

OBAKKI FOUNDATION USA
Financial Statements
And Independent Auditors' Report

April 30, 2016

(With Comparative Totals for 2015)

OBAKKI FOUNDATION USA

Table of Contents

Page

INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
NOTES TO FINANCIAL STATEMENTS	7-10



CERTIFIED PUBLIC ACCOUNTANTS

LISTENING THINKING LEADING

vshcpa.com

MAIN OFFICE

Phone: 360.734.8715 Toll Free: 877.634.8715 Fax: 360.738.1176
2200 Rimland Drive, Suite #205, Bellingham, WA 98226

SOUTH SURREY OFFICE

Phone: 604.531.6638
Suite 404, 1688 152 Street, Surrey, BC V4A 4N2

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, 2016, 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, 2016, 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, 2015, financial statements and expressed an unmodified opinion on those financial statements in our report dated December 8, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended April 30, 2015, is consistent in all material respects with the audited financial statements from which it has been derived.

VSH PLLC

Bellingham, Washington
September 23, 2016

OBAKKI FOUNDATION USA
STATEMENT OF FINANCIAL POSITION
April 30, 2016
(With Comparative Totals for 2015)

ASSETS

	2016	2015
Cash and cash equivalents	\$ 7,386	\$ 41,572
Contributions receivable	-	30,278
Contributions receivable from directors	230,000	145,000
Prepaid expenses	3,570	8,918
Advance to related party	-	645
TOTAL ASSETS	\$ 240,956	\$ 226,413

LIABILITIES AND NET ASSETS (DEFICIENCY IN NET ASSETS)

Liabilities		
Accounts payable	\$ 108,630	\$ 200,200
Amount due to related party	230,000	145,000
Amount due to directors	111,981	78,000
Accrued Sudan social insurance	12,900	7,700
Total liabilities	463,511	430,900
Net assets (Deficiency in net assets)		
Unrestricted	(627,833)	(379,765)
Temporarily restricted	405,278	175,278
Total deficiency in net assets	(222,555)	(204,487)
TOTAL LIABILITIES AND NET ASSETS (DEFICIENCY IN NET ASSETS)	\$ 240,956	\$ 226,413

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

OBAKKI FOUNDATION USA
STATEMENT OF ACTIVITIES
For the Year Ended April 30, 2016
(With Comparative Totals for 2015)

	Unrestricted	Temporarily Restricted	2016 Total	2015 Total
SUPPORT AND REVENUE				
Contributions and grants	\$ 306,550	\$ 230,000	\$ 536,550	\$ 805,252
Other income	6,824	-	6,824	3,941
Total support and revenue	<u>313,374</u>	<u>230,000</u>	<u>543,374</u>	<u>809,193</u>
EXPENSES				
Program services	322,638	-	322,638	454,377
Supporting services	246,786	-	246,786	104,821
Total expenses	<u>569,424</u>	<u>-</u>	<u>569,424</u>	<u>559,198</u>
(DECREASE) INCREASE IN NET ASSETS FROM OPERATIONS	(256,050)	230,000	(26,050)	249,995
OTHER INCOME FROM NON-OPERATING ACTIVITIES				
Foreign currency exchange gain	7,286	-	7,286	20,792
Interest income	696	-	696	-
Total other income from non-operating activities	<u>7,982</u>	<u>-</u>	<u>7,982</u>	<u>20,792</u>
(DECREASE) INCREASE IN NET ASSETS	(248,068)	230,000	(18,068)	270,787
NET ASSETS (DEFICIENCY IN NET ASSETS), beginning of year	<u>(379,765)</u>	<u>175,278</u>	<u>(204,487)</u>	<u>(475,274)</u>
NET ASSETS (DEFICIENCY IN NET ASSETS), end of year	<u>\$ (627,833)</u>	<u>\$ 405,278</u>	<u>\$ (222,555)</u>	<u>\$ (204,487)</u>

OBAKKI FOUNDATION USA
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended April 30, 2016
(With Comparative Totals for 2015)

	Program Services	Supporting Services		2016 Total	2015 Total
		Management and General	Fund Raising		
Well-drilling and rehabilitation	\$ 198,947	\$ -	\$ -	\$ 198,947	\$ 259,796
Salaries and benefits	38,230	-	-	38,230	33,978
Livestock watering stations	27,568	-	-	27,568	2,796
Agricultural project	16,743	-	-	16,743	3,843
Housing	14,360	-	-	14,360	9,696
Donations to Sudan	7,996	-	-	7,996	17,915
Transportation	3,817	-	-	3,817	11,964
Donations to Cameroon	3,415	-	-	3,415	1,422
General labor and transport	2,099	-	-	2,099	609
Travel	1,768	-	-	1,768	5,286
Solar panels	1,094	-	-	1,094	48,616
Customs and immigration	743	-	-	743	-
Supplies	711	-	-	711	923
Payroll taxes	4,968	-	-	4,968	2,054
Mapping and evaluation	179	-	-	179	479
Administrative services and facilities (Note 4)					
Management services	-	163,000	-	163,000	70,000
Website and social media management	-	13,200	19,800	33,000	25,000
Accounting services	-	15,000	-	15,000	20,000
Facilities	-	19,000	-	19,000	10,000
Photography and videography	-	-	-	-	20,000
Professional services	-	12,854	-	12,854	11,322
Bank charges	-	3,932	-	3,932	3,499
Total functional expenses	\$ 322,638	\$ 226,986	\$ 19,800	\$ 569,424	\$ 559,198

