

**ENGINEERS WITHOUT BORDERS - USA, INC.
(A COLORADO NOT-FOR-PROFIT CORPORATION)**

**AUDITED FINANCIAL STATEMENTS
THREE MONTHS ENDED DECEMBER 31, 2008**

ENGINEERS WITHOUT BORDERS - USA, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Engineers Without Borders - USA, Inc.
Boulder, Colorado

We have audited the accompanying statement of financial position of Engineers Without Borders - USA, Inc. (the "Organization"), a Colorado not-for-profit corporation, as of December 31, 2008 and the related statements of activities, cash flows and functional expenses for the three months then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these 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 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 Engineers Without Borders - USA, Inc. as of December 31, 2008, and the results of its operations and cash flows for the three months then ended in conformity with accounting principles generally accepted in the United States of America.

Doty, Lyle and Jones, LLC

Doty, Lyle and Jones, LLC

Certified Public Accountants and Professional Advisors

Boulder, Colorado
July 7, 2009

ENGINEERS WITHOUT BORDERS - USA, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008

ASSETS

Current assets	
Cash and cash equivalents	\$ 2,474,444
Investments	720
Promises to give	27,528
Prepaid expenses	15,201
Travel advances	54,979
Inventory	8,372
Total current assets	2,581,244
Property and equipment	
Computers and equipment	74,354
Furniture and fixtures	21,633
Leasehold improvements	12,666
Construction in progress	8,000
Total property and equipment	116,653
Less accumulated depreciation	(38,107)
Property and equipment, net	78,546
Intangible assets	
Website development costs	27,690
Less accumulated amortization	(10,199)
Intangible asset, net	17,491
Other assets	
Deposits	14,104
Total assets	\$ 2,691,385

Continued.

ENGINEERS WITHOUT BORDERS - USA, INC.
STATEMENT OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2008

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued expenses	\$	162,950
Deferred revenue		136,722
Total current liabilities		299,672
Net assets		
Unrestricted		624,506
Temporarily restricted		1,767,207
Total net assets		2,391,713
Total liabilities and net assets		\$ 2,691,385

See accompanying notes.

ENGINEERS WITHOUT BORDERS - USA, INC.
STATEMENT OF ACTIVITIES
THREE MONTHS ENDED DECEMBER 31, 2008

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Contributions and grants	\$ 811,292	\$ 661,612	\$ 1,472,904
Less: costs of direct benefits to donors	(26,825)	-	(26,825)
	784,467	661,612	1,446,079
Membership fees	64,129	11,157	75,286
Workshops	38,310	-	38,310
In-kind contributions	927,840	-	927,840
Interest income	607	-	607
Other income	4,067	-	4,067
Net assets released from restrictions	384,787	(384,787)	-
Total support and revenue	2,204,207	287,982	2,492,189
Expenses			
Program services	1,382,260	-	1,382,260
General and administrative	172,692	-	172,692
Fundraising	67,375	-	67,375
Total expenses	1,622,327	-	1,622,327
Change in net assets	581,880	287,982	869,862
Net assets, beginning of period	42,626	1,479,225	1,521,851
Net assets, end of period	\$ 624,506	\$ 1,767,207	\$ 2,391,713

See accompanying notes.

ENGINEERS WITHOUT BORDERS - USA, INC.
STATEMENT OF CASH FLOWS
THREE MONTHS ENDED DECEMBER 31, 2008

Cash flows from operating activities:	
Change in net assets	\$ 869,862
Adjustments to reconcile change in net assets to net assets provided by operating activities:	
Depreciation and amortization	8,289
Donated stock	(720)
(Increase) decrease in assets:	
Promises to give	36,303
Prepaid expenses	9,829
Travel advances	(7,510)
Deposits	(7,052)
Increase (decrease) in liabilities:	
Accounts payable	100,315
Deferred revenue	23,787
Net cash provided by operating activities	1,033,103
Cash flows used in investing activities:	
Purchase of property and equipment	(9,702)
Cash flows used in financing activities:	
Payments of short-term debt	(249,798)
Net increase in cash and cash equivalents	773,603
Cash and cash equivalents, beginning of period	1,700,841
Cash and cash equivalents, end of period	\$ 2,474,444

See accompanying notes.

