

**OBAKKI FOUNDATION USA**

**Financial Statements  
And Independent Auditors' Report**

April 30, 2018

(With Comparative Totals for 2017)

**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, 2018, 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, 2018, 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, 2017, financial statements and expressed an unmodified opinion on those audited financial statements in our report dated November 24, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended April 30, 2017, is consistent in all material respects with the audited financial statements from which it has been derived.

VSH ALLC

Bellingham, Washington  
January 10, 2019

**OBAKKI FOUNDATION USA**  
**STATEMENT OF FINANCIAL POSITION**

April 30, 2018

(With Comparative Totals for 2017)

**ASSETS**

	2018	2017
Current Assets		
Cash and cash equivalents	\$ 76,704	\$ 7,919
Contributions receivable from directors	29,185	12,762
Contributions receivable	1,333	1,207
Prepaid expenses	1,360	1,360
Employee advance	1,000	1,000
<b>TOTAL ASSETS</b>	<b>\$ 109,582</b>	<b>\$ 24,248</b>

**LIABILITIES AND NET ASSETS**

Current Liabilities		
Accounts payable	\$ 60,396	\$ 4,150
Accrued Sudan social insurance	34,066	20,098
Total liabilities	94,462	24,248
Net assets		
Unrestricted	15,120	-
Temporarily restricted	-	-
Total net assets	15,120	-
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 109,582</b>	<b>\$ 24,248</b>

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

**OBAKKI FOUNDATION USA**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended April 30, 2018  
(With Comparative Totals for 2017)

	Unrestricted	Temporarily Restricted	2018 Total	2017 Total
<b>SUPPORT AND REVENUE</b>				
Contributions and grants	\$ 717,009	\$ -	\$ 717,009	\$ 603,508
Other income	-	-	-	10
Net assets released from restrictions	-	-	-	-
Total support and revenue	<u>717,009</u>	<u>-</u>	<u>717,009</u>	<u>603,518</u>
<b>EXPENSES</b>				
Program services	421,791	-	421,791	204,166
Supporting services	281,440	-	281,440	176,286
Total expenses	<u>703,231</u>	<u>-</u>	<u>703,231</u>	<u>380,452</u>
<b>INCREASE IN NET ASSETS FROM OPERATIONS</b>	13,778	-	13,778	223,066
<b>OTHER INCOME (EXPENSES) FROM NON-OPERATING ACTIVITIES</b>				
Foreign currency exchange gain (loss)	1,342	-	1,342	(511)
Total other income (expenses) from non-operating activities	<u>1,342</u>	<u>-</u>	<u>1,342</u>	<u>(511)</u>
<b>INCREASE IN NET ASSETS</b>	15,120	-	15,120	222,555
<b>NET ASSETS (DEFICIENCY IN NET ASSETS), beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(222,555)</u>
<b>NET ASSETS, end of year</b>	<u>\$ 15,120</u>	<u>\$ -</u>	<u>\$ 15,120</u>	<u>\$ -</u>

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

**OBAKKI FOUNDATION USA**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended April 30, 2018  
(With Comparative Totals for 2017)

	Program Services	Supporting Services		2018 Total	2017 Total
		Management and General	Fund Raising		
Sudan well-drilling and rehabilitation	\$ 222,910	\$ -	\$ -	\$ 222,910	\$ 78,147
Administrative services and facilities (Note 3)					
Website and social media management	-	52,564	78,847	131,411	24,250
Facilities	-	69,009	-	69,009	42,798
Management services	-	44,291	-	44,291	70,075
Accounting services	-	19,800	-	19,800	19,800
Cameroon orphanage and school	87,884	-	-	87,884	36,139
Salaries and contracted services	72,526	-	-	72,526	67,879
Housing	30,142	-	-	30,142	10,778
Professional services	-	12,975	-	12,975	9,500
Payroll taxes	7,040	-	-	7,040	6,120
Bank charges	-	2,604	-	2,604	3,743
Education	-	1,350	-	1,350	-
Travel	755	-	-	755	2,286
Solar panels	400	-	-	400	7,447
Meals and water	95	-	-	95	-
Supplies	39	-	-	39	22
Donations to Sudan	-	-	-	-	1,115
Other	-	-	-	-	353
<b>Total functional expenses</b>	<b>\$ 421,791</b>	<b>\$ 202,593</b>	<b>\$ 78,847</b>	<b>\$ 703,231</b>	<b>\$ 380,452</b>

