

# Lubuto Library Partners Financial Statements December 31, 2015 and 2014



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## INDEPENDENTS AUDITORS' REPORT

Board of Directors  
Lubuto Library Partners  
Washington, DC

We have audited the accompanying financial statements of Lubuto Library Partners, a nonprofit organization, which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lubuto Library Partners as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Prior Period Financial Statements

The financial statements of Lubuto Library Partners as of December 31, 2014, were audited by other auditors whose report dated October 28, 2015, expressed an unmodified opinion on those statements.

*Sygnus, Lender + Co., LLP*

October 3, 2016

**LUBUTO LIBRARY PARTNERS**  
**STATEMENTS OF FINANCIAL POSITION**

	DECEMBER 31,	
<b>ASSETS</b>	2015	2014
<b>CURRENT ASSETS:</b>		
Cash	\$ 446,101	\$ 408,391
Grants receivable	-	320,316
Books and equipment held for distribution	8,950	8,148
Prepaid expenses	2,291	3,664
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 457,342</b>	<b>\$ 740,519</b>
<b>PROPERTY AND EQUIPMENT:</b>		
Computer equipment	\$ 10,068	\$ 15,105
Vehicles	8,675	14,944
Fixtures	4,480	3,084
Property and equipment	\$ 23,223	\$ 33,133
Less accumulated depreciation	14,390	12,842
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<b>\$ 8,833</b>	<b>\$ 20,291</b>
<b>OTHER ASSETS:</b>		
Security deposits	\$ 364	\$ 626
<b>TOTAL ASSETS</b>	<b>\$ 466,539</b>	<b>\$ 761,436</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 12,794	\$ 3,580
<b>TOTAL LIABILITIES</b>	<b>\$ 12,794</b>	<b>\$ 3,580</b>
<b>NET ASSETS:</b>		
Unrestricted	\$ 263,187	\$ 220,835
Temporarily restricted	190,558	537,021
<b>TOTAL NET ASSETS</b>	<b>\$ 453,745</b>	<b>\$ 757,856</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 466,539</b>	<b>\$ 761,436</b>

The accompanying notes are an integral part of these financial statements.

**LUBUTO LIBRARY PARTNERS  
STATEMENTS OF ACTIVITIES**

	2015		2014	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
				Total
<b>SUPPORT AND REVENUES:</b>				
Corporate contributions	\$ 6,515	-	\$ 3,159	\$ 505,398
Individual contributions	82,135	-	46,952	46,952
Foundation grants	20,454	-	25,560	25,560
Federal government grants	65,712	-	-	-
Donated goods and services	110,375	802	120,352	120,551
Other income	39,585	-	3,246	3,246
Net loss on currency translation	(34,440)	-	(27,451)	(27,451)
Net assets released from restrictions	347,265	(347,265)	543,852	-
<b>TOTAL SUPPORT AND REVENUES</b>	<b>\$ 637,601</b>	<b>\$ (346,463)</b>	<b>\$ 715,670</b>	<b>\$ 674,256</b>
<b>EXPENSES:</b>				
Program services	\$ 549,006	-	\$ 619,784	\$ 619,784
Supporting services:				
Management and general	37,843	-	42,886	42,886
Fundraising	8,400	-	11,785	11,785
<b>TOTAL EXPENSES</b>	<b>\$ 595,249</b>	<b>\$ -</b>	<b>\$ 674,455</b>	<b>\$ 674,455</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ 42,352</b>	<b>\$ (346,463)</b>	<b>\$ 41,215</b>	<b>\$ (199)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>220,835</b>	<b>537,021</b>	<b>179,620</b>	<b>758,055</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 263,187</b>	<b>\$ 190,558</b>	<b>\$ 220,835</b>	<b>\$ 757,856</b>

The accompanying notes are an integral part of these financial statements.

**LUBUTO LIBRARY PARTNERS**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

	Program Services	Management and General	Fundraising	Total
Personnel costs:				
Salaries and wages	\$ 138,532	\$ 4,285	\$ -	\$ 142,817
Pro bono salary	28,783	8,795	2,398	39,976
Payroll taxes	10,089	312	-	10,401
Total personnel costs	<u>\$ 177,404</u>	<u>\$ 13,392</u>	<u>\$ 2,398</u>	<u>\$ 193,194</u>
Accounting	3,959	19,971	-	23,930
Bank fees	214	958	704	1,876
Communications	7,524	-	-	7,524
Depreciation	4,534	140	-	4,674
Dues and licenses	211	7	-	218
Maintenance	66,248	2,049	-	68,297
Meetings and Advocacy	9,696	-	-	9,696
Occupancy	7,685	238	-	7,923
Office expenses	12,339	382	5,298	18,019
Professional services	144,848	698	-	145,546
Program development	3,735	-	-	3,735
Publication and printing	960	-	-	960
Shipping and postage	248	8	-	256
Supplies and equipment	27,245	-	-	27,245
Training and program	72,457	-	-	72,457
Travel and transportation	9,699	-	-	9,699
<b>TOTAL EXPENSES</b>	<u><u>\$ 549,006</u></u>	<u><u>\$ 37,843</u></u>	<u><u>\$ 8,400</u></u>	<u><u>\$ 595,249</u></u>

The accompanying notes are an integral part of these financial statements.

