

LUBUTO LIBRARY PROJECT, INC.

Financial Statements

December 31, 2012

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Lubuto Library Project, Inc.
Washington, DC

We have audited the accompanying financial statements of Lubuto Library Project, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2012, and the related statements of activities 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 from 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 auditor's 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.



INDEPENDENT AUDITORS' REPORT (continued)

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, 2012, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 10 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hildebrand, Limparis & Associates, CPAs, PC

May 21, 2013
(except for Note 5, as to which
the date is October 7, 2013)

LUBUTO LIBRARY PROJECT, INC.

Statement of Financial Position

See Accompanying Notes to Financial Statements

December 31, 2012

ASSETS

Current Assets:

Cash	\$ 173,445
Grants receivable - current portion	145,000
Books and equipment held for distribution	47,230
Total current assets	<u>365,675</u>

Property and Equipment:

Computer equipment	3,433
Fixtures	2,500
	<u>5,933</u>
Less accumulated depreciation	5,274
Total property and equipment	<u>659</u>

Other Assets:

Grants receivable - noncurrent	119,161
Security deposit	778
Total other assets	<u>119,939</u>

Total Assets	<u>\$ 486,273</u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accrued expenses	\$ 4,104
Total current liabilities	<u>4,104</u>

Net Assets:

Unrestricted	99,425
Temporarily restricted	382,744
Total net assets	<u>482,169</u>

Total Liabilities and Net Assets	<u>\$ 486,273</u>
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LUBUTO LIBRARY PROJECT, INC.**Statement of Activities**

See Accompanying Notes to Financial Statements

For the year ended December 31, 2012

	(as restated)		
	Unrestricted	Temporarily Restricted	Total
Support and Revenues:			
Corporate/organization contributions	\$ 12,672	\$ 299,161	\$ 311,833
In-kind contributions	179,158	9,662	188,820
Individual contributions	46,360	-	46,360
Foundation grants	11,579	-	11,579
Merchandise sales	524	-	524
Translation gains	4,415	-	4,415
Other income	864	100	964
Total support and revenues	<u>255,572</u>	<u>308,923</u>	<u>564,495</u>
Net assets released from restrictions	141,769	(141,769)	-
Total support and revenues	<u>397,341</u>	<u>167,154</u>	<u>564,495</u>
Expenses:			
Program services	302,528	-	302,528
Supporting services:			
Management and general	42,365	-	42,365
Fundraising	9,169	-	9,169
Total expenses	<u>354,062</u>	<u>-</u>	<u>354,062</u>
Change in net assets	43,279	167,154	210,433
Net assets, beginning of year	<u>56,146</u>	<u>215,590</u>	<u>271,736</u>
Net assets, end of year	<u>\$ 99,425</u>	<u>\$ 382,744</u>	<u>\$ 482,169</u>

LUBUTO LIBRARY PROJECT, INC.

Statement of Cash Flows

See Accompanying Notes to Financial Statements

For the year ended December 31, 2012

Cash flows from operating activities:

Increase in net assets	\$ 210,433
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	520
Currency translation loss on fixed assets held in foreign office	42
(Increase) decrease in operating assets:	
Books and equipment held for distribution	(5,515)
Grants receivable	(189,589)
Security deposit	(778)
Increase (decrease) in operating liabilities:	
Accrued expenses	3,926
Net cash provided by operating activities	<u>19,039</u>

Cash flows from investing activities:

Purchase of equipment	<u>(542)</u>
Net cash used in investing activities	<u>(542)</u>
Net increase in cash	18,497
Cash, beginning of year	<u>154,948</u>
Cash, end of year	<u>\$ 173,445</u>

LUBUTO LIBRARY PROJECT, INC.

Notes to Financial Statements

December 31, 2012

1. Organization and Operation

The Lubuto Library Project, Inc. (the "Project") is a 501 (c) (3) charitable organization, incorporated in the District of Columbia on January 25, 2005. A branch in the Republic of Zambia was established on September 21, 2005 in cooperation with local Zambian government.

The Project's mission is 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 mission is initiated through constructing new library buildings and model library services owned and run by their host organizations, distributing book donations to African libraries, and educating African children of the effect of HIV/AIDS.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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

The Project considers all short-term highly liquid investments with a maturity date of three months or less to be cash equivalents. There were no cash equivalents.

Property and Equipment

Property and equipment having a unit cost of \$500 or more and an estimated useful life of more than three years is capitalized at cost if purchased and at estimated fair value if donated. Depreciation is computed using the straight-line method over an estimated life of three years. Depreciation expense totaled \$520 for the year.

Support

Grants and other contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. All contributions are considered to be available for the general programs of the organization unless specifically restricted by the donor. Grants and other contributions are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. 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 statement of activities as net assets released from restrictions.

LUBUTO LIBRARY PROJECT, INC.

