

Lubuto Library Partners

Financial Statements

Years Ended December 31, 2016 and 2015

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Independent Auditors' Report

Board of Directors
Lubuto Library Partners
Washington, DC

Report on the Financial Statements

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, 2016, 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 of 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 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.

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, 2016, 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, 2015, were audited by other auditors whose report dated October 3, 2016, expressed an unmodified opinion on those statements.

Dixon Hughes Goodman LLP

**Tysons, Virginia
August 18, 2017**

Lubuto Library Partners
Statements of Financial Position
December 31, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|--|-------------------|-------------------|
| ASSETS | | |
| Current assets: | | |
| Cash | \$ 500,920 | \$ 446,101 |
| Books and equipments held for distribution | 398 | 8,950 |
| Prepaid expenses and other assets | <u>2,419</u> | <u>2,291</u> |
| Total current assets | <u>503,737</u> | <u>457,342</u> |
| Property, equipment and furniture: | | |
| Computer equipment | 12,431 | 10,068 |
| Vehicles | 9,620 | 8,675 |
| Fixtures | <u>2,876</u> | <u>4,480</u> |
| Total property and equipment | <u>24,927</u> | <u>23,223</u> |
| Less, accumulated depreciation | <u>20,539</u> | <u>14,390</u> |
| Total property, equipment and furniture, net | <u>4,388</u> | <u>8,833</u> |
| Other assets: | | |
| Security deposit | <u>-</u> | <u>364</u> |
| Total assets | <u>\$ 508,125</u> | <u>\$ 466,539</u> |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 12,367 | \$ 12,794 |
| Deferred revenue | <u>115,270</u> | <u>\$ -</u> |
| Total liabilities | <u>127,637</u> | <u>12,794</u> |
| Net assets: | | |
| Unrestricted | 300,507 | 263,187 |
| Temporarily restricted | <u>79,981</u> | <u>190,558</u> |
| Total net assets | <u>380,488</u> | <u>453,745</u> |
| Total liabilities and net assets | <u>\$ 508,125</u> | <u>\$ 466,539</u> |

See accompanying notes.

Lubuto Library Partners
Statements of Activities
Years Ended December 31, 2016 and 2015

| | 2016 | | | 2015 | | |
|---|----------------|------------------------|----------------|----------------|------------------------|----------------|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| Support and revenues: | | | | | | |
| Corporate contributions | \$ 4,803 | \$ - | \$ 4,803 | \$ 6,515 | \$ - | \$ 6,515 |
| Individual contributions | 54,708 | - | 54,708 | 82,135 | - | 82,135 |
| Foundation grants | 16,586 | - | 16,586 | 20,454 | - | 20,454 |
| Federal government grants | 166,428 | - | 166,428 | 65,712 | - | 65,712 |
| Institution grants | 226,406 | - | 226,406 | - | - | - |
| Donated goods and services | 92,348 | - | 92,348 | 110,375 | 802 | 111,177 |
| Other income | 14,688 | - | 14,688 | 39,585 | - | 39,585 |
| Net gain (loss) on currency translation | 2,526 | - | 2,526 | (34,440) | - | (34,440) |
| Net assets released from restrictions | 110,577 | (110,577) | - | 347,265 | (347,265) | - |
| Total support and revenues | 689,070 | (110,577) | 578,493 | 637,601 | (346,463) | 291,138 |
| Expenses: | | | | | | |
| Program services | 620,508 | - | 620,508 | 549,006 | - | 549,006 |
| Supporting services: | | | | | | |
| Management and general | 26,401 | - | 26,401 | 37,843 | - | 37,843 |
| Fundraising | 4,841 | - | 4,841 | 8,400 | - | 8,400 |
| Total expenses | 651,750 | - | 651,750 | 595,249 | - | 595,249 |
| Change in net assets | 37,320 | (110,577) | (73,257) | 42,352 | (346,463) | (304,111) |
| Net assets, beginning of year | 263,187 | 190,558 | 453,745 | 220,835 | 537,021 | 757,856 |
| Net assets, end of year | \$ 300,507 | \$ 79,981 | \$ 380,488 | \$ 263,187 | \$ 190,558 | \$ 453,745 |

See accompanying notes.

