

FINANCIAL STATEMENTS



FOR THE YEAR ENDED DECEMBER 31, 2020

LUBUTO LIBRARY PARTNERS

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lubuto Library Partners
Washington, D.C.

We have audited the accompanying financial statements of Lubuto Library Partners (LLP), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and change in net assets, 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.

Auditor's 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 auditor's 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 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, 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LLP as of December 31, 2020, and the change 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.

Gelman Rosenberg & Freedman

October 14, 2021

LUBUTO LIBRARY PARTNERS
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ <u>408,249</u>
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FIXED ASSETS

Furniture and equipment	74,310
Vehicles	<u>110,310</u>

Total fixed assets	184,620
Less: Accumulated depreciation	<u>(74,389)</u>

Net fixed assets	<u>110,231</u>
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TOTAL ASSETS	\$ <u>518,480</u>
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LIABILITIES AND NET ASSETS

LIABILITIES

Loan payable	\$ 9,128
Accounts payable and accrued liabilities	5,514
Refundable advance	<u>62,628</u>

Total liabilities	<u>77,270</u>
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NET ASSETS

Without donor restrictions	258,054
With donor restrictions	<u>183,156</u>

Total net assets	<u>441,210</u>
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TOTAL LIABILITIES AND NET ASSETS	\$ <u>518,480</u>
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LUBUTO LIBRARY PARTNERS

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grants and contributions	\$ 195,386	\$ 201,865	\$ 397,251
Government grants	210,393	-	210,393
Contributed services	131,121	-	131,121
Other revenue	8,437	-	8,437
Interest income	461	-	461
Net assets released from donor restrictions	<u>75,393</u>	<u>(75,393)</u>	<u>-</u>
Total support and revenue	<u>621,191</u>	<u>126,472</u>	<u>747,663</u>
EXPENSES			
Program Services	<u>568,016</u>	<u>-</u>	<u>568,016</u>
Supporting Services:			
General and Administrative	36,838	-	36,838
Fundraising	<u>12,602</u>	<u>-</u>	<u>12,602</u>
Total supporting services	<u>49,440</u>	<u>-</u>	<u>49,440</u>
Total expenses	<u>617,456</u>	<u>-</u>	<u>617,456</u>
Change in net assets before other item	3,735	126,472	130,207
OTHER ITEM			
Exchange rate loss	<u>(14,146)</u>	<u>-</u>	<u>(14,146)</u>
Change in net assets	(10,411)	126,472	116,061
Net assets at beginning of year, as restated	<u>268,465</u>	<u>56,684</u>	<u>325,149</u>
NET ASSETS AT END OF YEAR	<u>\$ 258,054</u>	<u>\$ 183,156</u>	<u>\$ 441,210</u>

LUBUTO LIBRARY PARTNERS

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Supporting Services</u>				<u>Total Expenses</u>
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Salaries, fringe benefits and payroll taxes	\$ 269,421	\$ 17,132	\$ 4,283	\$ 21,415	\$ 290,836
Construction, professional fees and materials	199,534	-	-	-	199,534
Professional fees and services	40,859	5,929	-	5,929	46,788
Depreciation	16,411	-	-	-	16,411
Miscellaneous	4,821	-	8,116	8,116	12,937
Management services - American Corners	-	9,414	-	9,414	9,414
Telecommunications	7,329	-	-	-	7,329
Program development	6,219	-	-	-	6,219
Transport and travel	4,876	-	-	-	4,876
Occupancy	4,241	-	-	-	4,241
Consultants	2,954	-	-	-	2,954
School fees and tuition	2,845	-	-	-	2,845
Bank charges	-	2,380	-	2,380	2,380
Other school requirements including books	2,053	-	-	-	2,053
Security	2,018	-	-	-	2,018
Subscriptions/dues/registration/license	-	1,780	-	1,780	1,780
Repairs	1,422	-	-	-	1,422
Office supplies and cleaning	810	203	203	406	1,216
School uniforms	677	-	-	-	677
Utilities	531	-	-	-	531
Postage	494	-	-	-	494
Stationery	453	-	-	-	453
Trash removal	48	-	-	-	48
TOTAL	\$ 568,016	\$ 36,838	\$ 12,602	\$ 49,440	\$ 617,456

See accompanying notes to financial statements.

LUBUTO LIBRARY PARTNERS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 116,061
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	16,411
Accounts receivable	9,861
(Decrease) increase in:	
Accounts payable and accrued liabilities	4,569
Refundable advance	<u>16,665</u>
Net cash provided by operating activities	<u>163,567</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of fixed assets	<u>(34,198)</u>
Net cash used by investing activities	<u>(34,198)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from loan payable	<u>9,128</u>
Net cash provided by financing activities	<u>9,128</u>
Net increase in cash and cash equivalents	138,497
Cash and cash equivalents at beginning of year	<u>269,752</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 408,249</u>

LUBUTO LIBRARY PARTNERS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Lubuto Library Partners ("LLP") is a non-profit 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.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets with Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

New accounting pronouncements adopted -

During 2020, LLP early adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities.

LUBUTO LIBRARY PARTNERS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

New accounting pronouncements adopted (continued) -

Analysis of the various provisions of this standard resulted in no significant changes in the way LLP recognized revenue; however, the presentation and disclosures of revenue have been enhanced. LLP has elected to opt out of all (or certain) disclosures not required for nonpublic entities and also elected a modified retrospective approach for implementation.

LLP adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance to better distinguish between conditional and unconditional contributions. LLP adopted the ASU using a modified prospective basis.

