

OBAKKI FOUNDATION USA

FINANCIAL STATEMENTS

April 30, 2012

(With Independent Auditors' Report)

OBAKKI FOUNDATION USA

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Obakki Foundation USA

We have audited the accompanying statement of financial position of Obakki Foundation USA (a nonprofit organization) as of April 30, 2012 and the related statements of activities, functional expenses, 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 Obakki Foundation USA as of April 30, 2012, 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.

VSH PLLC

Bellingham, Washington
September 30, 2012

OBAKKI FOUNDATION USA
STATEMENT OF FINANCIAL POSITION

April 30, 2012

ASSETS

Cash and cash equivalents	\$ 32,289
Accounts receivable	16,200
Promises to give	184,307
Inventory	13,580
Drilling advances	8,800
TOTAL ASSETS	<u>\$ 255,176</u>

LIABILITIES AND NET DEFICIENCY

Accounts payable	\$ 170,580
Due to related parties	130,000
Total liabilities	<u>300,580</u>
Net (deficiency) assets	
Unrestricted net deficiency	(259,491)
Temporarily restricted net assets	214,087
Total net deficiency	<u>(45,404)</u>
TOTAL LIABILITES AND NET DEFICIENCY	<u>\$ 255,176</u>

See independent auditors' report and accompanying notes to the financial statements.

OBAKKI FOUNDATION USA
STATEMENT OF ACTIVITIES
For the Year Ended April 30, 2012

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Contributions	\$ 691,602	\$ 214,087	\$ 905,689
Contributed services and facilities	125,000	-	125,000
Foreign exchange gain	1,987	-	1,987
Total support and revenue	818,589	214,087	1,032,676
 NET ASSETS RELEASED FROM RESTRICTIONS	10	(10)	-
 EXPENSES			
Program services	1,157,208	-	1,157,208
Supporting services	82,255	-	82,255
Total expenses	1,239,463	-	1,239,463
 INCREASE (DECREASE) IN NET ASSETS	(420,864)	214,077	(206,787)
 NET ASSETS, beginning of year	161,373	10	161,383
 NET ASSETS (DEFICIENCY), end of year	\$ (259,491)	\$ 214,087	\$ (45,404)

See independent auditors' report and accompanying notes to the financial statements.

OBAKKI FOUNDATION USA
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended April 30, 2012

	Program Services	Supporting Services		Totals
		Management and General	Fund Raising	
Well drilling and rehabilitation	\$ 1,039,856	\$ -	\$ -	\$ 1,039,856
Contracted services	16,100	-	-	16,100
Grant expense	15,000	-	-	15,000
Automobile expense	11,149	-	-	11,149
Customs and immigration	7,660	-	-	7,660
Housing expense	7,435	-	-	7,435
Travel and hotel expense	5,937	-	-	5,937
Supplies	3,568	-	-	3,568
Miscellaneous	503	199	-	702
Donated services and facilities				
Management services	50,000	10,000	-	60,000
Accounting services	-	15,000	-	15,000
Website and social media management	-	-	25,000	25,000
Photography and videography	-	-	20,000	20,000
Facilities	-	1,500	3,500	5,000
Bank charges	-	4,761	-	4,761
Legal and professional services	-	2,295	-	2,295
Total functional expenses	\$ 1,157,208	\$ 33,755	\$ 48,500	\$ 1,239,463

See independent auditors' report and accompanying notes to the financial statements.

OBAKKI FOUNDATION USA
STATEMENT OF CASH FLOWS
For the Year Ended April 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Decrease in net assets	\$ (206,787)
<i>Adjustments to reconcile decrease in net assets to net cash used by operating activities</i>	
Increase in receivables	(16,190)
Increase in promises to give	(184,307)
Increase in inventory	(13,580)
Increase in drilling advances	(8,800)
Increase in accounts payable	170,580
Increase in due to related parties	<u>130,000</u>
Net cash used by operating activities	<u>(129,084)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(129,084)
CASH AND CASH EQUIVALENTS, beginning of year	<u>161,373</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 32,289</u></u>

See independent auditors' report and accompanying notes to the financial statements.

OBAKKI FOUNDATION USA
NOTES TO FINANCIAL STATEMENTS

April 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Obakki Foundation USA (the Organization) is a non-profit organization that uses fashion and creative arts as a fundraising vehicle to bring water and education to people in Africa. The Organization's mission is to assist children and adults in local villages of developing nations in becoming self-sufficient while supporting their fundamental rights to health and education.

Accounting Policies – This summary of the major accounting policies of the Organization is presented to assist the reader in evaluating the Organization's financial statements. The financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles (GAAP), and have been consistently applied in the preparation of the financial statements.

