

OBAKKI FOUNDATION USA
Financial Statements
With Independent Auditors' Report

April 30, 2015

(With Comparative Totals for 2014)

OBAKKI FOUNDATION USA

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INDEPENDENT AUDITORS' REPORT

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 statement of financial position as of April 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year 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 auditors' 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 USA as of April 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Obakki Foundation USA's April 30, 2014, financial statements and expressed an unmodified opinion on those financial statements in our report dated November 18, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended April 30, 2014, is consistent in all material respects with the audited financial statements from which it has been derived.

VSH PLLC

Bellingham, Washington
December 8, 2015

OBAKKI FOUNDATION USA
STATEMENT OF FINANCIAL POSITION

April 30, 2015

(With Comparative Totals for 2014)

ASSETS

	2015	2014
Cash and cash equivalents	\$ 41,572	\$ 15,978
Contributions receivable	30,278	415
Contributions receivable from directors	145,000	-
Prepaid expenses	8,918	-
Advance to related party	645	-
TOTAL ASSETS	\$ 226,413	\$ 16,393

LIABILITIES AND NET ASSETS (DEFICIENCY IN NET ASSETS)

Liabilities		
Accounts payable	\$ 200,200	\$ 125,088
Amount due to related party	145,000	-
Amount due to directors	78,000	357,220
Refundable advances - UNMISS grant	-	9,359
Accrued Sudan social insurance	7,700	-
Total liabilities	430,900	491,667
Net assets (Deficiency in net assets)		
Unrestricted	(379,765)	(475,689)
Temporarily restricted	175,278	415
Total deficiency in net assets	(204,487)	(475,274)
TOTAL LIABILITIES AND NET ASSET DEFICIENCY	\$ 226,413	\$ 16,393

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

OBAKKI FOUNDATION USA
STATEMENT OF ACTIVITIES
For the Year Ended April 30, 2015
(With Comparative Totals for 2014)

	Unrestricted	Temporarily Restricted	2015 Total	2014 Total
SUPPORT AND REVENUE				
Contributions and grants	\$ 635,816	\$ 175,278	\$ 811,094	\$ 420,864
Contributed services and facilities	-	-	-	145,000
Other income	3,941	-	3,941	8,852
Net assets released from restrictions	415	(415)	-	-
Total support and revenue	640,172	174,863	815,035	574,716
EXPENSES				
Program services	460,219	-	460,219	748,816
Supporting services	104,821	-	104,821	105,697
Total expenses	565,040	-	565,040	854,513
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	75,132	174,863	249,995	(279,797)
OTHER INCOME FROM NON-OPERATING ACTIVITIES				
Foreign currency exchange gain	20,792	-	20,792	30,175
INCREASE (DECREASE) IN NET ASSETS	95,924	174,863	270,787	(249,622)
NET ASSETS (DEFICIENCY IN NET ASSETS), beginning of year	(475,689)	415	(475,274)	(225,652)
NET ASSETS (DEFICIENCY IN NET ASSETS), end of year	\$ (379,765)	\$ 175,278	\$ (204,487)	\$ (475,274)

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

OBAKKI FOUNDATION USA
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended April 30, 2015
(With Comparative Totals for 2014)