ENGINEERS WITHOUT BORDERS - USA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
THREE MONTHS ENDED DECEMBER 31, 2008

	Program	General & Admin.	Fund- Raising	Total
Accounting fees	\$ -	\$ 4,215	\$ -	\$ 4,215
Conference expense	168	-	-	168
Contract services	36,607	13,877	4,990	55,474
Depreciation	4,537	2,759	993	8,289
Dues and subscriptions	354	215	78	647
Equipment rental and maintenance	359	218	79	656
Insurance	9,174	726	261	10,161
Leased employees	195,486	118,893	42,758	357,137
Meetings and conventions	18,990	1,010	-	20,000
Merchant bankcard fees	2,877	1,750	629	5,256
Miscellaneous	29,123	1,426	-	30,549
Occupancy	18,306	11,134	4,004	33,444
Office expense	13,013	7,914	2,846	23,773
Postage and delivery	1,484	903	325	2,712
Project expense	7,418	-	-	7,418
Project managers	927,300	-	-	927,300
Promotional materials	-	-	7,747	7,747
Supplies	46,369	1,471	529	48,369
Travel	69,697	5,574	1,917	77,188
Website expense	998	607	219	1,824
Total	\$ 1,382,260	\$ 172,692	\$ 67,375	\$ 1,622,327

See accompanying notes.

ENGINEERS WITHOUT BORDERS - USA, INC.
NOTES TO FINANCIAL STATEMENTS
THREE MONTHS ENDED DECEMBER 31, 2008

Note 1: Summary of Significant Accounting Policies—This summary of significant accounting policies of the Engineers Without Borders - USA, Inc. (the “Organization”) is presented to assist in understanding the Organization’s financial statements. The financial statements and notes are representations of the Organization’s management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of financial statements.

Nature of Operations—Engineers Without Borders – USA, Inc. was established in 2001 to help developing areas worldwide with their civil and environmental engineering needs, by involving and training a new kind of internationally responsible engineering student. The Organization’s projects involve the design and construction of water, sanitation, structural, and energy systems. These projects are conducted by both professional chapters, made up of practicing professionals, and student chapters of which the participants are both university students and university professors, supervised by professional engineers.

In addition, the Organization holds an annual conference which helps educate individuals who are interested in future volunteer opportunities for projects sponsored by the Organization.

The Organization encourages students to organize student chapters at their own universities and it provides technical expertise for this. However, approximately 40% of the student chapters are independent of the Organization’s financial activities, and therefore the activities of those student chapters are not reflected in the Organization’s financial statements.

Basis of Presentation—The financial statements are prepared on the accrual basis of accounting and are in conformity with 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.

Contributions—The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending upon the existence and/or nature of any donor restrictions.

ENGINEERS WITHOUT BORDERS - USA, INC.
NOTES TO FINANCIAL STATEMENTS
THREE MONTHS ENDED DECEMBER 31, 2008

Note 1: Summary of Significant Accounting Policies (continued)

Cash Equivalents—The Organization considers all unrestricted highly liquid investments with an original maturity of three months or less to be cash equivalents.

Recognition of Donor Restrictions—Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Income Taxes—The Organization is exempt from federal and state income taxes under the provisions of Internal Revenue Code Section 501(c)(3). The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A), and has been classified as an organization other than a private foundation under Section 509(a)(1). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

Use of Estimates—The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. In preparing financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, support and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Risk—Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of temporary cash investments. The Organization places its temporary cash investments with high credit quality financial institutions and attempts to limit its amount of credit exposure to any one financial institution. However, at various times during the three months ended December 31, 2008, the Organization's cash balances exceeded the federally insured limits. As of December 31, 2008, the Organization had \$2,458,073 on deposit with financial institutions in excess of the federally insured limits.

