

LUBUTO LIBRARY PARTNERS

FINANCIAL STATEMENTS

DECEMBER 31, 2017

LUBUTO LIBRARY PARTNERS
FINANCIAL STATEMENTS
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Lubuto Library Partners
Washington, DC

I have audited the accompanying financial statements of Lubuto Library Partners (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017 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, implantation, 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.

Auditor's Responsibility

My responsibility is to express and opinion on these financial statements based on my audit. I conducted our 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 involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessments of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall position of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

INDEPENDENT AUDITORS' REPORT (PAGE 2)

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lubuto Library Partners as of December 31, 2017, 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, 2016, were audited by other auditors whose report dated August 18, 2017, expressed an unmodified opinion on those statements.

A handwritten signature in black ink, appearing to read "J. M. Wally, CPA". The signature is written in a cursive style with a large initial "J" and "M".

Gainesville, Virginia
July 11, 2018

LUBUTO LIBRARY PARTNERS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

| | <u>2017</u> | <u>2016</u> |
|---|----------------------|----------------------|
| ASSETS | | |
| Current assets | | |
| Cash | \$392,812 | \$500,920 |
| Books and equipment held for distribution | 0 | 398 |
| Prepaid expenses and other assets | <u>10,644</u> | <u>2,419</u> |
| | <u>403,456</u> | <u>503,737</u> |
| Equipment, furniture, and fixtures | | |
| Computer equipment | 84,202 | 12,431 |
| Vehicles | 162,562 | 9,620 |
| Fixtures | 4,749 | 2,876 |
| Less: accumulated depreciation | <u>(133,997)</u> | <u>(20,539)</u> |
| | <u>117,516</u> | <u>4,388</u> |
| TOTAL ASSETS | <u>\$520,972</u> | <u>\$508,125</u> |

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

LUBUTO LIBRARY PARTNERS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

| | <u>2017</u> | <u>2016</u> |
|---|------------------|------------------|
| LIABILITIES AND NET ASSETS | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | \$82,638 | \$12,367 |
| Deferred revenue | <u>116,177</u> | <u>115,270</u> |
| Total liabilities | <u>198,815</u> | <u>127,637</u> |
| Net Assets | | |
| Temporarily restricted | 51,054 | 79,981 |
| Unrestricted | <u>271,103</u> | <u>300,507</u> |
| | <u>322,157</u> | <u>380,488</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$520,972</u> | <u>\$508,125</u> |

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

LUBUTO LIBRARY PARTNERS
STATEMENT OF ACTIVITIES & CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017

| | <u>GENERAL OPERATING</u> | <u>TEMPORARILY RESTRICTED</u> | <u>TOTAL</u> |
|---|------------------------------|-----------------------------------|------------------|
| Revenue | | | |
| Corporate contributions | \$4,757 | | \$4,757 |
| Individual contributions | 87,335 | 16,634 | 103,969 |
| Foundation grants | 19,573 | | 19,573 |
| Federal government grants | 132,460 | 97,866 | 230,326 |
| Institution grants | | 337,911 | 337,911 |
| Donated goods and services | 62,539 | | 62,539 |
| Other income | 14,214 | | 14,214 |
| Net gain (loss) on currency translation | 4,131 | | 4,131 |
| Net assets released from restrictions | <u>481,338</u> | <u>(481,338)</u> | <u>0</u> |
| | <u>806,347</u> | <u>(28,927)</u> | <u>777,420</u> |
| Expenditures | | | |
| Program services | 797,918 | 0 | 797,918 |
| General and administrative | 33,432 | 0 | 33,432 |
| Fundraising | <u>4,401</u> | <u>0</u> | <u>4,401</u> |
| | <u>835,751</u> | <u>0</u> | <u>835,751</u> |
| Change in net assets | (29,404) | (28,927) | (58,331) |
| Net assets, beginning of year | <u>300,507</u> | <u>79,981</u> | <u>380,488</u> |
| Net assets, end of year | <u>\$271,103</u> | <u>\$51,054</u> | <u>\$322,157</u> |

