u><u>\$ 1,117,178</u></u>	<u><u>\$ 1,124,717</u></u>
Liabilities and Net Assets		
Liabilities		
Accrued expenses	<u>\$ 214</u>	<u>\$ 7,093</u>
Total Liabilities	214	7,093
Net Assets		
Net Assets-Temporarily Restricted	150,414	54,046
Net Assets-Unrestricted	<u>966,550</u>	<u>1,063,578</u>
Total Net Assets	<u>1,116,964</u>	<u>1,117,624</u>
Total Liabilities and Net Assets	<u><u>\$ 1,117,178</u></u>	<u><u>\$ 1,124,717</u></u>

The accompanying notes are an integral part of these financial statements

Forward Edge International
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2010

(with comparative totals for 2009)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2010 Total</u>	<u>2009 Total</u>
Income				
Donations & Grants	\$ 1,856,837	\$ 880,462	\$ 2,737,299	\$ 2,466,152
Trip Fees	691,520	-	691,520	529,191
Product Sales	151	-	151	5,473
Investment Income	836	-	836	1,626
Other Income	756	-	756	94
Subtotal	<u>2,550,100</u>	<u>880,462</u>	<u>3,430,562</u>	<u>3,002,536</u>
Satisfaction of Program Restrictions	<u>784,094</u>	<u>(784,094)</u>	<u>-</u>	<u>-</u>
Total Income	3,334,194	96,368	3,430,562	3,002,536
Expenses				
Programs	3,111,175	-	3,111,175	2,843,126
Support Services				
Management & General	79,249	-	79,249	82,172
Fundraising	189,798	-	189,798	253,248
Total Support Services	<u>269,047</u>	<u>-</u>	<u>269,047</u>	<u>335,420</u>
Total Expenses	<u>3,380,222</u>	<u>-</u>	<u>3,380,222</u>	<u>3,178,546</u>
Change in Net Assets	(46,028)	96,368	50,340	(176,010)
Beginning Net Assets	1,063,578	54,046	1,117,624	1,293,634
Prior Period Adjustment	<u>(51,000)</u>	<u>-</u>	<u>(51,000)</u>	<u>-</u>
Ending Net Assets	<u>\$ 966,550</u>	<u>\$ 150,414</u>	<u>\$ 1,116,964</u>	<u>\$ 1,117,624</u>

The accompanying notes are an integral part of these financial statements

Forward Edge International
Statement of Cash Flows
For the Year Ended December 31, 2010

(with comparative totals for 2009)

	2010	2009
Cash Flows From Operating Activities		
Change in Net Assets	\$ 50,340	\$ (176,010)
Adjustments to reconcile change in Net Assets to net cash from operating activities:		
Depreciation	65,340	54,524
Donation of investment	(20,815)	(5,113)
Unrealized gain on investment	(631)	-
Donation of fixed asset	-	(12,000)
Changes in assets and liabilities:		
Accounts Receivable	-	9,905
Pledges Receivable	-	97,140
Other Receivables	(3,704)	(482)
Prepaid Expenses	4,610	(11,887)
Accounts Payable	(6,879)	7,093
Net Cash (Used In) Provided by Operating Activities	88,261	(36,830)
Cash Flows from Investing Activities		
Purchase of property and equipment	-	(165,896)
Net Cash Used In Investing Activities	-	(165,896)
Net change in Cash	88,261	(202,726)
Cash at beginning of year	111,530	314,256
Cash at end of year	\$ 199,791	\$ 111,530
Supplemental Disclosures:		
Non-cash donation of vehicle	\$ -	\$ 12,000
Non-cash donation of investment	\$ 20,815	\$ 5,113

The accompanying notes are an integral part of these financial statements

Forward Edge International
Statement of Functional Expenses
For the Year Ended December 31, 2010

(with comparative totals for 2009)