	Program Services	Supporting Services		2015 Total	2014 Total
		Management and General	Fund Raising		
Well-drilling and rehabilitation	\$ 259,796	\$ -	\$ -	\$ 259,796	\$ 443,051
Solar panels	48,616	-	-	48,616	3,149
Administrative services and facilities (Note 4)					
Management services	50,000	20,000	-	70,000	-
Website and social media management	-	-	25,000	25,000	-
Accounting services	-	20,000	-	20,000	-
Photography and videography	-	-	20,000	20,000	-
Facilities	5,000	5,000	-	10,000	-
Salaries and benefits	33,978	-	-	33,978	-
Donations	25,502	-	-	25,502	2,607
Transportation	11,964	-	-	11,964	15,726
Legal and professional services	-	11,322	-	11,322	10,671
Housing	9,696	-	-	9,696	17,994
Travel	5,286	-	-	5,286	12,483
Agricultural project	3,843	-	-	3,843	28,564
Bank charges	-	3,499	-	3,499	5,026
Livestock watering stations	2,796	-	-	2,796	109,748
Payroll taxes	2,054	-	-	2,054	-
General labor and transport	609	-	-	609	8,901
Supplies	600	-	-	600	4,939
Mapping and evaluation	479	-	-	479	664
Donated services and facilities	-	-	-	-	145,000
Contracted services	-	-	-	-	27,614
Customs and immigration	-	-	-	-	18,376
Total functional expenses	\$ 460,219	\$ 59,821	\$ 45,000	\$ 565,040	\$ 854,513

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

OBAKKI FOUNDATION USA
STATEMENT OF CASH FLOWS
For the Year Ended April 30, 2015
(With Comparative Totals for 2014)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 270,787	\$ (249,622)
<i>Adjustments to reconcile increase (decrease) in net assets to net cash used for operating activities</i>		
Increase in contributions receivable	(29,863)	(415)
Increase in contributions receivable from directors	(145,000)	-
Increase in prepaid expenses	(8,918)	-
Increase in accounts payable	75,112	108,495
(Decrease) increase in refundable advances - UNMISS grant	(9,359)	9,359
Increase in accrued Sudan social insurance	7,700	-
Net cash provided by (used for) operating activities	160,459	(132,183)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (increase) decrease in advance to related party	(645)	984
Borrowings from related party	145,000	-
Borrowings from directors	78,000	-
Repayments to directors	(357,220)	135,220
Net cash (used for) provided by financing activities	(134,865)	136,204
NET INCREASE IN CASH AND CASH EQUIVALENTS	25,594	4,021
CASH AND CASH EQUIVALENTS, beginning of year	15,978	11,957
CASH AND CASH EQUIVALENTS, end of year	\$ 41,572	\$ 15,978

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

OBAKKI FOUNDATION USA
NOTES TO FINANCIAL STATEMENTS
 April 30, 2015
 (With Comparative Totals for 2014)

NOTE 1. NATURE OF THE ORGANIZATION

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. Program services include drilling water wells and rehabilitating existing boreholes to provide clean water to the people of Sudan and providing education, supplies, and support for agricultural development.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 accounting principles generally accepted in the United States of America 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. At its discretion, the board of directors may designate funds for specific purposes.

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:

	2015	2014
Services and facilities	\$ 145,000	\$ -
Well drilling projects	19,646	-
Solar projects	10,000	-
Subsequent year operations	632	415
	\$ 175,278	\$ 415

See independent auditors’ report

OBAKKI FOUNDATION USA
NOTES TO FINANCIAL STATEMENTS
April 30, 2015
(With Comparative Totals for 2014)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

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, 2015 and 2014.

Foreign currency translation – Assets denominated in foreign currencies are translated into U.S. dollars at exchange rates in effect on the reporting dates, and revenue and expenses are translated at rates which approximate those in effect on transaction dates. Net translation and transaction gains and losses are included in the accompanying statement of activities as non-operating foreign currency exchange gain. See Note 5.

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

Contributions receivable – Contributions receivable are expected to be realized in one year or less and are classified as temporarily restricted net assets in the statement of financial position. Management expects the contributions receivable to be fully collectible; therefore, no allowance has been provided as of April 30, 2015 and 2014.

Contributions and grants – Contributions and grants are recognized at fair value on the earlier of receipt of cash or when the donor makes a promise to give to the Organization that is, in substance, unconditional. All contributions and grants are considered available for the Organization's general programs unless specifically restricted by the donor. Contributions and grants 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 and grants are recognized. All other donor-restricted contributions and grants 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 Organization received 85% of its contributions and grants from three major contributors for the year ended April 30, 2015. The Organization received 87% of its contributions and grants from four major contributors for the year ended April 30, 2014.

