

LUBUTO LIBRARY PARTNERS

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

LUBUTO LIBRARY PARTNERS
FINANCIAL STATEMENTS
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JOHN WALL, CPA

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Lubuto Library Partners
Washington, DC

I have audited the accompanying financial statements of Lubuto Library Partners (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years 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, implantation, 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.

Auditor's Responsibility

My responsibility is to express and opinion on these financial statements based on my audits. I conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessments 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall position of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

INDEPENDENT AUDITORS' REPORT (PAGE 2)

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lubuto Library Partners as of December 31, 2018 and 2017, 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.

A handwritten signature in black ink that reads "J. J. Wall, CPA". The signature is written in a cursive style with a large initial "J" and "W".

Gainesville, Virginia
July 17, 2019

LUBUTO LIBRARY PARTNERS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets		
Cash	\$367,266	\$265,780
Prepaid expenses and other assets	<u>4,115</u>	<u>10,644</u>
	<u>371,381</u>	<u>276,424</u>
Equipment, furniture, and fixtures		
Computer equipment	88,180	84,202
Vehicles	162,562	162,562
Fixtures	4,749	4,749
Less: accumulated depreciation	<u>(170,113)</u>	<u>(133,997)</u>
	<u>85,378</u>	<u>117,516</u>
 TOTAL ASSETS	 <u>\$456,759</u>	 <u>\$393,940</u>

The accompanying notes are an integral part of these financial statements.

LUBUTO LIBRARY PARTNERS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$51,112	\$82,638
Deferred revenue	<u>105,051</u>	<u>0</u>
Total liabilities	<u>156,163</u>	<u>82,638</u>
Net Assets		
Restricted	0	0
Unrestricted	<u>300,596</u>	<u>311,302</u>
	<u>300,596</u>	<u>311,302</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$456,759</u>	<u>\$393,940</u>

The accompanying notes are an integral part of these financial statements.

LUBUTO LIBRARY PARTNERS
STATEMENT OF ACTIVITIES & CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>GENERAL OPERATING</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
Revenue			
Corporate contributions	\$9,335	\$0	\$9,335
Individual contributions	114,210	0	114,210
Foundation grants	24,387	0	24,387
Federal government grants	470,767	0	
Institution grants	32,975	0	32,975
Donated goods and services	87,963	0	87,963
Other income	12,580	0	12,580
Net gain (loss) on currency translation	<u>4,341</u>	<u>0</u>	<u>4,341</u>
	<u>756,558</u>	<u>0</u>	<u>285,791</u>
Expenditures			
Program services	735,111	0	735,111
General and administrative	28,259	0	28,259
Fundraising	<u>3,894</u>	<u>0</u>	<u>3,894</u>
	<u>767,264</u>	<u>0</u>	<u>767,264</u>
Change in net assets	(10,706)	0	(481,473)
Net assets, beginning of year	<u>311,302</u>	<u>0</u>	<u>311,302</u>
Net assets, end of year	<u>\$300,596</u>	<u>\$0</u>	<u>(\$170,171)</u>

The accompanying notes are an integral part of these financial statements.

LUBUTO LIBRARY PARTNERS
STATEMENT OF ACTIVITIES & CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>GENERAL OPERATING</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
Revenue			
Corporate contributions	\$4,757		\$4,757
Individual contributions	87,335		87,335
Foundation grants	20,108		20,108
Federal government grants	230,940		230,940
Institution grants	336,762		336,762
Donated goods and services	62,539		62,539
Other income	19,993		19,993
Net gain (loss) on currency translation	4,131		4,131
Net assets released from restrictions	<u>79,981</u>	<u>(79,981)</u>	<u>0</u>
	<u>846,546</u>	<u>(79,981)</u>	<u>766,565</u>
Expenditures			
Program services	797,918	0	797,918
General and administrative	33,432	0	33,432
Fundraising	<u>4,401</u>	<u>0</u>	<u>4,401</u>
	<u>835,751</u>	<u>0</u>	<u>835,751</u>
Change in net assets	10,795	(79,981)	(69,186)
Net assets, beginning of year	<u>300,507</u>	<u>79,981</u>	<u>380,488</u>
Net assets, end of year	<u>\$311,302</u>	<u>\$0</u>	<u>\$311,302</u>

The accompanying notes are an integral part of these financial statements.

LUBUTO LIBRARY PARTNERS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATIONAL ACTIVITIES		
Change in net assets	(\$10,706)	(\$69,186)
Adjustments to reconcile change in net assets to net cash provided:		
Depreciation	36,116	35,232
Change in:		
Prepaid expenses and other assets	6,529	(8,225)
Accounts payable and accrued expenses	(31,526)	70,271
Deferred revenue	<u>105,051</u>	<u>(115,270)</u>
Net cash provided by (used) by operational activities	<u>105,464</u>	<u>(87,178)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of computer equipment, vehicles, and office furniture	<u>(3,978)</u>	<u>(148,360)</u>
Net change in cash and cash equivalents	101,486	(235,538)
Cash and cash equivalents, beginning of year	<u>265,780</u>	<u>501,318</u>
Cash and cash equivalents, end of year	<u>\$367,266</u>	<u>\$265,780</u>

The accompanying notes are an integral part of these financial statements.

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Lubuto Library Partners (“LLP”) 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 LLP. A branch in the Republic of Zambia was established on September 21, 2005, in cooperation with the local Zambian government.

LLP is an innovative development organization that builds the capacity libraries in Africa to create opportunities for equitable education and poverty reduction. LLP’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.

