

LUBUTO LIBRARY PROJECT, INC.



Financial Statements

For the Years Ended December 31, 2008 and 2007

LUBUTO LIBRARY PROJECT, INC.

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CERTIFIED PUBLIC ACCOUNTANTS

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, 2008 and 2007 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Company'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, 2008 and 2007 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.

SKMB, PA

July 29, 2009

LUBUTO LIBRARY PROJECT, INC.

STATEMENTS OF FINANCIAL POSITION

December 31,

	2008	2007
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 34,807	\$ 10,686
Books and Equipment Held for Distribution to African Libraries	67,860	20,910
Total Current Assets	102,667	31,596
Property and Equipment		
Computer Equipment	1,194	700
Fixtures	2,500	2,500
Website	9,150	9,150
Accumulated Depreciation and Amortization	(12,418)	(10,484)
Total Property and Equipment	426	1,866
TOTAL ASSETS	\$ 103,093	\$ 33,462
LIABILITIES AND NET ASSETS		
Current Liabilities		
Payable to President	\$ 1,167	\$ 1,118
Payable to Lubuto Zambia	7,408	3,358
Total Current Liabilities	8,575	4,476
Net Assets		
Unrestricted	19,658	8,076
Temporarily Restricted	74,860	20,910
Total Net Assets	94,518	28,986
TOTAL LIABILITIES AND NET ASSETS	\$ 103,093	\$ 33,462

See Auditors' Report and Notes to Financial Statements.

LUBUTO LIBRARY PROJECT, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended December 31,

	2008	2007
UNRESTRICTED REVENUE AND SUPPORT		
Contributed Support	\$ 156,232	\$ 137,358
Individual Donations	33,925	34,658
Corporate Grants	2,038	3,900
Foundation Grants	44,391	7,530
Other Income	600	1,031
TOTAL UNRESTRICTED REVENUE AND SUPPORT	237,186	184,477
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of Donation Restrictions	5,000	23,550
TOTAL UNRESTRICTED REVENUE, SUPPORT AND NET ASSETS RELEASED FROM RESTRICTIONS	242,186	208,027
EXPENSES		
Program Services	206,641	202,692
Supporting Services		
General and Administrative	20,893	25,158
Fundraising	3,070	3,048
TOTAL EXPENSES	230,604	230,898
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	11,582	(22,871)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributed Books	43,950	8,910
Corporate Grants	0	0
Foundation Grants	10,000	0
Individual Donations	5,000	4,850
Net Assets Released from Restrictions	(5,000)	(23,550)
INCREASE (DECREASE) IN TEMPRARILY RESTRICTED NET ASSETS	53,950	(9,790)
TOTAL INCREASE (DECREASE) IN NET ASSETS	62,532	(32,661)
NET ASSETS AT BEGINNING OF PERIOD	28,986	61,647
NET ASSETS AT END OF PERIOD	\$ 94,518	\$ 28,986

See Auditors' Report and Notes to Financial Statements.

LUBUTO LIBRARY PROJECT, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31,

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 65,532	\$ (32,661)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities		
Donated Books included in Contributions	(46,950)	9,790
Depreciation and Amortization	1,935	3,536
Increase in Operating Liabilities: Due to Related Parties	4,098	2,132
NET CASH PROVIDED BY OPERATING ACTIVITIES	24,615	(17,203)
CASH FLOWS FROM INVESTING ACTIVITIES		
Computer Equipment Purchase	(494)	0
NET CASH PROVIDED BY INVESTING ACTIVITIES	(494)	0
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	24,121	(17,203)
BEGINNING CASH AND CASH EQUIVALENTS	10,686	27,889
ENDING CASH AND CASH EQUIVALENTS	\$ 34,807	\$ 10,686

See Auditors' Report and Notes to Financial Statements.

LUBUTO LIBRARY PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

NOTE 1 – ORGANIZATION AND OPERATIONS

The Lubuto Library Project, Inc. (the "Project") is a 501(c)(3) charitable organization, incorporated in the District of Columbia on January 25, 2005. It was launched in January 2005 to improve the lives and future prospects of AIDS orphans and other vulnerable children (OVC) in Africa by providing libraries and educating U.S. school children about the impact AIDS has on their African peers.

The Project's mission is to provide OVC with a safe haven and a variety of stimulating culturally and age-appropriate books. Lubuto works with host institutions in-country to adapt existing space or construct new library buildings based on prototype architectural plan. The Project established a branch in the Republic of Zambia on September 21, 2005.

