

LUBUTO LIBRARY PROJECT, INC.



Financial Statements

For the Years Ended December 31, 2009 and 2008 (Restated)

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, 2009 and 2008 (restated) and the related statements of activities and cash flows for the years 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.

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.

Lubuto Library Project restated 2008 financial statement to reflect foreign bank account and correct income from donated books. As disclosed in Note 6, library construction cost was restated in 2008 as \$4,943 and bank account was restated as \$47,455 and income from donated books were restated as \$28,583 to properly reflect net assets in 2008 financial statement.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lubuto Library Project, Inc. as of December 31, 2009 and 2008 (restated) and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

SKMB, PA

July 15, 2010

LUBUTO LIBRARY PROJECT, INC.

STATEMENTS OF FINANCIAL POSITION

December 31,

	2009	2008 (Restated) Note 6
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 126,702	\$ 47,455
Books and Equipment Held for Distribution to African Libraries	70,555	52,493
Grant Receivable	26,744	0
Total Current Assets	224,001	99,948
Property and Equipment		
Computer Equipment	1,934	1,194
Fixtures	2,500	2,500
Website	9,150	9,150
Accumulated Depreciation and Amortization	(12,820)	(12,418)
Total Property and Equipment	764	426
TOTAL ASSETS	\$ 224,765	\$ 100,374
LIABILITIES AND NET ASSETS		
Current Liabilities		
Payable to President	\$ 1,167	\$ 1,167
Payable to Lubuto Zambia	7,408	7,408
Accrued Payroll and Payroll Taxes	1,133	0
Total Current Liabilities	9,708	8,575
Net Assets		
Unrestricted	41,928	32,306
Temporarily Restricted	173,129	59,493
Total Net Assets	215,057	91,799
TOTAL LIABILITIES AND NET ASSETS	\$ 224,765	\$ 100,374

See Auditors' Report and Notes to Financial Statements.

LUBUTO LIBRARY PROJECT, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended December 31,

	2009	2008 (Restated) Note 6
UNRESTRICTED REVENUE AND SUPPORT		
Contributed Support	\$ 169,533	\$ 156,232
Individual Donations	42,775	33,925
Corporate/Organization Donation	10,195	2,038
Foundation Grants	14,204	44,391
Other Income	2,354	600
TOTAL UNRESTRICTED REVENUE AND SUPPORT	239,061	237,186
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of Donation Restrictions	48,533	5,000
TOTAL UNRESTRICTED REVENUE, SUPPORT AND NET ASSETS RELEASED FROM RESTRICTIONS	287,594	242,186
EXPENSES		
Program Services	251,327	193,993
Supporting Services		
General and Administrative	23,346	20,893
Fundraising	3,299	3,070
TOTAL EXPENSES	277,972	217,956
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	9,622	24,230
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Grant - SOCLI	52,093	0
Contributed Books	41,948	28,583
Contributed Computers	4,990	0
Corporate Donation	61,538	0
Foundation Donations	1,200	10,000
Individual Donations	400	5,000
Net Assets Released from Restrictions	(48,533)	(5,000)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	113,636	38,583
TOTAL INCREASE (DECREASE) IN NET ASSETS	123,258	62,813
NET ASSETS AT BEGINNING OF PERIOD	91,799	28,986
NET ASSETS AT END OF PERIOD	\$ 215,057	\$ 91,799

See Auditors' Report and Notes to Financial Statements.

LUBUTO LIBRARY PROJECT, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31,

	2009	2008 (Restated) Note 6
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 123,258	\$ 62,813
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	402	1,935
Increase in Operating Assets:		
Books and Equipment Held for Distribution to African Libraries	(18,062)	(31,583)
Grant Receivable	(26,744)	0
Increase in Operating Liabilities:		
Due to Related Parties	0	4,098
Accrued Payroll and Related Expense	1,133	0
NET CASH PROVIDED BY OPERATING ACTIVITIES	79,987	37,263
CASH FLOWS FROM INVESTING ACTIVITIES		
Computer Equipment Purchase	(740)	(494)
NET CASH PROVIDED BY INVESTING ACTIVITIES	(740)	(494)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	79,247	36,769
BEGINNING CASH AND CASH EQUIVALENTS	47,455	10,686
ENDING CASH AND CASH EQUIVALENTS	\$ 126,702	\$ 47,455

See Auditors' Report and Notes to Financial Statements.

