

OLPC FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2007



CERTIFIED PUBLIC ACCOUNTANTS, LLP
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
OLPC Foundation

We have audited the accompanying statement of financial position of OLPC Foundation (a not-for-profit corporation) as of December 31, 2007, and the related statements of activities and cash flows for the year then ended. 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 OLPC Foundation as of December 31, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Lutz + Carr, LLP".

New York, New York
October 15, 2008

OLPC FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2007

Assets

Cash (Note 3)	\$22,142,482
Marketable securities (Notes 1c and 4)	10,836
Unconditional promises to give - net of allowance for doubtful accounts of \$982,798 (Notes 1d and 5)	
Unrestricted	122,558
Temporarily restricted	2,495,438
Inventory (Note 1f)	5,071,638
Production advance	<u>1,000,000</u>

Total Assets\$30,842,952**Liabilities and Net Assets**

Liabilities

Accounts payable and accrued expenses	\$ 1,022,994
Due to One Laptop per Child Association, Inc., net (Note 6)	<u>655,001</u>
Total Liabilities	<u>1,677,995</u>

Net Assets

Unrestricted	144,744
Temporarily restricted (Note 2)	<u>29,020,213</u>
Total Net Assets	<u>29,164,957</u>

Total Liabilities and Net Assets\$30,842,952

See notes to financial statements.

OLPC FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2007

Changes in Unrestricted Net Assets

Revenues and Other Support	
Contributions (Notes 1d and 8)	\$ 8,341,270
Direct benefit expenses (Note 8)	(8,081,250)
Donated services (Note 7)	8,110,264
Interest income	656
Miscellaneous income	<u>137,429</u>
Total Unrestricted Revenues and Other Support	<u>8,508,369</u>
Expenses (Note 9)	
Advertising	7,331,177
Professional services	681,642
Program expenses	87,232
Legal and accounting fees	35,116
Payroll and related costs	228,241
Administrative and other costs	<u>40,481</u>
Total Expenses	<u>8,403,889</u>
Increase in Unrestricted Net Assets	104,480

Changes in Temporarily Restricted Net Assets

Contributions (Note 8)	<u>29,020,213</u>
Increase in net assets	29,124,693
Net assets, beginning of year	<u>40,264</u>
Net Assets, End of Year	<u><u>\$29,164,957</u></u>

OLPC FOUNDATION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2007

Cash Flows From Operating Activities

Increase in net assets	\$29,124,693
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Donated securities	(10,449)
Unrealized gain on marketable securities	(387)
Increase in:	
Unconditional promises to give	(2,617,996)
Inventory	(5,071,638)
Production advance	(1,000,000)
Increase in:	
Accounts payable and accrued expenses	1,022,994
Due to One Laptop per Child Association	<u>655,001</u>
Net Cash Provided By Operating Activities -	
Increase in Cash	22,102,218
Cash, beginning of year	<u>40,264</u>
 Cash, End of Year	 <u><u>\$22,142,482</u></u>

OLPC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization

OLPC Foundation (the "Foundation") is a 501(c)(3) nonprofit organization chartered under the laws of Delaware. The Foundation's primary purpose is to fundraise in order to purchase and subsidize laptops for children for educational purposes. This includes the cost of laptops, their delivery, teacher preparation and infrastructure equipment and installation.

b - Financial Statement Presentation

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

c - Investments

The Foundation reflects investments at fair value in the statement of financial position. Unrealized gains and losses on investments are reflected in the statement of activities as increases and decreases in unrestricted net assets.

d - Unconditional Promises to Give and Contributions

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Foundation uses the allowance method to determine uncollectible promises to give. The allowance is based on management's analysis of specific promises made.

e - 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. Actual results could differ from those estimates.

f - Inventory

Inventory consists of laptop computers and is accounted for on a first in, first out basis and is stated at the lower of cost or market value.

OLPC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

g - Tax Status

During an advance ruling period, beginning August 28, 2006 and ending December 31, 2010, the Foundation has been determined to be a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

Note 2 - Restriction on Assets

Temporarily restricted net assets are restricted for future programs.

Note 3 - Concentration of Credit Risk

The Foundation maintains its cash balances in financial institutions located in Massachusetts and New York, including approximately \$20,626,000 in a demand deposit account.

Note 4 - Marketable Securities

Marketable securities are comprised of common stock the cost of which approximated market value as of December 31, 2007.

Note 5 - Unconditional Promises to Give

Unconditional promises to give are due within one year.

Note 6 - Due to One Laptop per Child Association, Inc.

One Laptop per Child Association, Inc. is a 501(c)(4) membership corporation organized under the laws of Delaware. Due to One Laptop per Child Association, Inc., net represents non-interest bearing advances due on demand.

OLPC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 7 - Donated Advertising and Other Services

In 2007, the Foundation received donated advertising and other services in connection with its programs as follows:

Advertising	<u>\$7,331,177</u>
One Laptop per Child Association, Inc. Donated Services:	
Processing Services and Fundraising Costs	550,846
Employee Salaries	103,241
Chairman's salary	<u>125,000</u>
	<u>779,087</u>
	<u>\$8,110,264</u>

Note 8 - Contributions

Contributions are for the Foundation's mission to deliver laptops for educational purposes in a saturated model to some of the most remote and isolated children in the world. The Foundation uses its donor contributions to purchase laptops, ensure their safe delivery, and provide power and connectivity solutions in order to provide the most impactful experience for these children. Direct benefit expenses represent the cost of providing the donor with a laptop.

Note 9 - Functional Allocation of Expenses

The cost of providing the various program and the supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and the supporting services benefited as follows:

	<u>Before Donated Advertising</u>	<u>Donated Advertising</u>	<u>Total</u>
Program Services	\$ 337,235	\$ -	\$ 337,235
Supporting Services			
Management and general	636,252	-	636,252
Fundraising	<u>99,225</u>	<u>7,331,177</u>	<u>7,430,402</u>
Totalling Supporting Services	<u>735,477</u>	<u>7,331,177</u>	<u>8,066,654</u>
Total Expenses	<u>\$ 1,072,712</u>	<u>\$ 7,331,177</u>	<u>\$8,403,889</u>