	<u>PROGRAMS</u>	<u>MANAGEMENT & GENERAL</u>	<u>FUND RAISING</u>	<u>2010 TOTAL</u>	<u>2009 TOTAL</u>
Salaries, Taxes & Benefits	\$ 314,583	\$ 35,470	\$ 61,232	\$ 411,285	\$ 527,184
Travel	25,690	1,706	5,184	32,580	37,282
Contracted Services	257,698	19,527	33,872	311,097	329,166
Occupancy	45,966	8,520	8,144	62,630	51,038
Office Supplies	6,890	528	1,399	8,817	10,662
Printing and Copying	4,690	477	2,276	7,443	7,044
Postage and Delivery	4,556	652	3,727	8,935	8,597
Insurance	8,834	1,824	929	11,587	3,681
Trip Expense	1,917,069	-	-	1,917,069	1,863,890
Construction & Repair	2,451	267	509	3,227	8,637
Education & Training	1,626	310	405	2,341	6,840
Promotion Expense	33,767	1,960	26,154	61,881	12,344
Depreciation Expense	62,940	2,400	-	65,340	54,524
Interest & Merchant Fees	17,277	4,080	58	21,415	10,478
Ministry Expense	402,124	500	3,000	405,624	177,789
Miscellaneous	1,869	440	600	2,909	2,185
Meals & Entertainment	3,145	588	42,309	46,042	22,184
Loss on uncollectible pledge	-	-	-	-	45,021.00
Totals	<u>\$ 3,111,175</u>	<u>\$ 79,249</u>	<u>\$ 189,798</u>	<u>\$ 3,380,222</u>	<u>\$ 3,178,546</u>

The accompanying notes are an integral part of these financial statements

Forward Edge International
Notes to the Financial Statements
For the Year Ended December 31, 2010

1. Organization

FORWARD EDGE INTERNATIONAL is a faith-based relief and development organization founded as a non-profit corporation in the state of Washington and is dedicated to mobilizing volunteers to express the love of God through acts of service and mercy in the USA and around the world.

FORWARD EDGE INTERNATIONAL receives most of its funding from donations and trip fees paid by individuals to have their volunteer trips organized and facilitated.

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows.

Basis of Accounting – The financial statements of the Organization have been prepared on the accrual basis of accounting and in accordance with Accounting Standards Codification (ASC) of the Financial Accounting Standards Board 958. ASC 958 is the standard for external financial reporting for not-for-profit organizations.

Basis of Presentation – Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of FORWARD EDGE INTERNATIONAL and changes therein are classified and reported as follows:

- *Unrestricted net assets* - Net assets not subject to donor-imposed stipulations. Expenses are reported as decreases in unrestricted net assets.
- *Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that will be met either by actions of FORWARD EDGE INTERNATIONAL and/or the passage of time. Expirations of temporary restrictions result in the reclassification of temporarily restricted net assets to unrestricted net assets and are reported in the statement of activities as Satisfaction from Program Restrictions.

Forward Edge International
Notes to the Financial Statements
For the Year Ended December 31, 2010

2. Summary of Significant Accounting Policies, continued

Concentrations of Economic Risk - Like most non-profit organizations, FORWARD EDGE INTERNATIONAL is dependent upon donations for much of its income, which can be affected by economic downturns.

FORWARD EDGE INTERNATIONAL also operates and coordinates relief efforts in various parts of the world, including certain key countries. If political unrest was to occur in any or all of these key countries FORWARD EDGE INTERNATIONAL'S ongoing operations could be severely impacted.

Contributions – Contributions are comprised of cash and in-kind contributions. All contributions and grants are considered available for unrestricted use unless specifically restricted by the donor. Contributions and grants are recognized as temporarily restricted revenue if they are received with donor stipulations that limit the use of the donated assets. Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the pledge is received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value on the date of receipt.

Gifts-In-Kind - Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Volunteers pay for their own airfare to the destinations where they serve and their airfare costs are considered to be in-kind donations. All in-kind contributions of services and materials are recorded at their estimated fair values. In the year ended December 31, 2010 the Gifts-in-Kind were:

Airfare paid by volunteers	\$	911,109
Professional services		508,321
Supplies and materials		<u>75,733</u>
Total in-kind donations	\$	<u>1,495,163</u>

Forward Edge International
Notes to the Financial Statements
For the Year Ended December 31, 2010

2. Summary of Significant Accounting Policies, continued

Contributions of Long-Lived Assets – Contributions of land, buildings and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, buildings and equipment, or to rehabilitate existing properties, with specific donor-imposed stipulations concerning the use of such long-lived assets are reported as revenues of the temporarily restricted net asset class and are considered to be released when the funds are expended for the purposes given.

Trip Fees - Volunteers who participate in mission trips with FORWARD EDGE INTERNATIONAL pay the organization “trip fees” to cover their food, lodging, ground transportation, and some materials for their work projects while at their destinations. These are recorded as revenue when received.

