

**LUBUTO LIBRARY PROJECT, INC.**

Financial Statements

December 31, 2013

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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, 2013, 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.



Hildebrand  
Limparis &  
Associates, CPAs, PC

CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS PERFORMANCE ADVISORS

## 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, 2013, 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*

August 4, 2014

# **LUBUTO LIBRARY PROJECT, INC.**

## **Statement of Financial Position**

See Accompanying Notes to Financial Statements

**December 31, 2013**

### **ASSETS**

#### Current Assets:

|                                           |                |
|-------------------------------------------|----------------|
| Cash                                      | \$ 390,288     |
| Grants receivable                         | 353,859        |
| Books and equipment held for distribution | 8,859          |
| Prepaid expenses                          | 4,340          |
| Total current assets                      | <u>757,346</u> |

#### Property and Equipment:

|                               |               |
|-------------------------------|---------------|
| Computer equipment            | 8,291         |
| Vehicles                      | 7,975         |
| Fixtures                      | 3,084         |
|                               | <u>19,350</u> |
| Less accumulated depreciation | 7,779         |
| Total property and equipment  | <u>11,571</u> |

#### Other Assets:

|                    |            |
|--------------------|------------|
| Security deposit   | 726        |
| Total other assets | <u>726</u> |

|              |                          |
|--------------|--------------------------|
| Total Assets | <u><u>\$ 769,643</u></u> |
|--------------|--------------------------|

### **LIABILITIES AND NET ASSETS**

#### Current Liabilities:

|                           |              |
|---------------------------|--------------|
| Accrued expenses          | \$ 3,005     |
| Total current liabilities | <u>3,005</u> |

#### Net Assets:

|                        |                |
|------------------------|----------------|
| Unrestricted           | 188,203        |
| Temporarily restricted | 578,435        |
| Total net assets       | <u>766,638</u> |

|                                  |                          |
|----------------------------------|--------------------------|
| Total Liabilities and Net Assets | <u><u>\$ 769,643</u></u> |
|----------------------------------|--------------------------|

**LUBUTO LIBRARY PROJECT, INC.****Statement of Activities**

See Accompanying Notes to Financial Statements

**For the year ended December 31, 2013**

|                                       | (as restated) |                           |            |
|---------------------------------------|---------------|---------------------------|------------|
|                                       | Unrestricted  | Temporarily<br>Restricted | Total      |
| <b>Support and Revenues:</b>          |               |                           |            |
| Corporate/organization contributions  | \$ 6,297      | \$ 625,556                | \$ 631,853 |
| Donated goods and services            | 142,555       | 199                       | 142,754    |
| Individual contributions              | 54,585        | 100,000                   | 154,585    |
| Foundation grants                     | 14,182        | -                         | 14,182     |
| Merchandise sales                     | 225           | -                         | 225        |
| Other income                          | 1,220         | -                         | 1,220      |
| Currency translation gain (loss)      | (3,247)       | -                         | (3,247)    |
| Total support and revenues            | 215,817       | 725,755                   | 941,572    |
| Net assets released from restrictions | 530,064       | (530,064)                 | -          |
| Total support and revenues            | 745,881       | 195,691                   | 941,572    |
| <b>Expenses:</b>                      |               |                           |            |
| Program services                      | 601,071       | -                         | 601,071    |
| Supporting services:                  |               |                           |            |
| Management and general                | 52,183        | -                         | 52,183     |
| Fundraising                           | 3,849         | -                         | 3,849      |
| Total expenses                        | 657,103       | -                         | 657,103    |
| <b>Change in net assets</b>           | 88,778        | 195,691                   | 284,469    |
| Net assets, beginning of year         | 99,425        | 382,744                   | 482,169    |
| Net assets, end of year               | \$ 188,203    | \$ 578,435                | \$ 766,638 |

## **LUBUTO LIBRARY PROJECT, INC.**

### **Statement of Cash Flows**

See Accompanying Notes to Financial Statements

**For the year ended December 31, 2013**

#### **Cash flows from operating activities:**

|                                                                                            |                |
|--------------------------------------------------------------------------------------------|----------------|
| Increase in net assets                                                                     | \$ 284,469     |
| Adjustments to reconcile change in net assets to net cash provided by operating activities |                |
| Depreciation                                                                               | 2,544          |
| Currency translation loss on non-current assets of foreign office                          | 13             |
| (Increase) decrease in operating assets:                                                   |                |
| Books and equipment held for distribution                                                  | 38,371         |
| Grants receivable                                                                          | (89,698)       |
| Prepaid expenses                                                                           | (4,340)        |
| Increase (decrease) in operating liabilities:                                              |                |
| Accrued expenses                                                                           | (1,099)        |
| Net cash provided by operating activities                                                  | <u>230,260</u> |

#### **Cash flows from investing activities:**

|                                       |                          |
|---------------------------------------|--------------------------|
| Purchase of equipment                 | <u>(13,417)</u>          |
| Net cash used in investing activities | <u>(13,417)</u>          |
| Net increase in cash                  | 216,843                  |
| Cash, beginning of year               | <u>173,445</u>           |
| Cash, end of year                     | <u><u>\$ 390,288</u></u> |

# **LUBUTO LIBRARY PROJECT, INC.**

## **Notes to Financial Statements**

For the year ended December 31, 2013

### **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 estimated lives of three to five years. Depreciation expense totaled \$2,544 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. All grants were considered as collectible.