Notes to Financial Statements

December 31, 2012

2. Summary of Significant Accounting Policies (continued)

Contributed Services and Goods

Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Contributed services, books and equipment are recorded at the estimated fair market value.

Net Assets

Net assets and changes therein are classified and reported as follows:

Unrestricted net assets—Net assets that are not subject to donor-imposed stipulations

Temporarily restricted net assets—Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Project and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. There currently are no temporarily restricted net assets.

Permanently restricted net assets—Net assets subject to donor-imposed stipulations that they be maintained permanently by Project. There currently are no permanently restricted net assets.

Functional Expenses

Expenses are charged directly to program, management and general or fundraising categories based on specific identification.

3. Foreign Operations

The activities and financial position of foreign operations that have a functional currency Zambian kwacha different from the presentation currency US Dollar are combined in the financial statements and translated into US dollar as follows:

Assets and liabilities on the statement of financial position are translated at the closing rate prevailing on the last day of the year.

Income and expenses on the statement 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 reserve within net assets.

Foreign currency rates from the Wall Street Journal were used for translation. Exchange rate gains or losses are included in the statement of activities. The realized net exchange rate gain totaled \$4,415 for the year. Cash deposits in the foreign bank account totaled \$20,484 in U.S. dollar equivalent at December 31, 2012.

LUBUTO LIBRARY PROJECT, INC

Notes to Financial Statements (continued)

December 31, 2012

4. Grants Receivable

Grants receivable consists of amounts awarded, but not yet paid, and includes the following amounts at December 31, 2012:

Due in 2013	\$ 145,000
Due in 2014	119,161
Total	<u>\$ 264,161</u>

5. In-kind Contributions

In-kind contributions include the following:

Headquarters:	
Professional fees	\$ 29,564
Consulting and legal fees	50,275
Communication fees	10,230
Executive Director services	83,154
Books and equipment	9,662
Other	1,072
Zambia Office:	
Professional fees	3,275
Other	1,588
Total	<u>\$ 188,820</u>

6. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

World Vision (All children reading)	\$ 264,829
OSISA	48,038
Donated and Purchased of books	47,230
Dow Jones	21,622
Program – Lubuto Arts	1,025
	<u>\$ 382,744</u>

7. Income Taxes

The Project is exempt from federal income tax under code section 501(c) (3) of the Internal Revenue Code, and has been classified as a public charity.

For the year ended December 31, 2012, and the open tax years 2011, 2010, and 2009, there is no unknown unrecorded income tax expense or provision.

LUBUTO LIBRARY PROJECT, INC.

Notes to Financial Statements

December 31, 2012

8. Concentrations

The Project received \$299,161 of contributions from one organization.

9. Evaluation of Subsequent Events

In preparing these financial statements, the Project has evaluated events and transactions for potential recognition or disclosure through May 21, 2013, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

LUBUTO LIBRARY PROJECT, INC.

Schedule of Functional Expenses

See Independent Auditors' Report

For the year ended December 31, 2012

	<u>Program</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Headquarter Expenses:				
Professional services	\$ 88,313	\$ -	\$ 3,400	\$ 91,713
Accounting	-	22,364	-	22,364
Conference	17,708	-	525	18,233
Communications	13,010	-	-	13,010
Program development	9,503	99	-	9,602
Salaries and wages	71,783	16,631	4,158	92,572
Travel	6,170	-	12	6,182
Training	6,300	-	-	6,300
Supplies	4,829	244	20	5,093
Bank fees	326	697	759	1,782
Dues and licenses	606	777	-	1,383
Legal expense	-	900	-	900
Shipping and postage	240	256	295	791
Payroll taxes	646	-	-	646
Office expenses	231	397	-	628
Occupancy	600	-	-	600
Publication and printing	322	-	-	322
Depreciation expense	181	-	-	181
Other expenses	150	-	-	150
Total headquarter expenses	<u>220,918</u>	<u>42,365</u>	<u>9,169</u>	<u>272,452</u>
Zambia Expenses:				
Conference expenses	49,361	-	-	49,361
Professional services	13,873	-	-	13,873
Travel and transportation	5,388	-	-	5,388
Communications	3,288	-	-	3,288
Training and program	2,403	-	-	2,403
Occupancy	2,354	-	-	2,354
Supplies and equipment	2,164	-	-	2,164
Repair and maintenance	1,041	-	-	1,041
Publication and printing	683	-	-	683
Office expenses	380	-	-	380
Depreciation expense	339	-	-	339
Shipping and postage	209	-	-	209
Accounting	87	-	-	87
Banking	40	-	-	40
Total Zambia expenses	<u>81,610</u>	<u>-</u>	<u>-</u>	<u>81,610</u>
Total expenses	<u><u>\$ 302,528</u></u>	<u><u>\$ 42,365</u></u>	<u><u>\$ 9,169</u></u>	<u><u>\$ 354,062</u></u>