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

LUBUTO LIBRARY PARTNERS
STATEMENT OF ACTIVITIES & CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

| | <u>GENERAL OPERATING</u> | <u>TEMPORARILY RESTRICTED</u> | <u>TOTAL</u> |
|---|------------------------------|-----------------------------------|------------------|
| Revenue | | | |
| Corporate contributions | \$4,803 | | \$4,803 |
| Individual contributions | 54,708 | | 54,708 |
| Foundation grants | 16,586 | | 16,586 |
| Federal government grants | 166,428 | | 166,428 |
| Institution grants | 226,406 | | 226,406 |
| Donated goods and services | 92,348 | | 92,348 |
| Other income | 14,688 | | 14,688 |
| Net gain (loss) on currency translation | 2,526 | | 2,526 |
| Net assets released from restrictions | <u>110,577</u> | <u>(110,577)</u> | <u>0</u> |
| | <u>689,070</u> | <u>(110,577)</u> | <u>578,493</u> |
| Expenditures | | | |
| Program services | 620,508 | 0 | 620,508 |
| General and administrative | 26,401 | 0 | 26,401 |
| Fundraising | <u>4,841</u> | <u>0</u> | <u>4,841</u> |
| | <u>651,750</u> | <u>0</u> | <u>651,750</u> |
| Change in net assets | 37,320 | (110,577) | (73,257) |
| Net assets, beginning of year | <u>263,187</u> | <u>190,558</u> | <u>453,745</u> |
| Net assets, end of year | <u>\$300,507</u> | <u>\$79,981</u> | <u>\$380,488</u> |

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

LUBUTO LIBRARY PARTNERS
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

| | <u>2017</u> | <u>2016</u> |
|--|----------------------|----------------------|
| CASH FLOWS FROM OPERATIONAL ACTIVITIES | | |
| Change in net assets | (\$58,331) | (\$73,257) |
| Adjustments to reconcile change in net assets to net cash provided: | | |
| Depreciation | 35,232 | 4,995 |
| Change in currency translation on fixed assets of foreign office | 0 | (550) |
| Change in: | | |
| Books and equipment held for distribution | 398 | 8,552 |
| Grants receivable | | |
| Prepaid expenses and other assets | (8,225) | (128) |
| Security deposit | 0 | 364 |
| Accounts payable and accrued expenses | 70,271 | (427) |
| Deferred revenue | <u>907</u> | <u>115,270</u> |
| Net cash provided by (used) by operational activities | <u>40,252</u> | <u>54,819</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of computer equipment, vehicles, and office furniture | (<u>148,360</u>) | <u>0</u> |
| Net change in cash and cash equivalents | (108,108) | 54,819 |
| Cash and cash equivalents, beginning of year | <u>500,920</u> | <u>446,101</u> |
| Cash and cash equivalents, end of year | <u>\$392,812</u> | <u>\$500,920</u> |

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

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Lubuto Library Partners (“LLP”) 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 LLP. A branch in the Republic of Zambia was established on September 21, 2005, in cooperation with the local Zambian government.

LLP is an innovative development organization that builds the capacity libraries in Africa to create opportunities for equitable education and poverty reduction. LLP’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.

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

A cornerstone of LLP’s approach is that LLP does not own the libraries or collections. Instead, LLP works with host organizations at each library, who are the libraries’ owners and stewards and who are responsible for staffing their libraries. In return, LLP 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 Presentation

The accompanying policies of the organization are in accordance with accounting principles generally accepted in the United States of America applied on a basis consistent with that of preceding years.

Basis of Accounting

These financial statements are prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

Foreign Operations

Foreign activities have a functional currency of the Zambian Kwacha, which have been translated to U.S. dollars for the financial statements as follows: (1) assets and liabilities on the statements of financial position are translated at the closing rate prevailing on the last day of the year, (2) 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, and (3) resulting exchange differences are taken to the foreign currency translation income or expense on the statements of activities.

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.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, LLP considers all highly liquid instruments, which are to be used for current operations and which have an original maturity of three months or less, to be cash and cash equivalents.

Concentration of Credit Risk

LLP maintains cash with financial institutions in the United States and Zambia. Cash from time to time may exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC). LLP 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.

Property and Equipment

Property and equipment is recorded at cost or, if donated, at fair value on the date of receipt. All expenditures for property and equipment, and improvements in excess of \$500 with an economic useful life of more than one year are capitalized. Depreciation is computed using straight-line method over estimated useful lives ranging from three to seven years. Depreciation expense was \$35,232 and \$4,995 for the years ended December 31, 2017 and 2016, respectively.

Books and Equipment Held for Distribution

Books and equipment are recorded at cost if purchased, or estimated at fair market value at the time of donation if donated.

Classification of Net Assets

LLP reports information regarding its financial position and activities according to the existence or absence of externally (donor) imposed restrictions into three classes of net assets. The net asset classes are unrestricted net assets, temporarily restricted net assets and permanently restricted net assets, defined as follows: (1) unrestricted net assets impose no restriction on LLP as to their use or purpose; such net assets are available for the operation of LLP and include both internally designated and undesignated reserves, (2) temporarily restricted net assets include contributions subject to donor-imposed stipulations that will be met by the actions of LLP 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; LLP had temporarily restricted

net assets of \$51,054 and \$79,981 at December 31, 2017 and 2016, respectively, and (3) permanently restricted net assets consist of endowment fund investments to be held indefinitely, the income from which may be used to support the activities of LLP; LLP did not have any permanently restricted net assets at December 31, 2017 and 2016.