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

**OBAKKI FOUNDATION USA**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended April 30, 2018  
(With Comparative Totals for 2017)

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 15,120	\$ 222,555
<i>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</i>		
Amount due to directors forgiven	-	(111,981)
Changes in current assets and liabilities:		
Increase in contributions receivable	(126)	(1,207)
Increase in contributions receivable from directors	(16,423)	(12,762)
Decrease in prepaid expenses	-	2,210
Increase in accounts payable	56,246	(104,480)
Increase in accrued Sudan social insurance	13,968	7,198
Net cash provided by operating activities	68,785	1,533
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net increase in advance to related party	-	(1,000)
Net cash used for financing activities	-	(1,000)
 <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	68,785	533
 <b>CASH AND CASH EQUIVALENTS, beginning of year</b>	7,919	7,386
 <b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 76,704	\$ 7,919
 <b>SUPPLEMENTAL DISCLOSURE OF NON-CASH OPERATING AND FINANCING ACTIVITIES</b>		
Related party forgiveness of amount due to related party	\$ -	\$ 230,000
Organization forgiveness of amount receivable from directors	\$ -	\$ 230,000

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



**OBAKKI FOUNDATION USA**  
**NOTES TO FINANCIAL STATEMENTS**

April 30, 2018  
(With Comparative Totals for 2017)

**NOTE 1. NATURE OF THE 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. There has been an ever increasing need in Cameroon for support of orphanages, and to that end, the Organization is spending a greater amount of time and resources on this critical need. This initiative further supports the Organization's overall mission statement.

**NOTE 2. SUMMARY OF SIGNIFICANT 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. The Organization had no temporarily restricted net assets as of April 30, 2018 and 2017.

*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, 2018 and 2017.

**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.

*See independent auditors' report*

**OBAKKI FOUNDATION USA**  
**NOTES TO FINANCIAL STATEMENTS**

April 30, 2018  
(With Comparative Totals for 2017)

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

**Cash and 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, 2018 and 2017.

**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 96% and 92% of its contributions and grants from three major contributors for the years ended April 30, 2018 and 2017, 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 contributions 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.

**Subsequent events** – Subsequent events have been evaluated through January 10, 2019, 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, 2018  
(With Comparative Totals for 2017)

**NOTE 3. RELATED PARTY TRANSACTIONS**

Obakki Foundation Canada (Obakki Canada) shares a common board of directors with the Organization. The Organization received \$84,966 and \$91,102 in contributions from Obakki Canada for the years ended April 30, 2018 and 2017, respectively.

The shareholder of Zero-G Music Inc., dba Obakki Designs (Obakki Designs) is a director of the Organization. The Organization received \$499,378 and \$341,758 in contributions from Obakki Designs for the years ended April 30, 2018 and 2017, respectively. The Organization included \$264,511 and \$156,923 of administrative services and facilities expense to Obakki Designs for the years ended April 30, 2018 and 2017, 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 totaled \$34,066 and \$20,098 as of April 30, 2018 and 2017, respectively.

**NOTE 4. DIRECTOR TRANSACTIONS**

The Organization received \$29,185 and \$12,762 in contributions from directors for the years ended April 30, 2018 and 2017, respectively.

**NOTE 5. FOREIGN OPERATIONS**

The Organization has programs operating in Sudan and Cameroon. The costs related to these contracts are settled in both US dollars, Central African CFA franc, 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 foreign currency to US dollars for the years ended April 30, 2018 and 2017, respectively. The Organization translated cash on hand of \$2,601 and \$5,739 as of April 30, 2018 and 2017, respectively.

The Organization transacted with one foreign contractor who accounted for 85% and 95% of the costs of its well-drilling and rehabilitation during the years ended April 30, 2018 and 2017, respectively.