

LUBUTO LIBRARY PROJECT, INC.

Financial Statements and Auditors' Report

For the Years Ended December 31, 2011 and 2010

SKMB, P.A.

C E R T I F I E D P U B L I C A C C O U N T A N T S

LUBUTO LIBRARY PROJECT, INC.

CONTENTS

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	2
STATEMENTS OF ACTIVITIES	3
STATEMENTS OF CASH FLOWS	4
NOTES TO FINANCIAL STATEMENTS	5 - 8
SUPPLEMENTAL INFORMATION	
SCHEDULES OF FUNCTIONAL EXPENSES	9

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, 2011 and 2010 (restated), and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the organization'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.

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, 2011 and 2010, 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.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary schedules of functional expenses on page 9 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements as a whole.

S/K MB, P, U

Rockville, Maryland
April 9, 2012

LUBUTO LIBRARY PROJECT, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2011 and 2010

ASSETS		
	2011	2010
Current Assets		
Cash and Cash Equivalents	\$ 154,948	\$ 86,243
Books and Equipment Held for Distribution to African Libraries	41,715	68,964
Grants Receivable (Note 4)	74,572	-
Pledge Receivable	-	1,890
Total Current Assets	271,235	157,097
Property and Equipment		
Computer Equipment	2,953	1,934
Fixtures	2,500	2,500
Website	9,150	9,150
Accumulated Depreciation and Amortization	(13,924)	(13,321)
Total Property and Equipment	679	263
TOTAL ASSETS	\$ 271,914	\$ 157,360
LIABILITIES AND NET ASSETS		
Current Liabilities		
Payable to President	\$ -	\$ 1,156
Tax payable	57	-
Accrued Payroll and Payroll Taxes	121	106
Total Current Liabilities	178	1,262
Net Assets		
Unrestricted	56,146	38,015
Temporarily Restricted	215,590	118,083
Total Net Assets	271,736	156,098
TOTAL LIABILITIES AND NET ASSETS	\$ 271,914	\$ 157,360

LUBUTO LIBRARY PROJECT, INC.
STATEMENTS OF ACTIVITIES
For the Year Ended December 31, 2011 and 2010

	2011			2010
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	TOTAL
REVENUES AND SUPPORT				
Individual Contribution	\$ 34,758	\$ -	\$ 34,758	\$ 26,693
Foundation Contribution	25,710	149,074	174,784	100,809
Corporate/Organization Contribution	26,943	3,045	29,988	3,927
In-kind contributions	135,759	797	136,556	216,255
Merchandise Sale	1,143	-	1,143	2,024
Fundraising Event	-	-	-	22,615
Other income	(127)	-	(127)	6,077
Net assets released from restrictions	55,409	(55,409)	-	-
TOTAL REVENUE AND SUPPORT	<u>279,595</u>	<u>97,507</u>	<u>377,102</u>	<u>378,400</u>
EXPENSES				
Program services	232,315	-	232,315	406,191
Supporting Services				
General and Administrative Services	28,161	-	28,161	22,421
Fundraising	988	-	988	15,208
TOTAL EXPENSES	<u>261,464</u>	<u>-</u>	<u>261,464</u>	<u>443,820</u>
CHANGE IN NET ASSETS	18,131	97,507	115,638	(65,420)
NET ASSETS:				
BEGINNING OF YEAR	38,015	118,083	156,098	215,057
PRIOR PERIOD ADJUSTMENT				6,461
END OF YEAR	<u>\$ 56,146</u>	<u>\$ 215,590</u>	<u>\$ 271,736</u>	<u>156,098</u>

LUBUTO LIBRARY PROJECT, INC.
STATEMENTS OF CASH FLOWS
For The Years Ended December 31, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 115,638	\$ (65,420)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	603	501
Decrease (Increase) in Operating Assets:		
Books and Equipment Held for Distribution to African Libraries	27,249	645
Grant Receivable	(74,572)	26,744
Pledge Receivable	1,890	(1,890)
(Decrease) Increase in Operating Liabilities:		
Payable to President	(1,156)	(11)
Accrued Expense	72	(1,027)
NET CASH PROVIDED BY OPERATING ACTIVITIES	69,724	(40,459)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Computer Equipment Purchased	(1,019)	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	(1,019)	-
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	68,705	(40,459)
 BEGINNING CASH AND CASH EQUIVALENTS	86,243	126,702
 ENDING CASH AND CASH EQUIVALENTS	\$ 154,948	\$ 86,243