OBAKKI FOUNDATION USA
NOTES TO FINANCIAL STATEMENTS
 April 30, 2015
 (With Comparative Totals for 2014)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Contributed services and facilities – Contributed services and facilities are reflected as contributions in the accompanying statement of activities at their estimated fair 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 year ended April 30:

	2014
Management services	\$ 70,000
Website and social media management	25,000
Accounting services	20,000
Photography and videography	20,000
Facilities	10,000
	\$ 145,000

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. The Organization evaluates its 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. The Organization is no longer subject to federal tax examinations by tax authorities for fiscal years before 2011.

Allocation of expenses – Costs of providing programs and supporting services are summarized by functional category in the statement of functional expenses. Costs are directly allocated where possible, and certain expenses not directly related to a particular function are allocated based on the percentage of time devoted to the functions benefited and on estimates made by the Organization's management.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Significant estimates and assumptions in these financial statements require the exercise of judgment and are used for, but not limited to, the allowance for doubtful accounts, recognition of contributions and grants, and translation of foreign currency transactions and cash balances.

Reclassifications – Certain prior year amounts have been reclassified to conform to the current year presentation.

Subsequent events – Subsequent events have been evaluated through December 8, 2015, which is the date the financial statements were available to be issued.

See independent auditors' report

OBAKKI FOUNDATION USA
NOTES TO FINANCIAL STATEMENTS
April 30, 2015
(With Comparative Totals for 2014)

NOTE 3. RELATED PARTY TRANSACTIONS

Obakki Foundation Canada (Obakki Canada) shares a common board of directors with the Organization. The Organization received \$58,387 and \$74,824 in contributions from Obakki Canada for the years ended April 30, 2015 and 2014, respectively.

The shareholder of Zero-G Music Inc., dba Obakki Designs (Obakki Designs) is a director of the Organization. The Organization received \$427,245 and \$59,929 in contributions from Obakki Designs for the years ended April 30, 2015 and 2014, respectively. At April 30, 2015, the Organization had a balance of \$145,000 due to Obakki Designs. Additionally, at April 30, 2015, accounts payable included \$5,000 due to Obakki Designs. The Organization recognized \$145,000 of contributed services and facilities from Obakki Designs and its employees for the year ended April 30, 2014.

The Organization contributed \$5,842 to Obakki Canada for the year ended April 30, 2015.

The Organization accrued Sudan social insurance for its employee in accordance with South Sudan law. The balance is expected to increase each year until the employee is no longer employed by the Organization. The Organization accrued \$7,700 for the year ended April 30, 2015. There was no accrual balance for the year ended April 30, 2014.

NOTE 4. DIRECTOR TRANSACTIONS

A contribution receivable from directors have no stated terms of repayment or interest, and totaled \$145,000 as of April 30, 2015. Certain expenses, as detailed in the statement of functional expenses are covered by this contribution.

Amount due to directors have no stated terms of repayment or interest, and totaled \$78,000 and \$357,220 as of April 30, 2015 and 2014, respectively.

NOTE 5. FOREIGN OPERATIONS

The Organization has well drilling and other program-related 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 the United Nations operational rate of exchange to translate the foreign currency transactions and cash balances from the South Sudanese pound to US dollars for the years ended April 30, 2015 and 2014, respectively. The Organization translated cash on hand of \$1,591 and \$1,258 as of April 30, 2015 and 2014, respectively.

The Organization transacted with five contractors who accounted for 78% of the costs of its well-drilling and rehabilitation and solar panels during the year ended April 30, 2015. The Organization transacted with two contractors who accounted for 70% of the costs of its well-drilling and rehabilitation, livestock watering stations, and solar panels during the year ended April 30, 2014.

See independent auditors' report