Cash Equivalents – For purposes of the financial statements, FORWARD EDGE INTERNATIONAL considers all liquid investments having initial maturities of three months or less to be cash equivalents.

Investments – FORWARD EDGE INTERNATIONAL follows the guidance in Accounting Standards Codification (ASC) 820 and 958. Investments are reflected on the statement of financial position at fair value with changes in unrealized gains and losses resulting from changes in fair value reflected in the statement of activities. Interest and dividend income is reported as earned.

Fixed Assets and Depreciation – Assets over \$3,000 are capitalized and carried at cost, or at estimated market value if acquired by gift. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets, which are generally 3 to 5 years for equipment and furnishings. All expenditures for repair and maintenance that do not appreciably extend the useful life or increase the value of the assets are expensed when incurred.

Indirect Cost Allocation Plan – FORWARD EDGE INTERNATIONAL has an indirect cost allocation plan which is applied based on the analysis of direct program expenses and employee time charged to activities.

Forward Edge International
Notes to the Financial Statements
For the Year Ended December 31, 2010

2. Summary of Significant Accounting Policies, continued

Fundraising Expenses – FORWARD EDGE INTERNATIONAL has adopted Statement of Position 98-2, *Accounting for Costs of Activities of Not-for-Profit Organizations and Local Governmental Entities That Include Fund Raising*, issued by the American Institute of Certified Public Accountants. As a result, if a fundraising activity contains joint costs that might be allocated to programs or other activities, specific criteria regarding the audience and purpose of activity will be considered before costs will be allocated. If the criteria are not met, all costs are reported as fundraising expenses. During the year ended December 31, 2010 no joint costs were allocated to programs or other activities.

Income Taxes – FORWARD EDGE INTERNATIONAL is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

Fair Value of Financial Instruments – Due to the short-term nature of cash equivalents, prepaid expenses and other assets, and accounts payable, their fair value approximates carrying value.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

Summarized Financial Information for 2009 – The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

Forward Edge International
Notes to the Financial Statements
For the Year Ended December 31, 2010

3. Prior Period Adjustment

During the current year the Organization made an adjustment to the financial statements to correct a misstatement in a prior year. Expenditures for land and construction in Nicaragua had been incorrectly capitalized as assets. FORWARD EDGE INTERNATIONAL does not own the land or building, and therefore these payments should have been expensed and not capitalized. The effect of this prior period adjustment is a decrease of \$51,000 to the fixed asset balance and a decrease of \$51,000 to the unrestricted net asset balance.

4. Cash and Cash Equivalents

Cash and cash equivalents include accounts with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each financial institution and consist of the following as of December 31, 2010.

Cash in bank	\$ 156,804
Money Market Account	<u>42,987</u>
	\$ <u><u>199,791</u></u>

5. Investments

ASC 820, Fair Value Measurements and Disclosures, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, maximizes the use of observable inputs, and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent resources while unobservable inputs reflect estimates about market data.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level I: Observable inputs such as quoted prices in active markets for identical assets or liabilities.

Forward Edge International
Notes to the Financial Statements
For the Year Ended December 31, 2010

5. Investments, continued

Level II: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; these include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level III: Unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions.

The following table sets forth carrying amounts and estimated fair values for financial instruments at December 31, 2010:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Equity funds	\$ <u>26,559</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>26,559</u>
Total investments	\$ <u>26,559</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>26,559</u>

The equity fund investments had an unrealized gain of \$631 during the year ended December 31, 2010.

6. Property and Equipment

A summary of property and equipment at December 31, 2010 is as follows:

Land in Nicaragua	\$ 185,550
Building in Nicaragua	606,252
Office equipment and furnishings	34,586
Vehicles	139,532
Machinery	<u>128,804</u>
	1,094,724
Accumulated depreciation	<u>(221,064)</u>
Net property and equipment	\$ <u>873,660</u>

Forward Edge International
Notes to the Financial Statements
For the Year Ended December 31, 2010

7. Related Party Transactions

FORWARD EDGE INTERNATIONAL leases office space from the organization's founder. The lease is renewable each year and cancellable at the option of either party. Total rent paid to the founder for the year ended December 31, 2010 was \$29,940.

8. Subsequent Events

FORWARD EDGE INTERNATIONAL did not have any subsequent events through June 2, 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.