

FINANCIAL STATEMENTS

LUBUTO LIBRARY PARTNERS

**FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2021**

LUBUTO LIBRARY PARTNERS

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Lubuto Library Partners (LLP), which comprise the statement of financial position as of December 31, 2022, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LLP as of December 31, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of LLP and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about LLP's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

4550 MONTGOMERY AVENUE · SUITE 800 NORTH · BETHESDA, MARYLAND 20814
(301) 951-9090 · WWW.GRFCPA.COM

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 LLP's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about LLP's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited LLP's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 29, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



September 22, 2023

LUBUTO LIBRARY PARTNERS
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

ASSETS		<u>2022</u>	<u>2021</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	194,915	\$ 481,876
Grants receivable		<u>19,191</u>	<u>-</u>
Total current assets		<u>214,106</u>	<u>481,876</u>
FIXED ASSETS			
Furniture and equipment		74,787	74,787
Vehicles		<u>110,310</u>	<u>110,310</u>
Total fixed assets		185,097	185,097
Less: Accumulated depreciation		<u>(118,523)</u>	<u>(97,098)</u>
Net fixed assets		<u>66,574</u>	<u>87,999</u>
TOTAL ASSETS	\$	<u>280,680</u>	\$ <u>569,875</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable and accrued liabilities	\$	5,020	\$ 3,824
Refundable advance		<u>44,625</u>	<u>158,434</u>
Total liabilities		<u>49,645</u>	<u>162,258</u>
NET ASSETS			
Without donor restrictions		180,848	293,862
With donor restrictions		<u>50,187</u>	<u>113,755</u>
Total net assets		<u>231,035</u>	<u>407,617</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>280,680</u>	\$ <u>569,875</u>

LUBUTO LIBRARY PARTNERS

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Grants and contributions	\$ 209,649	\$ 1,521	\$ 211,170	\$ 310,361
Government grants	166,632	-	166,632	123,194
Contributed services	112,265	-	112,265	114,665
Other revenue	1,610	-	1,610	912
Interest income	738	-	738	747
Net assets released from donor restrictions	<u>65,089</u>	<u>(65,089)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>555,983</u>	<u>(63,568)</u>	<u>492,415</u>	<u>549,879</u>
EXPENSES				
Program Services	<u>585,574</u>	<u>-</u>	<u>585,574</u>	<u>522,795</u>
Supporting Services:				
General and Administrative	46,607	-	46,607	47,518
Fundraising	<u>5,825</u>	<u>-</u>	<u>5,825</u>	<u>7,540</u>
Total supporting services	<u>52,432</u>	<u>-</u>	<u>52,432</u>	<u>55,058</u>
Total expenses	<u>638,006</u>	<u>-</u>	<u>638,006</u>	<u>577,853</u>
Change in net assets before other items	<u>(82,023)</u>	<u>(63,568)</u>	<u>(145,591)</u>	<u>(27,974)</u>
OTHER ITEMS				
Loss due to misappropriation of assets	(35,110)	-	(35,110)	-
Extinguishment of debt	-	-	-	18,455
Exchange rate income gain (loss)	<u>4,119</u>	<u>-</u>	<u>4,119</u>	<u>(24,074)</u>
Total other items	<u>(30,991)</u>	<u>-</u>	<u>(30,991)</u>	<u>(5,619)</u>
Change in net assets	(113,014)	(63,568)	(176,582)	(33,593)
Net assets at beginning of year	<u>293,862</u>	<u>113,755</u>	<u>407,617</u>	<u>441,210</u>
NET ASSETS AT END OF YEAR	<u>\$ 180,848</u>	<u>\$ 50,187</u>	<u>\$ 231,035</u>	<u>\$ 407,617</u>

LUBUTO LIBRARY PARTNERS

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	2022				2021	
	Program Services	Supporting Services			Total Expenses	Total Expenses
		General and Administrative	Fundraising	Total Supporting Services		
Salaries, fringe benefits and payroll taxes	\$ 222,004	\$ 1,223	\$ -	\$ 1,223	\$ 223,227	\$ 231,425
Construction, professional fees and materials	214,508	-	-	-	214,508	131,833
Professional fees and services	95,970	24,950	5,049	29,999	125,969	130,816
Depreciation	5,569	15,856	-	15,856	21,425	22,709
Miscellaneous	14,103	977	-	977	15,080	15,374
Telecommunications	4,715	2,926	-	2,926	7,641	4,859
School uniforms, tuition, uniforms and other	7,099	-	-	-	7,099	6,380
Occupancy	5,753	-	-	-	5,753	4,445
Office supplies and cleaning	4,706	70	-	70	4,776	3,845
Transport and travel	3,421	9	-	9	3,430	990
Security	2,886	-	-	-	2,886	1,057
Bank charges	1,688	45	776	821	2,509	1,781
Subscriptions/dues/registration/license	1,674	551	-	551	2,225	1,663
Program development	1,478	-	-	-	1,478	3,114
Consultants	-	-	-	-	-	17,562
TOTAL	\$ 585,574	\$ 46,607	\$ 5,825	\$ 52,432	\$ 638,006	\$ 577,853

See accompanying notes to financial statements.