OBAKKI FOUNDATION USA
STATEMENT OF CASH FLOWS
For the Year Ended April 30, 2016
(With Comparative Totals for 2015)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) increase in net assets	\$ (18,068)	\$ 270,787
<i>Adjustments to reconcile increase (decrease) in net assets to net cash used for operating activities</i>		
Decrease (increase) in contributions receivable	30,278	(29,863)
Increase in contributions receivable from directors	(85,000)	(145,000)
Decrease (increase) in prepaid expenses	5,348	(8,918)
(Decrease) increase in accounts payable	(91,570)	75,112
Decrease in refundable advances - UNMISS grant	-	(9,359)
Increase in accrued Sudan social insurance	5,200	7,700
Net cash (used for) provided by operating activities	(153,812)	160,459
CASH FLOWS FROM FINANCING ACTIVITIES		
Net decrease (increase) in advance to related party	645	(645)
Borrowings from related party	85,000	145,000
Borrowings from directors	33,981	78,000
Repayments to directors	-	(357,220)
Net cash provided by (used for) financing activities	119,626	(134,865)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(34,186)	25,594
CASH AND CASH EQUIVALENTS, beginning of year	41,572	15,978
CASH AND CASH EQUIVALENTS, end of year	\$ 7,386	\$ 41,572

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

OBAKKI FOUNDATION USA
NOTES TO FINANCIAL STATEMENTS

April 30, 2016

(With Comparative Totals for 2015)

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, who 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:

	<u>2016</u>	<u>2015</u>
Services and facilities	\$ 230,000	\$ 145,000
Well drilling projects	-	19,646
Solar projects	-	10,000
Subsequent year operations	-	<u>632</u>
	<u>\$ 230,000</u>	<u>\$ 175,278</u>

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, 2016 and 2015.

See independent auditors' report

OBAKKI FOUNDATION USA
NOTES TO FINANCIAL STATEMENTS

April 30, 2016

(With Comparative Totals for 2015)

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

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 contributions receivable from directors 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, 2016 and 2015.

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 94% and 85% of its contributions and grants from three major contributors for the years ended April 30, 2016 and 2015, respectively.

Federal income taxes – 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.

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.

See independent auditors' report

OBAKKI FOUNDATION USA
NOTES TO FINANCIAL STATEMENTS

April 30, 2016

(With Comparative Totals for 2015)

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

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

Subsequent events – Subsequent events have been evaluated through September 23, 2016, which is the date the financial statements were available to be issued.

NOTE 3. RELATED PARTY TRANSACTIONS

Obakki Foundation Canada (Obakki Canada) shares a common board of directors with the Organization. The Organization received \$148,704 and \$52,545 in contributions from Obakki Canada for the years ended April 30, 2016 and 2015, respectively.

The shareholder of Zero-G Music Inc., dba Obakki Designs (Obakki Designs) is a director of the Organization. The Organization received \$118,193 and \$427,245 in contributions from Obakki Designs for the years ended April 30, 2016 and 2015, respectively. As of April 30, 2016 and 2015, the Organization had balances of \$230,000 and \$145,000, respectively, due to Obakki Designs with no interest or repayment terms. Additionally, as of April 30, 2015, accounts payable included \$5,000 due to Obakki Designs. The Organization included \$230,000 and \$145,000 of administrative services and facilities expense to Obakki Designs and its employees for the years ended April 30, 2016 and 2015, respectively.

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 and totalled \$12,900 and \$7,700 as of April 30, 2016 and 2015, respectively.

NOTE 4. DIRECTOR TRANSACTIONS

The Organization received \$246,000 and \$145,000 in contributions from directors for the years ended April 30, 2016 and 2015, respectively. Contributions receivable from directors have no stated terms of repayment or interest and totalled \$230,000 and \$145,000 as of April 30, 2016, and 2015, respectively. Certain expenses, as detailed in the statement of functional expenses, are covered by this contribution.

Amounts due to directors have no stated terms of repayment or interest and totalled \$111,981 and \$78,000 as of April 30, 2016 and 2015, respectively.

OBAKKI FOUNDATION USA
NOTES TO FINANCIAL STATEMENTS

April 30, 2016

(With Comparative Totals for 2015)

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, 2016 and 2015, respectively. The Organization translated cash on hand of \$121 and \$1,591 as of April 30, 2016 and 2015, respectively.

The Organization transacted with one foreign contractor who accounted for 73% of the costs of its well-drilling and rehabilitation during the year ended April 30, 2016. The Organization transacted with five foreign contractors who accounted for 78% of the costs of its well-drilling and rehabilitation and solar panels during the year ended April 30, 2015.