Inventory—Inventory consists of t-shirts and other promotional materials, which are recorded at cost.

ENGINEERS WITHOUT BORDERS - USA, INC.
NOTES TO FINANCIAL STATEMENTS
THREE MONTHS ENDED DECEMBER 31, 2008

Note 1: Summary of Significant Accounting Policies (continued)

Property, Plant and Equipment—Property, plant and equipment are recorded at cost or at fair market value in the case of donated items. Expenditures for and contributions of equipment with a fair market value greater than \$500 are capitalized. Depreciation is computed using the straight-line method over their estimated useful lives, ranging from three to seven years.

Management assesses the carrying value of long-lived assets for impairment when circumstances indicate such amounts may not be recoverable from future operations. Generally, assets to be held and used in operations are considered impaired if the sum of the expected discounted future cash flows is less than the carrying amount of the asset. If impairment is indicated, the loss is measured based on the amount by which the carrying value exceeds its fair value. Management does not believe that any impairment has occurred as of December 31, 2008.

Donated Materials, Equipment and Services—Donated materials, equipment and services are reflected as contributions at their estimated values at date of receipt. During the three months ended December 31, 2008, donated equipment and professional services consisted of the following and are shown as program services expenses in the Statement of Functional Expenses:

Project managers for international projects	\$ 921,300
Project travel and equipment	6,540
Total	\$ 927,840

In addition, numerous volunteers have donated significant amounts of time to the Organization's program services. These services did not meet the requirements for recognition in the financial statements and have not been recorded.

Deferred Revenue—Membership dues, which are billed in advance, are recognized as revenue ratably over the membership period. Workshop fees received in advance of the workshop date are recorded as deferred revenue until the workshop occurs.

Functional Expense Allocation—Whenever possible, the Organization charges directly identifiable expenses to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

ENGINEERS WITHOUT BORDERS - USA, INC.
NOTES TO FINANCIAL STATEMENTS
THREE MONTHS ENDED DECEMBER 31, 2008

Note 2: Promises to give—The Organization receives contributions from chapters fundraising events. These amounts were collected by the chapters but had not yet been received by the Organization. The contributions were received shortly after the three months ended, December 31, 2008. There was no discount calculated and the promise is deemed to be fully collectible during the year ending December 31, 2009.

Note 3: Operating Lease Commitments—The Organization leases office space under non-cancelable operating lease arrangements that expire between January 2010 and September 2013. The leases require the following future minimum payments:

Year ending December 31,		
2009	\$	73,117
2010		62,826
2011		67,955
2012		74,366
2013		51,287
Total	\$	329,551

The rent expense from these leases totaled approximately \$14,200 for the three months ended December 31, 2008.

Note 4: Temporarily Restricted Net Assets—Temporarily restricted net assets at December 31, 2008 are restricted for the following purposes:

Student and professional chapters and international projects	\$ 1,734,753
Education	32,454
Total	\$ 1,767,207

ENGINEERS WITHOUT BORDERS - USA, INC.
NOTES TO FINANCIAL STATEMENTS
THREE MONTHS ENDED DECEMBER 31, 2008

Note 5: Affiliation with ASCE—On October 31, 2007, the Organization entered into an affiliation agreement with the American Society of Civil Engineers (ASCE), a non-profit organization with a mission similar to that of the Organization. The agreement provides that ASCE will provide certain services to the Organization as a charitable contribution, pursuant to separate services agreement. The services agreement includes membership renewal, marketing, legal, financial and human resources services. As of January 1, 2008, the Organization began leasing all employees from ASCE. All salaries, payroll taxes and employee benefits are paid by ASCE. ASCE's Board of Directors allocated \$500,000 of in-kind services to support the Organization under this agreement. The amount ASCE expends in excess of the original \$500,000 is the responsibility of the Organization to reimburse ASCE. The loan is unsecured, bears no interest, and is expected to be repaid within one year. The loan had a zero balance at December 31, 2008.