LUBUTO LIBRARY PARTNERS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (176,582)	\$ (33,593)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	21,425	22,709
Extinguishment of debt	-	(18,455)
Increase in:		
Grants receivable	(19,191)	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	1,196	(1,690)
Refundable advance	<u>(113,809)</u>	<u>95,806</u>
Net cash (used) provided by operating activities	<u>(286,961)</u>	<u>64,777</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	<u>-</u>	<u>(477)</u>
Net cash used by investing activities	<u>-</u>	<u>(477)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	<u>-</u>	<u>9,327</u>
Net cash provided by financing activities	<u>-</u>	<u>9,327</u>
Net (decrease) increase in cash and cash equivalents	(286,961)	73,627
Cash and cash equivalents at beginning of year	<u>481,876</u>	<u>408,249</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 194,915</u>	<u>\$ 481,876</u>

LUBUTO LIBRARY PARTNERS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

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.

The financial statements include certain prior year summarized comparative information in total but not by net asset class; such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles.

LUBUTO LIBRARY PARTNERS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

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

Basis of presentation (continued) -

Accordingly, such information should be read in conjunction with LLP's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

New accounting pronouncement adopted -

During the year ended December 31, 2022, LLP adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which improves generally accepted accounting principles in the United States (U.S. GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The ASU was adopted retrospectively and did not change the recognition and measurement requirements for those contributed nonfinancial assets.

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 approximately \$52,748 of cash and cash equivalents held at financial institutions in foreign countries at December 31, 2022. 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 three to ten years. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation expense for the year ended December 31, 2022 totaled \$21,425.

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, 2022, 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.

LUBUTO LIBRARY PARTNERS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

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

Grants and contributions -

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. 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 grants and contributions 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.

Grants and contributions 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 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 grants and contributions treated as contributions, LLP had approximately \$676,000 in unrecognized conditional awards as of December 31, 2022.

Grants 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 donated salaries. Contributed services are recorded at their fair value as of the date of the gift.

Foreign currency translation -

The U.S. Dollar is the functional currency for LLP's worldwide operations.

LUBUTO LIBRARY PARTNERS

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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

Foreign currency translation (continued) -

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.

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 actual time and effort or other reasonable basis.

New accounting pronouncement not yet adopted -

Accounting Standard Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for LLP for the year ending December 31, 2023. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach.

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. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2022:

Subject to expenditure for specified purpose:	
Research	\$ 46,020
Girls STEM Initiative	366
Scholarships	<u>3,801</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 50,187</u>

LUBUTO LIBRARY PARTNERS

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

2. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

The following net assets with donor restrictions were released from donor restrictions by incurring expenses which satisfied the restricted purposes specified by the donors:

Purpose restrictions accomplished:	
Research	\$ 37,614
Girls STEM Initiative	18,357
Scholarships	3,896
Fighting Early Marriage	<u>5,222</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 65,089</u>

3. 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	\$ 194,915
Grants receivable	19,191
Less: Donor restricted funds	<u>(50,187)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 163,919</u>

LLP has a policy to structure its financial assets to be available and liquid as its obligations become due.

4. CONTRIBUTED SERVICES

During the year ended December 31, 2022, LLP was the beneficiary of donated services which allowed LLP to provide greater resources toward various programs. Donated salaries are valued at the normal hourly rates that would be charged for these services. There were no donor-imposed restrictions associated with the in-kind contributions during the year ended December 31, 2022. To properly reflect total program expenses, the following donations have been included in revenue and expense for the year ended December 31, 2022

Professional Services	\$ 106,690
Fundraising	<u>5,575</u>
TOTAL CONTRIBUTED SERVICES	<u>\$ 112,265</u>

The following programs have benefited from these donated services:

Program Services	\$ 95,970
Management and General	11,840
Fundraising	<u>4,455</u>
TOTAL PROGRAMS BENEFITED	<u>\$ 112,265</u>

LUBUTO LIBRARY PARTNERS

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

5. LEASE COMMITMENTS

LLP leases office space in Zambia under a twelve month agreement that expires on September 30, 2023. 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 \$450 per month.

6. LOSS DUE TO MISAPPROPRIATION OF ASSETS

During the year ended December 31, 2022, LLP recorded a loss due to misappropriate of assets. The Association had payments totaling \$35,110 that were initially scheduled to be made to a vendor in South Africa but were rerouted to a fictitious company. These funds were deemed to be nonrecoverable.

7. SUBSEQUENT EVENTS

In preparing these financial statements, LLP has evaluated events and transactions for potential recognition or disclosure through September 22, 2023, the date the financial statements were issued.