LLP constructs enduring, indigenously-inspired open-access libraries stocked with comprehensive collections of well-chosen books and appropriate technology. These libraries are the center for LLP’s programs, which offer education, psychosocial support and self-expression through reading, music, art, drama, computers, mentoring, and other activities.

A cornerstone of LLP’s approach is that LLP does not own the libraries or collections. Instead, LLP works with host organizations at each library, who are the libraries’ owners and stewards and who are responsible for staffing their libraries. In return, LLP continues to expand the collections, to introduce new services and outreach activities, and to offer ongoing staff, volunteer, and library professional training.

NOTE 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 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 U.S. dollars for the financial statements as follows: (1) assets and liabilities on the statements of financial position are translated at the closing rate prevailing on the last day of the year, (2) 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, and (3) resulting exchange differences are taken to the foreign currency translation income or expense on the statements of activities.

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 purpose of the statements of cash flows, LLP 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

LLP 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). LLP 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 are 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 straight-line method over estimated useful lives ranging from three to seven years. Depreciation expense was \$36,116 and \$35,232 for the years ended December 31, 2018 and 2017, respectively.

Deferred Revenue

Deferred revenue represents the portion of grant income that is for use for programs in the following calendar year. A portion of the funds from the DREAMS grant that was received in 2018 will be used in the year 2019.

Classification of Net Assets

LLP 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: (1) unrestricted net assets impose no restriction no restriction on LLP as to their use or purpose; such net assets are available for the operation of LLP and include both internally designated and undesignated reserves, (2) temporarily restricted net assets include contributions subject to donor-imposed stipulations that will be met by the

actions of LLP 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; LLP had no temporarily restricted net assets at December 31, 2018 and 2017, and (3) 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 LLP; LLP did not have any permanently restricted net assets at December 31, 2018 and 2017.

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 LLP 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. 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 ended December 31, 2018, one government grant and one institution contributed 56% of total revenue. For the year ended December 31, 2017, one government grant and one institution contributed 52% 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. Expenses that are fully attributed to the LLP's programs are allocated to program costs. Overhead costs that are not attributed to any single program are allocated to management and general. The amount of overhead expenses that are allocated to fundraising, which are primarily salaries, employee benefits, and payroll taxes, are calculated based on the number of hours spent by applicable staff in grant writing and other activities related to soliciting of funds for LLP.

Income Taxes

The Foundation is exempt from Federal and local income taxes under Section 501c(3) of the Internal Revenue Code on any net income derived from activities related to exempt purpose. The Foundation is taxed on net income from unrelated business activities. For the years ended December 31, 2013, The Foundation did not generate any net income from unrelated business activities.

Subsequent Events

In preparing these financial statements, LLP has evaluated events and transactions for potential recognition or disclosure through July 17, 2019, the date of the financial statements were available to be issued.

NOTE 3 – LEASE AGREEMENTS

LLP has a lease for office space in Zambia. The lease is a 12-month lease that expires on September 30, 2019. The lease will renew automatically for a period of one year unless LLP gives written notice that they want to terminate or amend the lease. The lease requires payments of approximately \$500 per month. LLP also rents storage and meeting space in the District of Columbia for \$250 per quarter. Minimum lease payments for 2019 are \$9,000.

SUPPLEMENTARY INFORMATION

LUBUTO LIBRARY PARTNERS
 STATEMENT OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>TOTAL</u>	<u>PROGRAM</u>	<u>MANAGEMENT & GENERAL</u>	<u>FUNDRAISING</u>
Personnel costs:				
Salaries and wages	296,714	275,944	17,803	2,967
Employee benefits	8,497	7,902	510	85
Payroll taxes	27,777	25,833	1,667	277
Total personnel costs	332,988	309,679	19,980	3,329
Accounting	4,800	0	4,800	
Bank fees	1,526	183	778	565
Communications	2,683	2,683		
Depreciation	36,116	35,033	1,083	
Dues and Licenses	1,689	1,638	51	
Office expenses	1,202	817	385	
Professional services	118,190	117,008	1,182	
Program development	645	645		
Shipping and postage	189	189	0	
Supplies and small equipment	364	364		
Travel and transportation	4,524	4,524		
Building materials and transportation	262,348	262,348		
TOTALS	\$767,264	\$735,111	\$28,259	\$3,894

LUBUTO LIBRARY PARTNERS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>TOTAL</u>	<u>PROGRAM</u>	<u>MANAGEMENT & GENERAL</u>	<u>FUNDRAISING</u>
Personnel costs:				
Salaries and wages	276,104	256,777	16,566	2,761
Payroll taxes	9,405	9,405	0	
Total personnel costs	285,509	266,182	16,566	2,761
Accounting	6,250	1,188	5,062	
Bank fees	4,433	532	2,261	1,640
Communications	5,629	5,629		
Depreciation	35,232	34,175	1,057	
Dues and Licenses	495	479	16	
Maintenance	0	0	0	
Meetings and advocacy	3,412	3,412		
Occupancy	14,702	14,261	441	
Office expenses	21,559	14,660	6,899	
Professional services	97,984	97,004	980	
Program development	4,111	4,111		
Publication and printing	1,603	1,603		
Shipping and postage	5,008	4,858		
Supplies and small equipment	32,098	32,098		150
Training and program costs	58,206	58,206		
Travel and transportation	70,683	70,683		
Building materials and transportation	188,837	188,837		
TOTALS	\$835,751	\$797,918	\$33,432	\$4,401