LUBUTO LIBRARY PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008 (Restated)

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 and educating 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. Lubuto works with host institutions in-country to adapt existing space or construct new library buildings based on prototype architectural plan. The Project established a branch in the Republic of Zambia on September 21, 2005.

The Project's primary activities are: building libraries, soliciting book donations, distributing book donations to African libraries; and educating African children of the effect of HIV/AIDS.

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.

Basis of Presentation - In accordance with SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*. The Project 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. The Project 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 - For purposes of this financial statement, the Project considers all highly liquid assets available for current use with an initial maturity of three months or less to be cash equivalents.

Property and Equipment - 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.

LUBUTO LIBRARY PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008 (Restated)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTE 3- FOREIGN CURRENCY EXCHANGE RATES

The US dollar is the functional currency of the project's worldwide operations. All foreign currency assets and liabilities amounts are measured in US dollars. Foreign currency income and expenses are remeasured at the weighted average rates in effect during the year. Any exchange rate gains or losses are included in statement of activities in the period in which they occur. Realized exchange rate gain for the year ended December 31 2009 was \$1,127 included in other income. Cash deposits in foreign bank account as of December 31 2009 and 2008 (restated) were \$81,172 and \$12,648, respectively.

NOTE 4- GRANT RECEIVABLE

Support of Community Led Initiative (SOCLI) provided a sub grant of \$52,093 to the project. All the payments of the grant will be in Zambian Kwacha. This grant was provided to support motivational mentoring program run by the project in Zambia.

In 2009, \$25,349 grant was received and \$26,744 grant was still receivable at the end of the year.

Grant requires submission of quarterly report together with program descriptions, all the invoices, budgets and progress report.

This grant is temporarily restricted. In 2009, net asset released from restriction due to SOCLI grant is \$19,658.

NOTE 5 - CORPORATE DONATION

The Project received \$60,000 from Dow Jones & Co. in 2009 for construction of library in Zambia.

LUBUTO LIBRARY PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008 (Restated)

NOTE 6- PRIOR PERIOD ADJUSTMENT AND RESTATEMENT

Net assets at the beginning of 2009 have been adjusted for overstating library construction expenditure by \$12,648 overstating books donations by \$15,367 and omitting foreign bank account balance of \$12,648 at the end of the year 2008. The correction has no effect on the result of the current year's activities; however, the cumulative affect decreases beginning net assets for 2009 by \$2,719. Had the error not occurred, increase in net assets for 2008 in statement of activities would have been decreased by \$2,719. Accordingly, the project restated its financial statement as of and for the year ended December 31, 2008.

NOTE 7 – RELATED PARTY TRANSACTIONS AND BALANCES

At December 31, 2009 and 2008, the Project owed \$1,167 and \$1,167, respectively to the President of the Project for reimbursement of operating expenses.

NOTE 8 – RENT EXPENSE

Office space for the headquarters and for the office in Zambia were provided on a pro bono basis.

The in-kind rent expense for the headquarters during 2009 and 2008 was \$5,200. The in-kind rent expense for the office in Zambia during 2009 and 2008 was \$4,000.

NOTE 9- RESTRICTION ON NET ASSETS

Temporarily restricted net assets are available for following purposes:

	2009	2008 (Restated)
Donated and purchase of books	\$ 64,304	\$ 49,493
Library construction in Zambia	71,000	10,000
Donated computer to be sent to Zambia	4,990	0
Motivational mentoring program	32,435	0
Renewal of library world license	400	0
Total	\$ 173,129	\$ 59,493

Following assets were released from restriction in 2009:

Donated books sent to Zambia	\$ 28,875
Motivational mentoring program expense incurred	19,658
Total Net Assets Released from Restriction	\$ 48,533

LUBUTO LIBRARY PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008 (Restated)