Lubuto Library Partners
Statement of Functional Expenses
Year Ended December 31, 2016

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total Expenses</u> |
|---------------------------|-----------------------------|-----------------------------------|--------------------|---------------------------|
| Personnel costs: | | | | |
| Salaries and wages | \$ 275,199 | \$ 4,150 | \$ - | \$ 279,349 |
| Pro bono salaries | 15,765 | 17,000 | 4,250 | 37,015 |
| Payroll taxes | 9,435 | 292 | - | 9,727 |
| | <u>300,399</u> | <u>21,442</u> | <u>4,250</u> | <u>326,091</u> |
| Accounting | 9,627 | 1,000 | - | 10,627 |
| Bank fees | 2,416 | 303 | 361 | 3,080 |
| Communications | 6,604 | - | - | 6,604 |
| Depreciation | 4,825 | 170 | - | 4,995 |
| Dues and licenses | 691 | 21 | - | 712 |
| Maintenance | 66,412 | 2,054 | - | 68,466 |
| Meetings and advocacy | 14,154 | - | - | 14,154 |
| Occupancy | 9,715 | 300 | - | 10,015 |
| Office expenses | 9,105 | 289 | 230 | 9,624 |
| Professional services | 113,856 | 808 | - | 114,664 |
| Program development | 10,340 | - | - | 10,340 |
| Publication and printing | 1,393 | - | - | 1,393 |
| Shipping and postage | 412 | 14 | - | 426 |
| Supplies and equipment | 41,814 | - | - | 41,814 |
| Training and program | 20,377 | - | - | 20,377 |
| Travel and transportation | 8,369 | - | - | 8,369 |
| | <u>\$ 620,508</u> | <u>\$ 26,401</u> | <u>\$ 4,841</u> | <u>\$ 651,750</u> |

See accompanying notes.

Lubuto Library Partners
Statement of Functional Expenses
Year Ended December 31, 2015

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total Expenses</u> |
|---------------------------|-----------------------------|-----------------------------------|--------------------|---------------------------|
| Personnel costs: | | | | |
| Salaries and wages | \$ 190,970 | \$ 4,285 | \$ - | \$ 195,255 |
| Pro bono salaries | 28,783 | 8,795 | 2,398 | 39,976 |
| Payroll taxes | 10,089 | 312 | - | 10,401 |
| | <u>229,842</u> | <u>13,392</u> | <u>2,398</u> | <u>245,632</u> |
| Accounting | 4,657 | 19,971 | - | 24,628 |
| 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 | 9,676 | - | - | 9,676 |
| Occupancy | 7,685 | 238 | - | 7,923 |
| Office expenses | 12,339 | 382 | 5,298 | 18,019 |
| Professional services | 119,944 | 698 | - | 120,642 |
| Program development | 3,735 | - | - | 3,735 |
| Publication and printing | 985 | - | - | 985 |
| Shipping and postage | 248 | 8 | - | 256 |
| Supplies and equipment | 27,220 | - | - | 27,220 |
| Training and program | 44,245 | - | - | 44,245 |
| Travel and transportation | 9,699 | - | - | 9,699 |
| | <u>\$ 549,006</u> | <u>\$ 37,843</u> | <u>\$ 8,400</u> | <u>\$ 595,249</u> |

See accompanying notes.

