

LUBUTO LIBRARY PROJECT, INC.



Financial Statements

December 31, 2007 and 2006

LUBUTO LIBRARY PROJECT, INC.

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CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors of
Lubuto Library Project, Inc.
Washington, DC

We have audited the accompanying statements of financial position of Lubuto Library Project, Inc. (a non-profit organization) as of December 31, 2007 and the related statements of operations, changes in stockholders' (deficit), and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Lubuto Library Project, Inc. as of December 31, 2006, were audited by other auditors whose report dated February 16, 2007, expressed an unqualified opinion on these statements.

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 2007 financial statements referred to above present fairly, in all material respects, the financial position of Lubuto Library Project, Inc. as of December 31, 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

SKMB, Pa.

July 23, 2008

LUBUTO LIBRARY PROJECT, INC.

BALANCE SHEETS

December 31,

	2007	2006
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 10,686	\$ 27,889
Donated Books	20,910	30,700
Total Current Assets	31,596	58,589
Property and Equipment – Net		
Computer Equipment	700	700
Fixtures	2,500	2,500
Website	9,150	9,150
Accumulated Depreciation and Amortization	(10,484)	(6,948)
Total Assets	1,866	5,402
TOTAL ASSETS	\$ 33,462	\$ 63,991
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accrued Expenses	\$ 0	\$ 0
Payable to President	1,118	2,344
Payable to Lubuto Zambia	3,358	0
Total Current Liabilities	4,476	2,344
Net Assets		
Unrestricted	20,910	30,947
Temporarily Restricted	40,737	30,700
Net Income	(32,661)	0
Total Net Assets	28,986	61,647
TOTAL LIABILITIES AND STOCKHOLDER'S (DEFICIT)	\$ 33,462	\$ 63,991

See Auditors' Report and Notes to Financial Statements.

LUBUTO LIBRARY PROJECT, INC.

STATEMENTS OF INCOME

For the Years Ended December 31,

	2007	2006
UNRESTRICTED REVENUE AND SUPPORT		
Contributed Support	\$ 137,358	\$ 132,591
Individual Donations	34,658	10,578
Corporate Grants	3,900	4,425
Foundation Grants	7,530	16,930
Other Income	1,031	20
TOTAL UNRESTRICTED REVENUE AND SUPPORT	184,477	164,544
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of Donation Restrictions	23,550	35,516
TOTAL UNRESTRICTED REVENUE, SUPPORT AND NET ASSETS RELEASED FROM RESTRICTIONS	208,027	200,060
EXPENSES		
Program Services	202,692	151,321
Supporting Services		
General and Administrative	25,158	32,610
Fundraising	3,048	4,366
TOTAL EXPENSES	230,898	188,297
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(22,871)	11,763
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributed Books	8,910	18,700
Corporate Grants	0	44
Foundation Grants	0	26,150
Individual Donations	4,850	9,322
Net Assets Released from Restrictions	(23,550)	(35,516)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	(9,790)	18,700
TOTAL INCREASE IN NET ASSETS	(32,661)	30,463
NET ASSETS AT BEGINNING OF PERIOD	61,647	31,184
NET ASSETS AT END OF PERIOD	\$ 28,986	61,647

LUBUTO LIBRARY PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE 1 – ORGANIZATION AND OPERATIONS

The Lubuto Library Project, Inc. (the "Project") is a 501(c)(3) charitable organization, incorporated in the District of Columbia on January 25, 2005. It was launched in January 2005 to improve the lives and future prospects of AIDS orphans and other vulnerable children (OVC) in Africa by providing libraries, as well as to educate U.S. school children about the impact AIDS has on their African peers.

The Project's mission is to provide (OVC) with a safe haven and a variety of stimulating culturally and age-appropriate books. Books are collected and sorted by American students and shipped to Africa. Lubuto works with host institutions in-country to adapt existing space or construct new library buildings, based on prototype architectural plan. They are focusing their initial efforts in Zambia with plans to expand into other African countries in future years.

Lubuto libraries are envisioned as a safe and special place where children can read for themselves, look at books or have books read to them. The book collections are designed to appeal to a range of ages, interests and reading abilities, offering enrichment on many levels. The libraries will include the donated books in English as well as books purchased by the Project in local African languages and books created by children themselves.

The organization's primary activities are: building libraries, working through their regional office which is registered nonprofit charitable organization in Zambia; soliciting donated books, selecting excellent and appropriate books from among the donations and organizing them for the African libraries; and raising awareness of the effect of HIV/AIDS on African children through school programs, educational materials and presentations. In the U.S., this entails and extensive volunteer mobilization effort.

The Project established a branch in the Republic of Zambia on September 21, 2005.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Project have been prepared on the accrual basis of accounting and, accordingly, revenues and expenses are recognized in the period to which they relate.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

LUBUTO LIBRARY PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

In accordance with SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*. Lubuto reports information regarding its financial position and activities according to three classes of assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Lubuto does not have any permanently restricted net assets.