**LUBUTO LIBRARY PARTNERS**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	Program Services	Management and General	Fundraising	Total
Personnel costs:				
Salaries and wages	\$ 184,934	\$ 5,346	\$ -	\$ 190,280
Pro bono salary	34,323	10,600	2,650	47,573
Payroll taxes	-	5,287	-	5,287
Total personnel costs	<u>\$ 219,257</u>	<u>\$ 21,233</u>	<u>\$ 2,650</u>	<u>\$ 243,140</u>
Accounting	4,439	2,959	-	7,398
Bank fees	456	284	1,010	1,750
Communications	14,293	-	-	14,293
Conference	43,697	-	-	43,697
Depreciation	-	3,360	-	3,360
Dues and licenses	-	249	-	249
Occupancy	13,498	800	-	14,298
Office expenses	-	6,502	8,125	14,627
Professional services	264,448	-	-	264,448
Program development	1,870	-	-	1,870
Publication and printing	3,869	-	-	3,869
Shipping and postage	989	5	-	994
Supplies and equipment	20,855	-	-	20,855
Training and program	16,492	7,494	-	23,986
Travel and transportation	15,621	-	-	15,621
<b>TOTAL EXPENSES</b>	<u><u>\$ 619,784</u></u>	<u><u>\$ 42,886</u></u>	<u><u>\$ 11,785</u></u>	<u><u>\$ 674,455</u></u>

The accompanying notes are an integral part of these financial statements.



**LUBUTO LIBRARY PARTNERS**  
**STATEMENTS OF CASH FLOWS**

	FOR THE YEARS ENDED	
	DECEMBER 31,	
	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (304,111)	\$ (199)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,674	3,360
Change in currency translation on assets of foreign office	8,425	(1,202)
(Increase) decrease in assets:		
Books and equipment held for distribution	(802)	711
Grants receivable	320,316	33,543
Prepaid expenses	1,373	676
Security deposits	262	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	9,214	(5,003)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 39,351</b>	<b>\$ 31,886</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of equipment	\$ (1,641)	\$ (13,783)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>\$ (1,641)</b>	<b>\$ (13,783)</b>
<b>NET INCREASE IN CASH</b>	\$ 37,710	\$ 18,103
<b>CASH:</b>		
<b>BEGINNING OF YEAR</b>	408,391	390,288
<b>END OF YEAR</b>	<b>\$ 446,101</b>	<b>\$ 408,391</b>

The accompanying notes are an integral part of these financial statements.

**LUBUTO LIBRARY PARTNERS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

Note 1. **Organization and Operation** - Lubuto Library Partners, is a charitable organization, incorporated in the District of Columbia on January 25, 2005 under the name of Lubuto Library Project, Inc, but is doing business as Lubuto Library Partners (Lubuto). A branch in the Republic of Zambia was established on September 21, 2005 in cooperation with local Zambian government.

Lubuto is an innovative development organization that builds the capacity of public libraries in Africa to create opportunities for equitable education and poverty reduction. Lubuto's mission is to empower African children and youth and to help them develop the knowledge and skills to reconnect with their culture and communicate fully in society.

Lubuto constructs enduring, indigenously-inspired open-access libraries stocked with comprehensive collections of well-chosen books and appropriate technology. These libraries are the center for Lubuto's programs, which offer education, psychosocial support and self-expression through reading, music, art, drama, computers, mentoring, and other activities.

A cornerstone of Lubuto's approach is that Lubuto does not own the libraries or collections. Instead, Lubuto works with host organizations at each library, who are the libraries' owners and stewards and who are responsible for staffing their libraries. In return, Lubuto continues to expand the collections, to introduce new services and outreach activities, and to offer ongoing staff, volunteer and library professional training.

Note 2. **Summary of Significant Accounting Policies**

**Basis of Accounting** - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Foreign Operations** - Foreign activities have a functional currency of the Zambian Kwacha, which have been translated to US dollars for the financial statements as follows:

- Assets and liabilities on the statements of financial position are translated at the closing rate prevailing on the last day of the year.
- Income and expenses on the statements of activities are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions.
- Resulting exchange differences are taken to the foreign currency translation expense on the statements of activities.