Cash and cash equivalents -

LLP considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year LLP maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

LLP had \$34,922 of cash and cash equivalents held at financial institutions in Zambia at December 31, 2020. The majority of funds invested in foreign countries are uninsured.

Fixed assets -

Fixed assets in excess of \$500 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally 3 to 10 years. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation expense for the year ended December 31, 2020 totaled \$16,411.

Income taxes -

LLP is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. LLP is not a private foundation.

Uncertain tax positions -

For the year ended December 31, 2020, LLP has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Contributions, grants and contracts -

The majority of LLP's activities are supported by grants and contributions from the U.S. Government and other private entities. These awards are for various activities performed by LLP. Grants and contributions are recognized in the appropriate category of net assets in the period received.

LUBUTO LIBRARY PARTNERS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Contributions, grants and contracts (continued) -

LLP performs an analysis of the individual grant and contribution to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For contributions and grants qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions and grants and contracts qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Grant agreements qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. Most grants and contract awards from the United States Government and other entities are for direct and indirect program costs. These transactions are nonreciprocal and classified as conditional and are recognized as contributions when the revenue becomes unconditional. Typically, these agreements also contain a right of return or right of release from obligation provision and the entity has limited discretion over how funds transferred should be spent. As such, LLP recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. For contributions and grants and contracts treated as contributions, LLP had approximately \$257,000 in unrecognized conditional awards as of December 31, 2020.

Grants and contracts classified as exchange transactions follow ASU 2014-09, *Revenue from Contracts With Customers* and record revenue when the performance obligations are met. LLP has elected to opt out of all (or certain) disclosures not required for nonpublic entities. The revenue is recorded directly to without donor restrictions and the transaction price is based on expenses incurred in compliance with the criteria stipulated in the grant or contract agreements. Grants and contracts receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant and contract agreements. Funding received in advance of incurring the related expenses is recorded as refundable advance.

Contributed services -

Contributed services consist of professional services from management volunteering their time.

Foreign currency translation -

The U.S. Dollar is the functional currency for LLP's worldwide operations. Transactions in currencies other than U.S. Dollars are translated into dollars at the rate of exchange in effect during the month of the transaction. Assets and liabilities denominated in currencies other than U.S. Dollars are translated into dollars at the exchange rate in effect at the date of the Statement of Financial Position.

LUBUTO LIBRARY PARTNERS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of LLP are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact LLP's operations. The overall potential impact is unknown at this time.

New accounting pronouncement not yet adopted -

ASU 2019-01, *Leases* (Topic 842) changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

LLP plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

2. LOAN PAYABLE

On May 3, 2020, LLP received loan proceeds in the amount of \$9,128 under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note with a deferral of payments for the first six months. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part. LLP intends to use the proceeds for purposes consistent with the Paycheck Protection Program and believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan. On April 1, 2021, LLP received forgiveness of their loan under the Paycheck Protection Program by the SBA in the amount of \$9,128. There are no further requirements regarding this funding and LLP intends to record the amount forgiven as revenue from debt extinguishment during fiscal year 2021.

LUBUTO LIBRARY PARTNERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

3. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2020:

Program Services	\$ <u>183,156</u>
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The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Program Services	\$ <u>75,393</u>
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4. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following:

Cash and cash equivalents	\$ 408,249
Less: Donor restricted funds	<u>(183,156)</u>

FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ <u>225,093</u>
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LLP has a policy to structure its financial assets to be available and liquid as its obligations become due. As of December 31, 2020, LLP has financial assets equal to approximately five months of operating expenses.

5. CONTRIBUTED SERVICES

During the year ended December 31, 2020, LLP was the beneficiary of donated services which allowed LLP to provide greater resources toward various programs. To properly reflect total program expenses, the following donations have been included in revenue and expense for the year ended December 31, 2020.

Professional Services	\$ <u>131,121</u>
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6. LEASE COMMITMENTS

LLP leases office space in Zambia under a twelve month agreement that expires on September 30, 2021. The lease will renew automatically for a period of one year unless LLP gives written notice that they want to terminate or amend the lease. Base rent is approximately \$300 per month.

7. NET ASSET RESTATEMENT (CORRECTION OF AN ERROR)

In connection with the adoption of ASU 2018-08, LLP restated its beginning net assets to properly reflect the retrospective implementation of the ASU. In addition, there were several asset and liability accounts that were not properly reconciled as of December 31, 2019.

LUBUTO LIBRARY PARTNERS

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

7. NET ASSET RESTATEMENT (CORRECTION OF AN ERROR) (Continued)

Accordingly, the following corrections have been made to the ending balances at December 31, 2019:

	<u>Before</u> <u>Restatement</u>	<u>Adjustment</u>	<u>Restated</u>
Prepaid expenses and other assets	\$ 24,236	\$ (14,375)	\$ 9,861
Fixed assets, net of accumulated depreciation	\$ 41,160	\$ 51,284	\$ 92,444
Refundable advance	\$ -	\$ 45,963	\$ 45,963
Net assets without donor restrictions, as of December 31, 2019	\$ 152,104	\$ 116,361	\$ 268,465
Net assets with donor restrictions, as of December 31, 2019	\$ 182,100	\$ (125,416)	\$ 56,684

8. SUBSEQUENT EVENTS

In preparing these financial statements, LLP has evaluated events and transactions for potential recognition or disclosure through October 14, 2021, the date the financial statements were issued.

On February 8, 2021, LLP entered into a five-year promissory note agreement in the amount of \$9,327 with a 1% fixed interest rate under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note, unless otherwise forgiven. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part.