LUBUTO LIBRARY PROJECT, INC.

AUDITED FINANCIAL STATEMENTS

Period From January 25, 2005 To December 31, 2005
INDEPENDENT AUDITORS’ REPORT

Board of Directors
Lubuto Library Project, Inc.
Washington, D.C.

We have audited the accompanying statement of financial position of Lubuto Library Project, Inc. (a non-profit organization) as of December 31, 2005, and the related statements of activities and cash flows for the period from January 25, 2005 (date of incorporation) to December 31, 2005. These financial statements are the responsibility of the Organization’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. at December 31, 2005, and the changes in its net assets and its cash flows for the period from January 25, 2005 (date of incorporation) to December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

McLean, Virginia
March 17, 2006
LUBUTO LIBRARY PROJECT, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2005

ASSETS
CURRENT ASSETS
Cash and cash equivalents $ 14,345
Donated books 12,000

TOTAL CURRENT ASSETS 26,345

PROPERTY AND EQUIPMENT
Computer equipment 700
Fixtures 2,500
Website 9,150
Accumulated depreciation and amortization (3,417)

8,933

TOTAL ASSETS $ 35,278

LIABILITIES AND NET ASSETS
CURRENT LIABILITIES
Accrued expenses $ 662
Payable to President 3,432

TOTAL CURRENT LIABILITIES 4,094

NET ASSETS
Unrestricted 31,184

TOTAL LIABILITIES AND NET ASSETS $ 35,278

See accompanying notes to financial statements.
LUBUTO LIBRARY PROJECT, INC.
STATEMENT OF ACTIVITIES
For the period From January 25, 2005 (date of incorporation) to December 31, 2005

UNRESTRICTED REVENUE SUPPORT AND REVENUE
Contributed support $ 139,058
Contributed books 12,000
Individual donations 16,416
Foundation grants 1,100

TOTAL UNRESTRICTED SUPPORT AND REVENUE 168,574

EXPENSES
Program services 81,965
Supporting services
  General and administrative 49,426
  Fundraising 5,999

TOTAL EXPENSES 137,390

INCREASE IN UNRESTRICTED NET ASSETS 31,184

NET ASSETS AT BEGINNING OF PERIOD —

NET ASSETS AT END OF PERIOD $31,184

See accompanying notes to financial statements.
LUBUTO LIBRARY PROJECT, INC.
STATEMENT OF CASH FLOWS
For the period From January 25, 2005 (date of incorporation) to December 31, 2005

CASH FLOWS FROM OPERATING ACTIVITIES
Increase in net assets $ 31,184
Adjustments to reconcile increase in net assets to net cash provided by operating activities
  Provision for depreciation and amortization 3,417
  Donated books (12,000)
  Donated property and equipment (12,350)
Changes in assets and liabilities:
  Accrued expenses 662
  Payable to President 3,432

NET CASH PROVIDED BY OPERATING ACTIVITIES 14,345

NET INCREASE IN CASH AND CASH EQUIVALENTS 14,345

CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD -

CASH AND CASH EQUIVALENTS AT END OF PERIOD $14,345

See accompanying notes to financial statements.
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, as well as to educate 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. Books are collected and sorted by American students and shipped to Africa. Lubuto works with host institutions in-country to adapt existing space or construct new library buildings, based on a prototype architectural plan. The Project is focusing its initial efforts in Zambia with plans to expand into other African countries in future years.

Lubuto libraries are envisioned as a safe and special place where children can read for themselves, look at books or have books read to them. The book collections are designed to appeal to a range of ages, interests and reading abilities, offering enrichment on many levels. The libraries will include the donated books in English as well as books purchased by the Project in local African languages and books created by the children themselves.

The organization’s primary activities are: building libraries, working through their regional office which is a registered nonprofit charitable organization in Zambia; soliciting donated books, selecting excellent and appropriate books from among the donations and organizing them for the African libraries; and raising awareness of the effect of HIV/AIDS on African children through school programs, educational materials and presentations. In the U.S., this entails an extensive volunteer mobilization effort.

The Project established a regional office branch, a non profit organization, in the Republic of Zambia on September 21, 2005.

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.
NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation
In accordance with SFAS No. 117, Financial Statements of Not-for-Profit Organizations, Lubuto 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. Lubuto does not have any temporarily or 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, donated books and property and equipment are recorded at the estimated fair value of such services, books and property and equipment.

Cash and cash equivalents
Cash and cash equivalents consist of a checking account at a commercial bank in Washington, D.C.

Property, Equipment and Depreciation and Amortization
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.

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

Payable at December 31, 2005 to President for expenses incurred $3,432

Contribution of computer by President and husband $700
NOTE 4 - MAJOR CONTRIBUTORS

Major contributors for the period from January 25, 2005 (date of incorporation) to December 31, 2005 include:

In-kind legal services
from one law firm $ 28,680

Salaries in-kind – President $ 65,000

Contribution of computer – President and husband 700

$ 65,700

NOTE 5 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities for the period from January 25, 2005 (date of incorporation) to December 31, 2005 have been summarized on a functional basis below:

<table>
<thead>
<tr>
<th>EXPENSES</th>
<th>Program</th>
<th>General and administrative</th>
<th>Fundraising</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries - in-kind</td>
<td>$ 69,000</td>
<td>$ 10,000</td>
<td>$ 5,000</td>
<td>$ 84,000</td>
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<tr>
<td>Bank fees</td>
<td>-</td>
<td>186</td>
<td>-</td>
<td>186</td>
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<tr>
<td>Catering expenses</td>
<td>-</td>
<td>-</td>
<td>662</td>
<td>662</td>
</tr>
<tr>
<td>Communications - in-kind</td>
<td>600</td>
<td>-</td>
<td>-</td>
<td>600</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>3,357</td>
<td>58</td>
<td>-</td>
<td>3,415</td>
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<tr>
<td>Grant application expense</td>
<td>-</td>
<td>-</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>Legal services - in-kind</td>
<td>1,820</td>
<td>37,418</td>
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<td>39,238</td>
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<tr>
<td>Licenses and fees</td>
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<td>1,727</td>
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<tr>
<td>Meals</td>
<td>185</td>
<td>-</td>
<td>-</td>
<td>185</td>
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<tr>
<td>Office expenses</td>
<td>396</td>
<td>37</td>
<td>-</td>
<td>433</td>
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<tr>
<td>Postage and delivery</td>
<td>335</td>
<td>-</td>
<td>-</td>
<td>335</td>
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<tr>
<td>Program development</td>
<td>250</td>
<td>-</td>
<td>-</td>
<td>250</td>
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<tr>
<td>Program development - in-kind</td>
<td>2,750</td>
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<tr>
<td>Registration fees</td>
<td>150</td>
<td>-</td>
<td>-</td>
<td>150</td>
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<tr>
<td>Supplies</td>
<td>1,806</td>
<td>-</td>
<td>(163)</td>
<td>1,643</td>
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<tr>
<td>Telephone</td>
<td>75</td>
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<td>75</td>
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<tr>
<td>Travel</td>
<td>1,121</td>
<td>-</td>
<td>-</td>
<td>1,121</td>
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<tr>
<td>Website hosting - in-kind</td>
<td>120</td>
<td>-</td>
<td>-</td>
<td>120</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>81,965</strong></td>
<td><strong>49,426</strong></td>
<td><strong>5,999</strong></td>
<td><strong>137,390</strong></td>
</tr>
</tbody>
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