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 LLP unless specifically restricted by the donor. Grants and contributions are reported as temporally restricted support if they are received with donor stipulations that limit the use of the donated assets. 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 and institution grants are cost-reimbursable or advance agreements, therefore, revenue is recorded when the expenses are incurred. Other income is recorded when received.

Concentration of Revenue

For the year ended December 31, 2017, one government grant and one institution contributed 56% of total revenue. For the year ended December 31, 2016, one government grant and one institution contributed 52% of total revenue.

Donated Goods and Services

Donated services that create or enhance nonfinancial assets or that require specialized skills are provided by individuals possessing those skills, and would 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.

Income Taxes

LLP is exempt from Federal and local income taxes under Section 501c(3) of the Internal Revenue Code on any net income derived from activities related to exempt purpose. LLP is taxed on net income from unrelated business activities. For the years ended December 31, 2017 and 2016, LLP did not generate any net income from unrelated business activities.

Subsequent Events

In preparing these financial statements, LLP has evaluated events and transactions for potential recognition or disclosure through July 11, 2018, the date of the financial statements were available to be issued.

NOTE 3 – LEASE AGREEMENTS

LLP has a lease for office space in Zambia. The lease is a 12-month lease that expires on September 30, 2018. The lease requires payments of approximately \$500 per month. LLP also rents storage and meeting space in the District of Columbia for \$250 per quarter. Future minimum lease payments for 2018 are approximately \$5,500.

SUPPLEMENTARY INFORMATION

LUBUTO LIBRARY PARTNERS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

| | <u>TOTAL</u> | <u>PROGRAM</u> | <u>MANAGEMENT & GENERAL</u> | <u>FUNDRAISING</u> |
|---------------------------------------|------------------|------------------|-------------------------------------|--------------------|
| Personnel costs: | | | | |
| Salaries and wages | 276,104 | 256,777 | 16,566 | 2,761 |
| Payroll taxes | 9,405 | 9,405 | 0 | |
| Total personnel costs | 285,509 | 266,182 | 16,566 | 2,761 |
| Accounting | 6,250 | 1,188 | 5,062 | |
| Bank fees | 4,433 | 532 | 2,261 | 1,640 |
| Communications | 5,629 | 5,629 | | |
| Depreciation | 35,232 | 34,175 | 1,057 | |
| Dues and Licenses | 495 | 479 | 16 | |
| Maintenance | 0 | 0 | 0 | |
| Meetings and advocacy | 3,412 | 3,412 | | |
| Occupancy | 14,702 | 14,261 | 441 | |
| Office expenses | 21,559 | 14,660 | 6,899 | |
| Professional services | 97,984 | 97,004 | 980 | |
| Program development | 4,111 | 4,111 | | |
| Publication and printing | 1,603 | 1,603 | | |
| Shipping and postage | 5,008 | 4,858 | 150 | |
| Supplies and small equipment | 32,098 | 32,098 | | |
| Training and program costs | 58,206 | 58,206 | | |
| Travel and transportation | 70,683 | 70,683 | | |
| Building materials and transportation | 188,837 | 188,837 | | |
| TOTALS | \$835,751 | \$797,918 | \$33,432 | \$4,401 |

LUBUTO LIBRARY PARTNERS
 STATEMENT OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2016

| | <u>TOTAL</u> | <u>PROGRAM</u> | <u>MANAGEMENT & GENERAL</u> | <u>FUNDRAISING</u> |
|------------------------------|------------------|------------------|-------------------------------------|--------------------|
| Personnel costs: | | | | |
| Salaries and wages | 316,364 | 290,964 | 21,150 | 4,250 |
| Payroll taxes | 9,727 | 9,435 | 292 | |
| Total personnel costs | 326,091 | 300,399 | 21,442 | 4,250 |
| Accounting | 10,627 | 9,627 | 1,000 | |
| Bank fees | 3,080 | 2,416 | 303 | 361 |
| Communications | 6,604 | 6,604 | | |
| Depreciation | 4,995 | 4,825 | 170 | |
| Dues and Licenses | 712 | 691 | 21 | |
| Maintenance | 68,466 | 66,412 | 2,054 | |
| Meetings and advocacy | 14,154 | 14,154 | | |
| Occupancy | 10,015 | 9,715 | 300 | |
| Office expenses | 9,623 | 9,104 | 289 | 230 |
| Professional services | 114,664 | 113,856 | 808 | |
| Program development | 10,340 | 10,340 | | |
| Publication and printing | 1,393 | 1,393 | | |
| Shipping and postage | 426 | 412 | 14 | |
| Supplies and small equipment | 41,814 | 41,814 | | |
| Training and program costs | 20,377 | 20,377 | | |
| Travel and transportation | 8,369 | 8,369 | | |
| TOTALS | \$651,750 | \$620,508 | \$26,401 | \$4,841 |