The Project's primary activities are: building libraries, soliciting book donations, distributing book donations to African libraries; and educating African children of the effect of HIV/AIDS.

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 and, accordingly, revenues and expenses are recognized in the period to which they relate.

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.

Basis of Presentation - In accordance with SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*. 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.

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. Contributions that are restricted by donors are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the contributions are recognized. 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 statement, the Project considers all highly liquid assets available for current use with an initial maturity of three months or less to be cash equivalents.

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.

LUBUTO LIBRARY PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the payment of income taxes on its exempt activities under Section 501 (c)(3) of the Internal Revenue Code.

NOTE 3 – RELATED PARTY TRANSACTIONS AND BALANCES

At December 31, 2008 and 2007, the Project owed \$1,167 and \$1,168, respectively to the President of the Project for reimbursement of operating expenses.

NOTE 4 – RENT EXPENSE

Office space for the headquarters and for the office in Zambia were provided on a pro bono basis.

The in-kind rent expense for the headquarters during 2008 and 2007 was \$5,200 and \$4,000, respectively. The in-kind rent expense for the office in Zambia during 2008 and 2007 was \$4,000.

NOTE 5 - RESTRICTION IN NET ASSETS

Temporarily restricted assets available for the building of libraries in Africa were \$74,860 and \$20,910 at December 31, 2008 and 2007, respectively.

LUBUTO LIBRARY PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

NOTE 6 – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities for the years ended December 31, 2008 and 2007 have been summarized on a functional basis below:

2008	Program	General and Administrative	Fundraising	Total
EXPENSES				
Headquarter Expenses				
Consulting Fees	\$ 50,000	\$ 12,000	\$ 3,000	\$ 65,000
Communications - in-kind	12,820	0	0	12,820
Communications - Other	4,002	299	0	4,301
Depreciation and Amortization	1,935	0	0	1,935
Legal Services - in-kind	3,603	3,330	0	6,933
Legal Other	0	0	0	0
Accounting	0	4,208	0	4,208
Accounting - in-kind	0	0	0	0
Rent - in-kind	5,200	0	0	5,200
Program Development	14,658	0	0	14,658
Supplies	8	42	0	50
Travel - in-kind	0	0	0	0
Travel	4,907	0	0	4,907
Other	2,004	1,014	70	3,088
Professional Services - in-kind	30,400	0	0	30,400
Subtotal Headquarter Expenses	129,537	20,893	3,070	153,500
Zambia Expenses				
Consulting Fees	29,120	0	0	29,120
Consulting Fees - in-kind	12,900	0	0	12,900
Library Construction	17,591	0	0	17,591
Zambia Rent - in-kind	4,000	0	0	4,000
Zambia - Other	13,493	0	0	13,493
Subtotal Zambia Expenses	77,104	0	0	77,104
TOTAL EXPENSES	\$206,641	\$ 20,893	\$ 3,070	\$230,604

LUBUTO LIBRARY PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

NOTE 6 – FUNCTIONAL ALLOCATION OF EXPENSES (CONTINUED)

2007	Program	General and Administrative	Fundraising	Total
EXPENSES				
Headquarter Expenses				
Consulting Fees	\$ 50,000	\$ 12,000	\$ 3,000	\$ 65,000
Communications - in-kind	7,400	0	0	7,400
Communications - Other	10,483	0	0	10,483
Depreciation and Amortization	3,535	0	0	3,535
Legal Services - in-kind	450	9,382	0	9,832
Legal Other	0	360	0	360
Accounting	0	2,300	0	2,300
Accounting - in-kind	750	0	0	750
Rent - in-kind	4,000	0	0	4,000
Program Development	9,346	0	0	9,346
Supplies	235	254	0	489
Travel - in-kind	5,000	0	0	5,000
Travel	2,985	0	0	2,985
Other	1,442	862	48	2,352
Subtotal Headquarter Expenses	95,626	25,158	3,048	123,832
Zambia Expenses				
Consulting Fees	17,000	0	0	17,000
Consulting Fees - in-kind	34,850	0	0	34,850
Library Construction	19,954	0	0	19,954
Zambia Rent - in-kind	4,000	0	0	4,000
Zambia - Other	31,262	0	0	31,262
Subtotal Zambia Expenses	107,066	0	0	107,066
TOTAL EXPENSES	\$202,692	\$ 25,158	\$ 3,048	\$230,898