# **LUBUTO LIBRARY PROJECT, INC.**

## **Notes to Financial Statements (continued)**

For the year ended December 31, 2013

### **2. Summary of Significant Accounting Policies (continued)**

#### Donated Goods and Services

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. Donated 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 Bank of Zambia were used for translation. Exchange rate gains or losses are included in the statement of activities. Currency translation adjustments totaled a net loss of \$3,247 for the year, and the accumulated currency translation adjustments resulted in a net increase to net assets of \$1,168 at December 31, 2013. Cash in foreign currency totaled \$99,762 in U.S. dollar equivalent at December 31, 2013.

## **LUBUTO LIBRARY PROJECT, INC.**

### **Notes to Financial Statements (continued)**

For the year ended December 31, 2013

#### **4. Grants Receivable**

Grants receivable consists of amounts awarded, but not yet paid, and due in 2014.

#### **5. Donated Goods and Services**

Donated goods and services include the following:

|                             |                   |
|-----------------------------|-------------------|
| Professional fees           | \$ 22,530         |
| Consulting and legal fees   | 52,858            |
| Communication fees          | 12,980            |
| Executive Director services | 60,187            |
| Books and equipment         | 199               |
| Total                       | <u>\$ 148,754</u> |

#### **6. Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes:

|                                                             |                   |
|-------------------------------------------------------------|-------------------|
| OSISA/Comic Relief Grant (program expenses)                 | \$ 320,754        |
| World Vision (All Children Reading)                         | 139,271           |
| Grant (new library)                                         | 100,000           |
| Dow Jones Foundation (library supplies, training and other) | 9,551             |
| Books and equipment held for distribution                   | 8,859             |
|                                                             | <u>\$ 578,435</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 other than a private foundation.

For the year ended December 31, 2013, and the open tax years 2012, 2011, and 2010, there is no unknown unrecorded income tax provision or benefit.

#### **8. Operating Lease**

In July 2013, the Project entered into a one-year lease agreement for its Zambia office facilities at a rate of \$1,447 per month. Rent expense totaled \$11,533 for the year.

## **LUBUTO LIBRARY PROJECT, INC.**

### **Notes to Financial Statements (continued)**

For the year ended December 31, 2013

#### **9. Concentrations**

Major Contributor - The Project received \$625,556 of contributions from one organization. Grants receivable includes \$234,663 from the same organization.

Financial Instruments - The Project maintains deposits in a bank that at times exceed the amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The excess amount was approximately \$40,000 at December 31, 2013.

#### **10. Evaluation of Subsequent Events**

In preparing these financial statements, the Project has evaluated events and transactions for potential recognition or disclosure through August 4, 2014, 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, 2013**

|                                      | <u>Program</u>    | <u>Management<br/>and General</u> | <u>Fund<br/>Raising</u> | <u>Total</u>      |
|--------------------------------------|-------------------|-----------------------------------|-------------------------|-------------------|
| Professional services                | \$ 254,341        | \$ -                              | \$ -                    | \$ 254,341        |
| Salaries and wages                   | 128,318           | 10,439                            | -                       | 138,757           |
| Donated services- Executive Director | 45,140            | 12,038                            | 3,009                   | 60,187            |
| Travel and conference                | 49,162            | 964                               | -                       | 50,126            |
| Program development                  | 39,113            | -                                 | -                       | 39,113            |
| Training                             | 30,214            | -                                 | -                       | 30,214            |
| Consumables/small equipment          | 20,802            | -                                 | -                       | 20,802            |
| Communications                       | 7,586             | 12,981                            | -                       | 20,567            |
| Accounting                           | 4,887             | 6,692                             | -                       | 11,579            |
| Occupancy                            | 11,533            | -                                 | -                       | 11,533            |
| Publication and printing             | 5,834             | -                                 | -                       | 5,834             |
| Office expenses                      | 932               | 2,460                             | 25                      | 3,417             |
| Shipping and postage                 | 3,005             | 148                               | -                       | 3,153             |
| Depreciation                         | -                 | 2,544                             | -                       | 2,544             |
| Payroll taxes                        | -                 | 2,184                             | -                       | 2,184             |
| Bank fees                            | 204               | 463                               | 815                     | 1,482             |
| Dues and licenses                    | -                 | 1,270                             | -                       | 1,270             |
| Total expenses                       | <u>\$ 601,071</u> | <u>\$ 52,183</u>                  | <u>\$ 3,849</u>         | <u>\$ 657,103</u> |