Lubuto Library Partners
Statements of Cash Flows
Years Ended December 31, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|--|-------------------|-------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ (73,257) | \$ (304,111) |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | |
| Depreciation | 4,995 | 4,674 |
| Change in currency translation on fixed assets of foreign office | (550) | 8,425 |
| Change in: | | |
| Books and equipments held for distribution | 8,552 | (802) |
| Grant receivable | - | 320,316 |
| Prepaid expenses and other assets | (128) | 1,373 |
| Security deposit | 364 | 262 |
| Accounts payable and accrued expenses | (427) | 9,214 |
| Deferred revenue | <u>115,270</u> | <u>-</u> |
| Net cash provided by operating activities | <u>54,819</u> | <u>39,351</u> |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | <u>-</u> | <u>(1,641)</u> |
| Net cash provided by (used in) investing activities | <u>-</u> | <u>(1,641)</u> |
| Net change in cash and cash equivalents | 54,819 | 37,710 |
| Cash and cash equivalents, beginning of year | <u>446,101</u> | <u>408,391</u> |
| Cash and cash equivalents, end of year | <u>\$ 500,920</u> | <u>\$ 446,101</u> |

See accompanying notes.

Notes to Financial Statements

1. Organization and Nature of Activities

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 the 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.

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 the 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 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 income or expense on the statements of activities.

Foreign currency rates from Bank of Zambia were used for translation. Cash in foreign currency totaled \$29,794 in U.S. dollars at December 31, 2016.

Lubuto Library Partners Notes to Financial Statements

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 purposes of the statements of cash flows, Lubuto 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

Lubuto 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). 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.

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 the straight-line method over estimated useful lives ranging from three to seven years. Depreciation expense was \$4,995 and \$4,674 for the years ended December 31, 2016 and 2015, respectively.

Books and equipment held for distribution

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

Classification of net assets

Lubuto 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:

Unrestricted net assets impose no restriction on Lubuto as to their use or purpose. Such net assets are available for the operation of Lubuto and include both internally designated and undesignated reserves.

Temporarily restricted net assets include contributions subject to donor-imposed stipulations that will be met by the 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. Lubuto had temporarily restricted net assets of \$195,251 and \$190,558 at December 31, 2016 and 2015, respectively.

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 the Lubuto. Lubuto did not have any permanently restricted net assets at December 31, 2016 and 2015.

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

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 ending December 31, 2016, one government and one institution contributed 52% of total revenue. For the year ending December 31, 2015, one government contributed 14% 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

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, 2016 and 2015, Lubuto did not have any taxable net income and neither paid nor accrued any federal or state income tax.

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, 2016 and 2015, no unrecognized tax provision or benefit exists. The Form 990, Return of Organization Exempt from Income Tax, for the years ended December 31, 2013 - 2015, is subject to review and examination by the Internal Revenue Service, although no request has been made.

Reclassification

Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 financial statement presentation.

Subsequent events

In preparing these financial statements, Lubuto has evaluated events and transactions for potential recognition or disclosure through August 18, 2017, the date the financial statements were available to be issued.

Lubuto Library Partners
Notes to Financial Statements

3. Donated Goods and Services

Donated goods and services include the following for the years ended December 31:

| | <u>2016</u> | <u>2015</u> |
|-----------------------------|------------------|-------------------|
| Executive Director services | \$ 37,015 | \$ 39,976 |
| Professional fees | 50,410 | 34,919 |
| Accounting and legal fees | 1,808 | 17,205 |
| Communication fees | 3,115 | 14,690 |
| Technology | - | 4,387 |
| Total | <u>\$ 92,348</u> | <u>\$ 111,177</u> |

4. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of December 31:

| | <u>2016</u> | <u>2015</u> |
|---|------------------|-------------------|
| Grant (new library) | \$ 72,785 | \$ 100,000 |
| Books and equipment held for distribution | 398 | 8,950 |
| Dow Jones Foundation (library supplies, training and other) | 6,798 | 6,798 |
| OSISA/Comic Relief Grant (program expenses) | - | 74,810 |
| Total | <u>\$ 79,981</u> | <u>\$ 190,558</u> |

5. Lease Agreements

Lubuto has a lease for office space in Zambia. The lease is a 12-month lease that expires on September 30, 2017. The lease requires payments of approximately \$500 per month. Lubuto also rents storage and meeting space in the District of Columbia for \$250 per quarter. Future minimum lease payments for 2017 is approximately \$5,500.