

OBAKKI FOUNDATION USA

FINANCIAL STATEMENTS

April 30, 2013 and 2012

With Independent Auditors' Report

OBAKKI FOUNDATION USA

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To the Board of Directors
Obakki Foundation USA

We have audited the accompanying financial statements of Obakki Foundation USA (a nonprofit organization), which comprise the statements of financial position as of April 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Obakki Foundation as of April 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

VSH PLLC

Bellingham, Washington
November 22, 2013

OBAKKI FOUNDATION USA
STATEMENTS OF FINANCIAL POSITION
April 30, 2013 and 2012

	ASSETS	2013	2012
Cash and cash equivalents		\$ 11,957	\$ 32,289
Accounts receivable		-	16,200
Promises to give		-	184,307
Inventory		-	13,580
Advance, related party		984	-
Drilling advances		-	8,800
TOTAL ASSETS		\$ 12,941	\$ 255,176
LIABILITIES AND NET DEFICIENCY			
Accounts payable		\$ 16,593	\$ 170,580
Due to related parties		222,000	130,000
		<u>238,593</u>	<u>300,580</u>
Net deficiency		(225,652)	(259,491)
		-	214,087
		<u>(225,652)</u>	<u>(45,404)</u>
TOTAL LIABILITES AND NET DEFICIENCY		\$ 12,941	\$ 255,176

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

OBAKKI FOUNDATION USA
STATEMENTS OF ACTIVITIES

For the Years Ended April 30, 2013 and 2012

	Unrestricted	Temporarily Restricted	2013 Total	2012 Total
SUPPORT AND REVENUE				
Contributions	\$ 273,339	\$ -	\$ 273,339	\$ 905,689
Contributed services and facilities	115,000	-	115,000	125,000
Foreign exchange gain	27,028	-	27,028	1,987
Total support and revenue	415,367	-	415,367	1,032,676
 NET ASSETS RELEASED FROM				
	214,087	(214,087)	-	-
 EXPENSES				
Program services	515,314	-	515,314	1,157,208
Supporting services	80,301	-	80,301	82,255
Total expenses	595,615	-	595,615	1,239,463
 INCREASE (DECREASE) IN NET ASSETS	33,839	(214,087)	(180,248)	(206,787)
 NET ASSETS (DEFICIENCY), beginning of year	(259,491)	214,087	(45,404)	161,383
 NET DEFICIENCY, end of year	\$ (225,652)	\$ -	\$ (225,652)	\$ (45,404)

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

OBAKKI FOUNDATION USA
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended April 30, 2013 and 2012

	Program Services	Supporting Services		2013 Total	2012 Total
		Management and General	Fund Raising		
Well drilling and rehabilitation	\$ 228,751	\$ -	\$ -	\$ 228,751	\$ 1,039,856
Solar panels	97,183	-	-	97,183	-
Livestock watering stations	29,159	-	-	29,159	-
Contracted services	27,329	-	-	27,329	16,100
Transportation	24,680	-	-	24,680	11,149
Agricultural project	19,673	-	-	19,673	-
Legal and professional services	-	11,092	-	11,092	2,295
Housing	10,626	-	-	10,626	7,435
Travel and hotel	8,571	-	-	8,571	5,937
General labor	6,185	-	-	6,185	-
Donations	6,000	-	-	6,000	-
Customs and immigration	3,198	-	-	3,198	7,660
Bank charges	-	2,868	-	2,868	4,761
Supplies	2,138	-	-	2,138	3,568
Mapping and evaluation	1,821	-	-	1,821	-
Photography and videography	-	-	1,000	1,000	-
Miscellaneous	-	341	-	341	702
Grants	-	-	-	-	15,000
Donated services and facilities					
Management services	50,000	10,000	-	60,000	60,000
Website and social media management	-	-	25,000	25,000	25,000
Accounting services	-	15,000	-	15,000	15,000
Photography and videography	-	-	10,000	10,000	20,000
Facilities	-	1,500	3,500	5,000	5,000
Total functional expenses	\$ 515,314	\$ 40,801	\$ 39,500	\$ 595,615	\$ 1,239,463

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

OBAKKI FOUNDATION USA
STATEMENTS OF CASH FLOWS
For the Years Ended April 30, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (180,248)	\$ (206,787)
<i>Adjustments to reconcile decrease in net assets to net cash used by operating activities</i>		
Decrease (increase) in receivables	16,200	(16,190)
Decrease (increase) in promises to give	184,307	(184,307)
Decrease (increase) in inventory	13,580	(13,580)
(Increase) in advance, related party	(984)	-
Decrease (increase) in drilling advances	8,800	(8,800)
(Decrease) increase in accounts payable	(153,987)	170,580
Increase in due to related parties	92,000	130,000
Net cash used by operating activities	(20,332)	(129,084)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(20,332)	(129,084)
CASH AND CASH EQUIVALENTS, beginning of year	32,289	161,373
CASH AND CASH EQUIVALENTS, end of year	\$ 11,957	\$ 32,289

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

OBAKKI FOUNDATION USA
NOTES TO FINANCIAL STATEMENTS

April 30, 2013 and 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. The Organization had no temporarily restricted net assets as of April 30, 2013. 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, 2013 and 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 include \$0 and \$74,447 from donated auction items for the years ended April 30, 2013 and 2012, respectively.

See independent auditors’ report.

OBAKKI FOUNDATION USA
NOTES TO FINANCIAL STATEMENTS

April 30, 2013 and 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 consisted of the following for the years ended April 30:

	<u>2013</u>	<u>2012</u>
Management services	\$ 60,000	\$ 60,000
Website and social media management	25,000	25,000
Accounting services	15,000	15,000
Photography and videography	10,000	20,000
Facilities	5,000	5,000
	<u>\$ 115,000</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 November 22, 2013, 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 were \$0 and \$184,307 at April 30, 2013 and 2012, respectively.

See independent auditors’ report.

OBAKKI FOUNDATION USA
NOTES TO FINANCIAL STATEMENTS

April 30, 2013 and 2012

NOTE 2. RELATED PARTY TRANSACTIONS

Obakki Foundation Canada (Obakki Canada) shares a common board of directors with the Organization. The Organization received \$105,453 and \$528,631 in contributions from Obakki Canada for the years ended April 30, 2013 and 2012, respectively. The contributions represent 39% and 58% of total contribution support for the years ended April 30, 2013 and 2012, respectively.

The Organization contributed \$6,000 and \$0 to Obakki Canada for the years ended April 30, 2013 and 2012, respectively.

Due to related parties, as of April 30, 2013 and 2012, includes amounts with no stated terms of repayment or interest rates owed to Zero-G Music Inc. dba Obakki Designs (Obakki Designs) of \$222,000 and \$130,000, respectively. Certain shareholders of 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 \$0 and \$15,000 to the joint venture during the years ended April 30, 2013 and 2012, respectively, 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 3.05 and 4.20 to translate the foreign currency transactions and cash balances from the South Sudanese pound to US dollars for the years ended April 30, 2013 and 2012, respectively. The organization had translated cash on hand of \$664 and \$22,095 included in the cash balance as of April 30, 2013 and 2012, respectively.

See independent auditors' report.