NOTE 10 – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities for the years ended December 31, 2009 and 2008 (restated) have been summarized on a functional basis below:

2009 Expenses	Program	General and Administrative	Fundraising	Total
Headquarter Expenses				
Professional Services	\$ 120	\$ 120	\$ 0	\$ 240
Professional Services - in-kind	43,675	0	0	43,675
Consulting Fees - in-kind	53,000	12,000	3,000	68,000
Accounting Fees	3,369	0	0	3,369
Bank Service Charges	8	437	0	445
Catering Expenses	740	0	0	740
Communication - in-kind	16,110	0	0	16,110
Communication Fees	3,199	0	299	3,498
Depreciation and Amortization	0	353	0	353
Dues and Registration	905	0	0	905
Legal Fees - in-kind	450	4,800	0	5,250
License and Fees	75	278	0	353
Meals	240	0	0	240
Office Expenses	548	596	0	1,144
Postage and Delivery	400	461	0	861
Program Development	14,054	117	0	14,171
Rent - in-kind	5,200	0	0	5,200
Salaries and Related Expenses	1,283	2,233	0	3,515
Supplies	381	942	0	1,323
Telephone	1,221	0	0	1,221
Travel	10,803	0	0	10,803
Subtotal Headquarter Expenses	155,781	22,337	3,299	181,416
Zambia Expenses				
Staff	487	0	0	487
Staff - in-kind	8,178	0	0	8,178
Depreciation	0	49	0	49
Rent - in-kind	5,876	0	0	5,876
Accounting Fees - in-kind	0	960	0	960
Travel	24	0	0	24
Books to Zambia	28,875	0	0	28,875
Meals	1,718	0	0	1,718
Licenses and Fees	507	0	0	507
Bank Fees	110	0	0	110
Library Construction	327	0	0	327
Zambia Consulting Fees	35,149	0	0	35,149
Zambia Consulting Fees - in-kind	3,960	0	0	3,960
Rent	74	0	0	74

LUBUTO LIBRARY PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008 (Restated)

NOTE 10 – FUNCTIONAL ALLOCATION OF EXPENSES (Continued)

2009 Expenses	Program	General and Administrative	Fundraising	Total
Misc. Expense	\$ 1,192	\$ 0	\$ 0	\$ 1,192
Transport	3,738	0	0	3,738
Supplies	517	0	0	517
Postage/Courier	151	0	0	151
Telephone	1,825	0	0	1,825
Internet	1,369	0	0	1,369
Office Supplies	1,470	0	0	1,470
Subtotal Zambia Expenses	95,547	1,009	0	96,555
TOTAL EXPENSES	\$ 251,327	\$ 23,346	\$ 3,299	\$277,972

2008 Expenses	Program	General and Administrative	Fundraising	Total
Headquarter Expenses				
Consulting Fees	\$ 50,000	\$ 12,000	\$ 3,000	\$ 65,000
Communications - in-kind	12,820	0	0	12,820
Communications - Other	4,002	299	0	4,301
Depreciation and Amortization	1,935	0	0	1,935
Legal Services - in-kind	3,603	3,330	0	6,933
Legal Other	0	0	0	0
Accounting	0	4,208	0	4,208
Accounting - in-kind	0	0	0	0
Rent - in-kind	5,200	0	0	5,200
Program Development	14,658	0	0	14,658
Supplies	8	42	0	50
Travel - in-kind	0	0	0	0
Travel	4,907	0	0	4,907
Other	2,004	1,014	70	3,088
Professional Services - in-kind	30,400	0	0	30,400
Subtotal Headquarter Expenses	129,537	20,893	3,070	153,500
Zambia Expenses				
Consulting Fees	29,120	0	0	29,120
Consulting Fees - in-kind	12,900	0	0	12,900
Library Construction	4,943	0	0	4,943
Zambia Rent - in-kind	4,000	0	0	4,000
Zambia – Other	13,493	0	0	13,493
Subtotal Zambia Expenses	64,456	0	0	64,456
TOTAL EXPENSES	\$193,9931	\$ 20,893	\$ 3,070	\$217,956