

## ONE LAPTOP PER CHILD ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006 AND 2005

Note 1 - Organization and Summary of Significant Accounting Policiesa - Organization

One Laptop Per Child Association, Inc. ("OLPC") is a membership corporation organized under the laws of Delaware. The goal of OLPC is a humanitarian and developmental mission currently focused on equipping large numbers of school children and their teachers in developing and developed countries with ultra low-cost, individual, connected laptop computers to dramatically enhance their primary and secondary education. Primarily, OLPC intends to achieve these goals through the manufacture and distribution, at vastly reduced costs, of laptop computers and the sale of those computers to ministries and departments of education with the understanding that they will be used solely by school children and their teachers for educational purposes. OLPC intends to sell such laptop computers at its direct and indirect costs of manufacturing and distributing them, and will not build in any profit component for itself.

b - Financial Statement Presentation

The Organization 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 - Cash and Cash Equivalents

The Organization considers all short-term highly-liquid investments, such as money market funds, to be cash equivalents. At December 31, 2006, cash equivalents include \$2,901,000 of money market funds.

d - Furniture and Fixtures

Furniture and fixtures are carried at cost and depreciated using the straight-line method over the estimated useful life of the related asset.

e - Development Costs

Development costs are aimed at the discovery of new knowledge translated into a new design of laptop computers and are expensed as incurred until technological feasibility has been established.

f - 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.

g - Tax Status

OLPC applied for recognition as a not-for-profit corporation exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code. Its status as an exempt organization is currently pending.