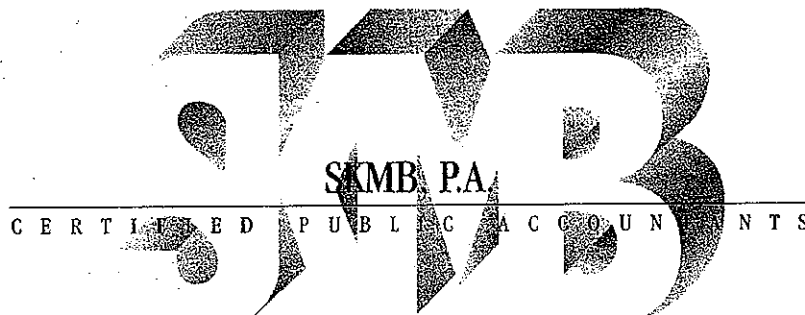


LUBUTO LIBRARY PROJECT, INC.



Financial Statements

For the Years Ended December 31, 2010 and 2009



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, 2010 and 2009 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, 2010 and 2009 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, P.A.

May 17, 2011

LUBUTO LIBRARY PROJECT, INC.

STATEMENTS OF FINANCIAL POSITION

December 31,

	2010	2009
ASSETS		
Current Assets		
Cash and Cash Equivalents	86,243	\$ 126,702
Books and Equipment Held for Distribution to African Libraries	69,911	70,555
Grant Receivable	0	26,744
Pledge Receivable	1,890	0
Total Current Assets	158,044	224,001
Property and Equipment		
Computer Equipment	1,934	1,934
Fixtures	2,500	2,500
Website	9,150	9,150
Accumulated Depreciation and Amortization	(13,321)	(12,820)
Total Property and Equipment	263	764
TOTAL ASSETS	158,307	\$ 224,765
LIABILITIES AND NET ASSETS		
Current Liabilities		
Payable to President	1,156	\$ 1,167
Payable to Lubuto Zambia	7,408	7,408
Accrued Payroll and Payroll Taxes	106	1,133
Total Current Liabilities	8,670	9,708
Net Assets		
Unrestricted	31,554	41,928
Temporarily Restricted	118,083	173,129
Total Net Assets	149,637	215,057
TOTAL LIABILITIES AND NET ASSETS	158,307	\$ 224,765

See Auditors' Report and Notes to Financial Statements.

LUBUTO LIBRARY PROJECT, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended December 31,

	2010	2009
UNRESTRICTED REVENUE AND SUPPORT		
Contributed Support	207,914	\$ 169,533
Individual Donations	24,316	42,775
Corporate/Organization Donation	3,927	10,195
Foundation Grants	25,627	14,204
Merchandise Sale	2,024	0
Fundraising Event	22,615	0
Other Income	6,077	2,354
TOTAL UNRESTRICTED REVENUE AND SUPPORT	292,500	239,061
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of Donation Restrictions	140,945	48,533
TOTAL UNRESTRICTED REVENUE, SUPPORT AND NET ASSETS RELEASED FROM RESTRICTIONS	433,445	287,594
EXPENSES		
Program Services	406,191	251,327
Supporting Services		
General and Administrative	22,421	23,346
Fundraising	15,208	3,299
TOTAL EXPENSES	443,820	277,972
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(10,375)	9,622
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Corporate Donation	0	61,538
Contributed Books	4,958	41,948
Grant – SOCLI	0	52,093
Contributed Computers	3,383	4,990
Foundation & Organization Grants	75,182	1,200
Individual Donations	2,377	400
Net Assets Released from Restrictions	(140,945)	(48,533)
INCREASE (DECREASE) IN TEMPRARILY RESTRICTED NET ASSETS	(55,045)	113,636
TOTAL INCREASE (DECREASE) IN NET ASSETS	(65,420)	123,258
NET ASSETS AT BEGINNING OF PERIOD	215,057	91,799
NET ASSETS AT END OF PERIOD	\$ 149,637	\$ 215,057

See Auditors' Report and Notes to Financial Statements.

LUBUTO LIBRARY PROJECT, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31,

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	(65,420)	\$ 123,258
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	501	402
(Increase) Decrease in Operating Assets:		
Books and Equipment Held for Distribution to African Libraries	644	18,062
Grant Receivable	26,744	(26,744)
Pledge Receivable	(1,890)	0
Increase (Decrease) in Operating Liabilities:		
Payable to President	(11)	0
Accrued Payroll and Related Expense	(1,027)	1,133
NET CASH PROVIDED BY OPERATING ACTIVITIES	(40,459)	79,987
CASH FLOWS FROM INVESTING ACTIVITIES		
Computer Equipment Purchase	0	(740)
NET CASH PROVIDED BY INVESTING ACTIVITIES	0	(740)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(40,459)	79,247
BEGINNING CASH AND CASH EQUIVALENTS	126,702	47,455
ENDING CASH AND CASH EQUIVALENTS	\$ 86,243	\$ 126,702

See Auditors' Report and Notes to Financial Statements.