Contributions

Contributions are accounted for in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by donors are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the contributions are recognized. Contributed services, property and equipment are recorded at the estimated fair value of such services and property and equipment.

Cash and Cash Equivalents

Cash and cash equivalents consist of a checking account at a commercial bank in Washington, D.C.

Property, Equipment and Depreciation and Amortization

Property and equipment are carried at cost. The Project capitalizes all acquisitions of property and equipment over \$500. Depreciation and amortization of property and equipment is calculated using the straight-line method over useful lives of three to five years.

Library Construction Costs

Library construction costs are recorded as an expense because the African host organization will own the library.

Income Taxes

The Project is exempt from the payment of income taxes on its exempt activities under Section 501 (c)(3) of the Internal Revenue Code.

Reclassification

The amount of donated books sent to the Lubuto Library in Lusaka, Zambia during 2007 were reclassified from Income to- Donated Books to accurately reflect the current balance of donated books on hand in Washington, D.C. waiting to be sent to Zambia.

LUBUTO LIBRARY PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE 3 – RELATED PARTY TRANSACTIONS AND BALANCES

At December 31, 2007, the project owed \$1,118.46 to the President for expenses incurred.

NOTE 4 – MAJOR CONTRIBUTIORS

Major contributors (10% or more of total revenue and support) for the year ended December 31, 2007 is as follows:

	<u>2007</u>
Salaries in-kind - Zambia Project Field Director	\$ 31,000
Salaries in-kind-President	\$ 65,000

NOTE 5 – RENT EXPENSE

Office space for the headquarters and for the office in Zambia is provided on a pro bono basis during 2007. In-kind rent expenses for the headquarters and the office in Zambia for 2007 is \$4,000, respectively.

LUBUTO LIBRARY PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE 6 – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities for the years ended December 31, 2007 and 2006 have been summarized on a functional basis below:

2007	Program	General and Administrative	Fundraising	Total
EXPENSES				
Headquarter Expenses				
Consulting Fees	\$50,000	\$12,000	\$ 3,000	\$65,000
Communications - in- Kind	7,400	0	0	7,400
Communications - Other	10,483	0	0	10,483
Depreciation and Amortization	3,535	0	0	3,535
Grant Application Expense	0	0	0	0
Legal Services - in-kind	450	9,382	0	9,832
Legal Other	0	360	0	360
Accounting	0	2,300	0	2,300
Accounting -in-kind	750	0	0	750
Rent -in-kind	4,000	0	0	4,000
Program Development	9,346	0	0	9,346
Supplies	235	254	0	489
Travel - in-kind	5,000	0	0	5,000
Travel	2,985	0	0	2,985
Other	1,442	862	48	2,352
Subtotal Headquarter Expenses	95,626	25,158	3,048	123,832
Zambia Expenses				
Accounting -in-kind	0		0	0
Consulting Fees	17,000	0	0	0
Consulting Fees - in-kind	34,850	0	0	0
Library Construction	19,954	0	0	0
Salaries in-kind	0	0	0	0
Salaries – Officer	0	0	0	0
Zambia Rent - in-kind	4,000	0	0	0
Zambia– Other	31,262	0	0	0
Subtotal Zambia Expenses	107,066	0	0	107,066
TOTAL OPERATING EXPENSES	\$202,692	\$ 25,158	\$ 3,048	\$230,898

LUBUTO LIBRARY PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE 6 – FUNCTIONAL ALLOCATION OF EXPENSES (Continued)

2006	Program	General and Administrative	Fundraising	Total
EXPENSES				
Headquarter Expenses				
Salaries -in-kind	\$ 50,000	\$ 12,000	\$ 3,000	\$65,000
Communications - in-kind	1,250	0	0	1,250
Communications - Other	1,523	0	0	1,523
Depreciation and Amortization	3,533	0	0	3,533
Grant Application Expense	0	0	1,335	1,335
Legal Services - in-kind	0	15,825	0	15,825
Accounting	0	2,561	0	2,561
Accounting -in-kind	0	1,150	0	1,150
Rent -in-kind	4,000	0	0	4,000
Program Development	1,779	0	25	1,804
Supplies	1,253	31	0	1,284
Travel - in-kind	2,865	0	0	2,865
Travel	1,668	0	0	1,668
Other	1,115	1,043	6	2,164
Subtotal Headquarter Expenses	68,986	32,610	4,366	105,962
Zambia Expenses				
Salaries in-kind	35,500	0	0	35,500
Salaries – Officer	12,500	0	0	12,500
Library Construction	24,735	0	0	24,735
Consulting Fees - in-kind	3,000	0	0	3,000
Zambia Rent - in-kind	4,000	0	0	4,000
Zambia– Other	2,600	0	0	2,600
Subtotal Zambia Expenses	82,335	0	0	82,335
TOTAL OPERATING EXPENSES	\$151,321	\$ 32,610	\$ 4,366	\$ 188,297