Foreign currency rates from Bank of Zambia were used for translation. Cash in foreign currency totaled \$6,729 in U.S. dollars at December 31, 2015.

**LUBUTO LIBRARY PARTNERS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

Note 2. **Summary of Significant Accounting Policies** (Continued)

**Basis of Presentation** - Lututo's net assets are reported in each of the following three classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets.

Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets are legally unrestricted.

Under these provisions, net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, Lubuto's net assets and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Lubuto and/or the passage of time. If the contribution is received, and the restriction is met in the same year, the contribution is recorded as unrestricted.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently Lubuto. There currently are no permanently restricted net assets.

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

**Grants Receivable** - Grants receivable are reported at their net realizable value. Grants receivable expected to be collected in future years are recorded at the discounted present value of their estimated future cash flows. All amounts are expected to be collected within the next year.

**Books and Equipment Held for Distribution** - Books and equipment are recorded at cost if purchased, or estimated fair value at the time of donation if donated.

**Property and Equipment** - Property and equipment having a unit cost of \$500 or more and an estimated useful life of greater than one year are capitalized at cost if purchased and at estimated fair value if donated. Depreciation is computed using the straight-line method over estimated lives of three to five years. Repair and maintenance costs are expensed as incurred.

**Revenue Recognition** - Grants and contributions are recognized when the donor makes an unconditional promise to give. All contributions are considered to be available for the general programs of Lubuto unless specifically restricted by the donor. Grants and contributions are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets.

**LUBUTO LIBRARY PARTNERS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

Note 2. **Summary of Significant Accounting Policies** (Continued)

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Federal government grants are cost-reimbursable agreements, therefore, revenue is recorded when the expenses are incurred. Other income is recorded when received.

**Donated Goods and Services** - Donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated, are recorded at their fair values in the period received. Donated books and equipment are recorded at the estimated fair value and reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used.

**Functional Allocation of Expenses** - The costs of program and supporting services have been reported on a functional basis. Overhead costs are allocated based on an estimate of the time spent on each of the functional areas.

Note 3. **Donated Goods and Services** - Donated goods and services include the following for the years ended December 31:

	<u>2015</u>	<u>2014</u>
Executive Director services	\$ 39,976	\$ 47,575
Professional fees	34,919	38,510
Accounting and legal fees	17,205	5,908
Communication fees	14,690	26,370
Technology	4,387	1,148
Rent	--	800
Freight and shipping	--	240
Total	<u>\$ 111,177</u>	<u>\$ 120,551</u>

Note 4. **Temporarily Restricted Net Assets** - Temporarily restricted net assets are available for the following purposes as of December 31:

	<u>2015</u>	<u>2014</u>
Grant (new library)	\$ 100,000	\$ 100,000
Books and equipment held for distribution	8,950	8,148
Dow Jones Foundation (library supplies, training and other)	6,798	7,449
OSISA/Comic Relief Grant (program expenses)	74,810	417,649
World Vision (All Children Reading)	--	3,775
Total	<u>\$ 190,558</u>	<u>\$ 537,021</u>

**LUBUTO LIBRARY PARTNERS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

- Note 5. **Lease Agreements** – Lubuto has two leases for office space in Zambia. The first lease is a 24-month lease and expires on December 31, 2016. The lease requires payments of approximately \$400 per month. The second lease is a 12-month lease that expires on September 15, 2016. The lease requires payments of approximately \$350 per month. Lubuto also rents storage and meeting space in the District of Columbia for \$250 per quarter. Future minimum lease payments for the year ended December 31, 2016 are approximately \$9,000.
- Note 6. **Income Taxes** - Lubuto is exempt from federal income tax under code section 501(c)(3) of the Internal Revenue Code, and has been classified as other than a private foundation. However, income from certain activities not directly related to Lubuto's tax-exempt purpose is subject to taxation as unrelated business income. For the years ended December 31, 2015 and 2014, Lubuto did not have any taxable net income and neither paid nor accrued any federal or state income tax.
- Note 7. **Accounting for Uncertain Tax Positions** - Lubuto complies with the provisions of FASB's Accounting Standards Codification topic, Accounting for Uncertainty in Income Taxes. For the years ended December 31, 2015 and 2014, no unrecognized tax provision or benefit exists. The Form 990, Return of Organization Exempt from Income Tax, for the years ended December 31, 2012 - 2014, is subject to review and examination by the Internal Revenue Service, although no request has been made.
- Note 8. **Concentration of Credit Risk** - Lubuto maintains cash with financial institutions in the United States that from time to time, may exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC). Lubuto has not experienced any credit losses on its cash balances as it relates to FDIC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.
- Note 9. **Evaluation of Subsequent Events** - Lubuto has evaluated subsequent events through October 3, 2016, the date which the financial statements were available to be issued.