LUBUTO LIBRARY PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

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, 2010 and 2009

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 - 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 gain for the year ended December 31, 2010 and 2009 were \$4,961 and \$1,127, respectively. Cash deposits in foreign bank account, and on-hand, as of December 31, 2010 and 2009 were \$35,758 and \$81,172, respectively.

NOTE 4 - GRANT RECEIVABLE

Support of Community Led Initiative (SOCLI) provided a sub grant of \$52,093 to the project in 2009. All the grant payments were in Zambian Kwacha. This grant was provided to support motivational mentoring programs run by the project in Zambia. This program was completed in 2010 and all of the remaining grant funds were received in 2010.

NOTE 5 - GRANTS

Dow Jones Foundation Grant

This project received a \$40,000 grant from Dow Jones Foundation in 2010. Per grant restrictions, \$7,500 is to be used for 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 2010, \$30,000 was sent to Zambia, of which \$15,000 was used for library construction material.

eIFL.net Grant

This project received a grant of \$29,998 from eIFL.net in 2010 for the OLPC Zambian Language Literacy Program. All the funds were received in Zambian Kwacha.

The grant period is from May 1,2010 to April 30,2011. Grantor requires that the Project maintain receipts and invoices for all expenses pertaining to this grant and make them 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 2010, \$9,714 was used for the stated purpose and released from restriction.

LUBUTO LIBRARY PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE 6- LIBRARY CONSTRUCTION

In 2010, the Project completed construction of Ngwerere LL Library and officially opened on November 10th. Total cost of construction was \$95,600. The entire Dow Jones & Co donation of \$60,000, Oprah's Angel Network, \$10,000, and Francis White, \$5,000, was used for construction and released from restrictions.

The \$15,000, the Project received from Dow Jones Foundation in 2010, was used for construction material.

The Project incurred approximately \$6,000 in costs for building an 80 meter extension wall. This cost is the responsibility of Ministry of Education and soon will be reimbursed to the Project.

NOTE 7 – RELATED PARTY TRANSACTIONS AND BALANCES

At December 31, 2010 and 2009, the Project owed \$1,156 and \$1,167, respectively to the President of the Project for reimbursement of operating expenses.

NOTE 8 – RENT EXPENSE

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

The in-kind rent expenses for the headquarters' office during 2010 and 2009 were \$5,200. The in-kind rent expenses for the office in Zambia during 2010 and 2009 were \$4,536 and \$4,000 respectively.

NOTE 9 – RESTRICTION ON NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2010</u>	<u>2009</u>
Donated and Purchase of Books	68,502	64,304
Library Construction	0	71,000
Donated Computer to be Sent to Zambia	2,388	4,990
Motivational Mentoring Program	0	32,435
Renewal of Library License	0	400
Library Materials	17,500	0
Training and Education of Library Staff	7,500	0
OLPC Zambian Literacy Program	21,046	0
Salary of FOH Library Employee	<u>1,147</u>	<u>0</u>
TOTAL	118,083	173,129

LUBUTO LIBRARY PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE 9 – RESTRICTION ON NET ASSETS (Continues)

The following assets were released from restriction in 2010:

Books Purchased	760
Library Construction	71,000
Contributed Computers	5,985
Motivational mentoring Program	32,436
Renewal of Library License	800
Library Materials	15,000
IBBY Workshop	4,420
OLPC Zambian Language Literacy Program	9,714
Salary of FOH Library Employee	630
Work Permit in Zambia	<u>200</u>
Total Net Asset Released from Restrictions	<u>140,945</u>

LUBUTO LIBRARY PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE 10 – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities for the years ended December 31, 2010 and 2009 have been summarized on a functional basis below:

2010 Expenses	Program	General and Administrative	Fundraising	Total
Headquarter Expenses				
Professional Services	\$ 0	\$ 615	\$ 0	\$ 615
Professional Services - in-kind	50,190	0	0	50,190
Consulting Fees - in-kind	53,000	12,000	3,000	68,000
Accounting Fees	0	3,400	0	3,400
Bank Service Charges	16	606	0	622
Catering Expenses	222	0	0	222
Communication - in-kind	34,251	0	0	34,251
Communication Fees	5,281	0	299	5,580
Depreciation and Amortization	0	353	0	353
Dues and Registration	1,237	303	0	1,540
Glover Fundraiser	0	0	6,373	6,373
Legal Fees - in-kind	1,200	2,175	0	3,375
Meals	395	46	0	440
Miscellaneous Expenses	16	0	0	16
Merchandise Expenses	454	0	3,103	3,557
Office Expenses	221	102	12	335
Postage and Delivery	1,012	398	0	1,410
Program Development	5,675	359	0	6,034
Rent - in-kind	5,000	400	0	5,400
Salaries and Related Expenses	5,447	1,140	760	7,347
Service Fees	0	143	0	143
Supplies	241	127	0	369
Telephone	465	37	0	502
Travel	21,393	0	1,661	23,054
Subtotal Headquarter Expenses	185,716	22,204	15,208	223,128
Zambia Expenses				
Equipment to Zambia	9,090	0	0	9,090
Staff	26,091	0	0	26,091
Gifts	247	69	0	316
Depreciation	0	148	0	148
OLPC Reading Project	1,863	0	0	1,863
Rent - in-kind	4,536	0	0	4,536
Travel	7,390	0	0	7,390
Meals	3,395	0	0	3,395
Miscellaneous Expenses	1,344	0	0	1,344
Licenses and Fees	1,305	0	0	1,305
Bank Fees	157	0	0	157
Transport	325	0	0	325
Supplies	7,448	0	0	7,448
Telephones	2,507	0	0	2,507

LUBUTO LIBRARY PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

Postage/Courier	273	0	0	273
Internet	1,232	0	0	1,232
Library Construction	95,600	0	0	95,600
Zambia Consulting Fees	<u>57,672</u>	<u>0</u>	<u>0</u>	<u>57,672</u>
Subtotal Zambia Expenses	220,475	217	0	220,692
Total Expenses	406,191	22,421	15,208	443,820
2009 Expenses	Program	General and Administrative	Fundraising	Total
Headquarter Expenses				
Professional Services	\$ 120	\$ 120	\$ 0	\$ 240
Professional Services - in-kind	43,675	0	0	43,675
Consulting Fees - in-kind	53,000	12,000	3,000	68,000
Accounting Fees	3,369	0	0	3,369
Bank Service Charges	8	437	0	445
Catering Expenses	740	0	0	740
Communication - in-kind	16,110	0	0	16,110
Communication Fees	3,199	0	299	3,498
Depreciation and Amortization	0	353	0	353
Dues and Registration	905	0	0	905
Legal Fees - in-kind	450	4,800	0	5,250
License and Fees	75	278	0	353
Meals	240	0	0	240
Office Expenses	548	596	0	1,144
Postage and Delivery	400	461	0	861
Program Development	14,054	117	0	14,171
Rent - in-kind	5,200	0	0	5,200
Salaries and Related Expenses	1,283	2,233	0	3,515
Supplies	381	942	0	1,323
Telephone	1,221	0	0	1,221
Travel	10,803	0	0	10,803
Subtotal Headquarter Expenses	155,781	22,337	3,299	181,416
Zambia Expenses				
Staff	487	0	0	487
Staff - in-kind	8,178	0	0	8,178
Depreciation	0	49	0	49
Rent - in-kind	5,876	0	0	5,876
Accounting Fees - in-kind	0	960	0	960
Travel	24	0	0	24
Books to Zambia	28,875	0	0	28,875
Meals	1,718	0	0	1,718
Licenses and Fees	507	0	0	507
Bank Fees	110	0	0	110
Library Construction	327	0	0	327

LUBUTO LIBRARY PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE 10 – FUNCTIONAL ALLOCATION OF EXPENSES (Continued)

2009 Expenses	Program	General and Administrative	Fundraising	Total
Zambia Consulting Fees	35,149	0	0	35,149
Zambia Consulting Fees - in-kind	3,960	0	0	3,960
Rent	74	0	0	74
Misc. Expense	\$ 1,192	\$ 0	\$ 0	\$ 1,192
Transport	3,738	0	0	3,738
Supplies	517	0	0	517
Postage/Courier	151	0	0	151
Telephone	1,825	0	0	1,825
Internet	1,369	0	0	1,369
Office Supplies	1,470	0	0	1,470
Subtotal Zambia Expenses	95,547	1,009	0	96,555
TOTAL EXPENSES	\$ 251,327	\$ 23,346	\$ 3,299	\$277,972