LUBUTO LIBRARY PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 1 - ORGANIZATION AND OPERATIONS

The Lubuto Library Project, Inc. (the Project) is a not-for-profit organization, incorporated in the District of Columbia on January 25, 2005. The project's headquarter locates in Washington, D.C. and operates a regional office in Lusaka, Zambia. The regional office in registered as a non-governmental organization in Zambia.

The Project is an innovative development initiative that, in cooperation with governments, creates opportunities for equitable education through model library services. Lubuto libraries, completely owned and run by their host organizations, provide sustainable institutional focal points – urban and rural – for Zambia adults to guide and care for the nation's children.

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. Therefore, revenue and related assets are recognized when earned, and expenses and related liabilities are recognized when the related obligations are incurred.

Basis of Presentation - 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. The Project reports expenses as a decrease in unrestricted net assets whether they are incurred to satisfy a donor's restrictions or not.

Principles of consolidation - The accompanying consolidated financial statements include the accounts of DC headquarter and Lubuto Zambia. All significant intercompany transactions and accounts have been eliminated in consolidation.

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.

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. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. 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 statements, the Project considers all highly liquid assets available for current use with an initial maturity of three months or less to be cash equivalents.

LUBUTO LIBRARY PROJECT, INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 federal income tax under Section 501(c) (3) of the Internal Revenue Code. The Project qualifies for the charitable contribution deduction under Section 170(b) (1) (A) and has been classified as an organization that is not a private foundation under Section 509(a) (2). The Project adopted the provisions of FASB ASC 740. Accounting for Uncertainty in Income Taxes, which requires that a tax position be recognized on a 'more-likely-than-not' threshold. This applies to positions taken or expected to be taken in a tax return. The implementation of FASB ASC 740 had no impact on the Project's financial statements. The Project does not believe their financial statements include (or reflect) any uncertain tax positions.

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 (loss) and gain for the year ended December 31 2011 and 2010 were \$ (146) and \$4,961, respectively. Cash deposits in foreign bank account as of December 31 2011 and 2010 were \$7,969 and \$35,758, respectively.

NOTE 4 - GRANT RECEIVABLE

The Open Society Initiative for South Africa (OSISA) awarded the Project \$149,074 grant in 2011. This grant was provided to support the overarching goal of the Lubuto Library Model. Grant requires submission of progress report together with program descriptions, evaluation report, budgets and evaluation report. This grant is temporarily restricted.

The Project received \$74,502 from the grant and remaining balance of \$74,572 is recorded as grant receivable for the year ended December 31, 2011. No grant related expenses occurred during 2011.

NOTE 5 - GRANTS

Dow Jones Foundation grant

The Project received \$ 40,000 from Dow Jones Foundation in 2010. The grant requires \$7,500 to be used for the purchase of supplies for libraries, for the cost of shipping books and materials and for training and education of libraries' staff. The remaining balance of \$32,500 is to be used for library materials.

In 2011 and 2010, \$15,000 and \$1,413, respectively were used for the stated purpose and released from restriction.

LUBUTO LIBRARY PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 5 - GRANTS (Continued)

eFL.net grant

The project received \$29,998 grant from eFL.net in 2010 for OLPC Zambian language literacy program. All the money was received in Zambian Kwacha.

Grant period is from May 1, 2010 to April 30, 2011. Grantor requires that the Project maintain receipts and invoices for all matters pertaining to this grant and shall keep these available for inspection for five years following termination date of the grant and submission of final report within 30 days of the termination of grant period.

In 2011 and 2010, \$20,284 and \$9,714 respectively, were used for the stated purpose and released from restriction.