Basis of presentation – The net assets of the Organization are reported in the financial statements in accordance with FASB 958-210. Under FASB 958-210, the Organization is required to report 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. The net assets of the Organization are classified according to the nature and purpose of the resources and in compliance with limitations and restrictions placed on their use.

Unrestricted net assets consist of net assets available for current operations and expenditures for current programs. These assets have no donor imposed stipulations.

Temporarily restricted net assets consist of net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. Temporarily restricted net assets consist of the following as of April 30, 2012:

Subsequent year's operations	\$214,087
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Permanently restricted net assets consist of net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization had no permanently restricted net assets as of April 30, 2012.

Cash equivalents – The Organization considers all short-term, highly liquid investments with original maturities of three months or less to be cash equivalents.

Contributions – Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions. When donor restrictions are met during the same period that the contribution is received, the contribution is recorded as unrestricted net assets. Contributions other than cash contributions are recorded at estimated fair value at the date donated.

Donated auction items – Donated items auctioned are recorded at the amount of cash received in the auction. Donated auction items of value that have not been auctioned at the end of the year are accrued at their estimated fair value at year end as inventory.

Contributions for the year ended April 30, 2012 include \$74,447 from donated auction items.

See independent auditors' report.

OBAKKI FOUNDATION USA
NOTES TO FINANCIAL STATEMENTS

April 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Donated services and facilities— Donated services and facilities are reflected as contributions in the accompanying statements at their estimated values at date of receipt. FASB ASC 958-605 requires services contributed by professionals and craftsmen that require specialized skills to be recognized as in-kind income and expense. Contributed services that do not require specialized skills are not recognized.

Contributed services and facilities for the year ended April 30, 2012 consisted of the following:

Accounting services	\$15,000
Management services	60,000
Website and social management	25,000
Photography and videography	20,000
Facilities	<u>5,000</u>
	<u>\$ 125,000</u>

Revenue recognition — All public support and revenue are considered to be available for unrestricted use unless specifically restricted by the donor. At its discretion, the Board of Directors may designate funds for specific purposes.

Federal income tax — The Organization is a not-for-profit organization that is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) on income related to its organizational purpose. Management evaluates their income tax positions on a regular basis and believes it has taken no significant uncertain tax positions. The Organization has not recognized any interest or penalties associated with uncertain tax positions. All tax returns filed remain open to examination by taxing authorities.

Allocation of expenses — Expenses by function have been allocated among program classifications on the basis of time records and on estimates made by the Organization's management.

Use of estimates — The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. Such estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events — Subsequent events have been evaluated through September 30, 2012, which is the date the financial statements were available to be issued.

Promises to give — Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Conditional promises to give are not included as support until such time as the conditions are substantially met. Unconditional promises to give at April 30, 2012 were \$184,307. This amount was received by the Organization in August 2012.

See independent auditors' report.

OBAKKI FOUNDATION USA
NOTES TO FINANCIAL STATEMENTS

April 30, 2012

NOTE 2. RELATED PARTY TRANSACTIONS

The Organization received \$528,631 in contributions from Obakki Foundation Canada, a nonprofit organization with a common board of directors. The contributions represent 58% of total contribution support for the year ended April 30, 2012.

Due to related parties, as of April 30, 2012, includes amounts with no stated terms of repayment or interest rates owed to Zero-G Music Inc. and Obakki Designs of \$100,000 and \$30,000, respectively. Certain shareholders of Zero-G Music Inc. and Obakki Designs are board members of the Organization.

NOTE 3. JOINT VENTURE

The Organization entered into a joint venture with The Centre for International Cooperation of Buea, Cameroon ("CIC") in January 2010. The purpose of the joint venture is to accomplish development projects in Cameroon that are consistent with the charitable purposes of both the Organization and the CIC. The Organization and CIC have joint authority and discretion in the management and control of projects. The CIC is responsible for the daily implementation of all projects within the joint venture, including maintaining financial books and records and providing unlimited access to projects by the Organization's personnel. The organization contributed \$15,000 to the joint venture during the year ended April 30, 2012, classified as grant expense in the statement of activities.

NOTE 4. FOREIGN EXCHANGE RATE

The Organization has well drilling contracts in Sudan. The costs related to these contracts are settled in both US dollars and the South Sudanese pound. The South Sudanese pound does not have an established exchange rate and is subject to extreme fluctuations. The Organization used a rate of 4.2 to translate the foreign currency transactions and cash balances from the South Sudanese pound to US dollars for the year ended April 30, 2012. The organization had translated cash on hand of \$22,095 included in the cash balance as of April 30, 2012.

See independent auditors' report.