NOTE 6 - PRIOR PERIOD ADJUSTMENT

Net assets at the beginning of 2010 has been adjusted to eliminate intercompany account Payable to Lubuto Zambia \$7,408 and to adjust Books and Equipment Held for Distribution account. The correction has no effect on the result of the 2011 and 2010's activities; however, the cumulative affect increases beginning net assets for 2011 by \$6,461. Had the error not occurred, increase in net assets for 2010 in statement of activities would have been increased by \$6,461. Accordingly, the Project restated its financial position as of and for the year ended December 31, 2010.

NOTE 7 - RELATED PARTY TRANSACTIONS AND BALANCES

At December 31, 2011 and 2010, the Project owed \$ 0 and \$1,156, respectively to the President of the Project for reimbursement of operating expenses.

NOTE 8 - IN KIND CONTRIBUTION

The Project received in-kind donations of \$136,556 and \$216,255 for the years ended December 31, 2011 and 2010, respectively. These in-kind contributions are comprised of professional services, rent, and contributed computers.

The in-kind rent expense for the headquarters during 2011 and 2010 were \$4,500 and \$5,200. The in-kind rent expense for the office in Zambia during 2011 and 2010 was \$4,000. Paid rent expense for Zambia office was \$ 2,037 during 2011.

LUBUTO LIBRARY PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 9 - RESTRICTION ON NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2011</u>	<u>2010</u>
Donated and purchase of books	\$ 38.530	\$ 68.502
OSISA	149.074	-
Donated computer to be sent to Zambia	3.185	2.388
Program – Lubuto Arts	1.214	-
Dow Jones	23.587	25.000
OLPC Zambia Literacy Program	-	21.046
Salary of FOH Library Employee	-	1.147
 Total	 \$ 215.590	 \$ 118.083

NOTE 10 - SUBSEQUENT EVENTS

In accordance with FASB ASC 855, the Project evaluated subsequent events through April 6, 2011, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

LUBUTO LIBRARY PROJECT, INC
SCHEDULES OF FUNCTIONAL EXPENSES
For The Years Ended December 31, 2011 and 2010

	2011			2010	
	Program	Administration	Fundraising	Total	Total
Headquarter Expenses					
Professional Services	\$ 103,430	\$ -	\$ -	\$ 103,430	\$ 122,180
Accounting Fees	-	7,080	-	7,080	3,400
Bank Charges	27	657	487	1,171	622
Salaries, Wages Related Expenses	-	7,802	-	7,802	7,347
Rent	-	4,500	-	4,500	5,400
Communication Fees	21,636	-	-	21,636	39,832
Merchandise Expenses	-	-	500	500	3,557
Program Development	2,722	-	-	2,722	6,034
Office Expenses	-	1,567	-	1,567	2,257
Travel	3,614	-	-	3,614	23,054
Telephone	-	589	-	589	502
Dues and Registration	-	1,223	-	1,223	1,540
Depreciation and Amortization	-	263	-	263	353
Glover Fundraiser	-	-	-	-	6,373
Miscellaneous Expenses	-	866	-	866	678
Subtotal Headquarter Expenses	131,429	24,547	987	156,963	223,128
Zambia expenses					
Book and Equipment to Zambia	28,993	-	-	28,993	9,090
Gifts	-	-	-	-	315
Depreciation	339	-	-	339	148
OLPC Reading Project	-	-	-	-	1,863
Staff	21,647	-	-	21,647	26,091
Rent	6,037	-	-	6,037	4,536
Travel	-	-	-	-	7,390
Meals	721	-	-	721	3,395
Licenses and Fees	36	-	-	36	1,305
Bank Fees	66	-	-	66	157
Library Construction	1,093	-	-	1,093	95,600
Zambia Consulting Fees	29,306	-	-	29,306	57,672
Misc. Expense	5,146	-	-	5,146	1,344
Transport	5,606	-	-	5,606	325
Supplies	2,762	-	-	2,762	7,448
Postage/Courier	223	-	-	223	273
Telephone	1,743	-	-	1,743	2,507
Internet	781	-	-	781	1,232
Subtotal Zambia Expenses	104,499	-	-	104,499	220,692
TOTAL EXPENSES	\$ 235,928	\$ 24,547	\$ 987	\$ 261,462	\$ 443,820