

The Obakki Foundation
Financial Statements
For the year ended April 30, 2019

The Obakki Foundation
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For the year ended April 30, 2019

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Independent Auditor's Report

To the Directors of The Obakki Foundation:

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of The Obakki Foundation (the "Foundation"), which comprise the statement of financial position as at April 30, 2019, and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at April 30, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many charitable organizations, the Foundation derives revenue from donations and fundraising, the completeness of which is not subject to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to donations and fundraising revenue, net assets and cash flow from operations for the years ended April 30, 2019 and April 30, 2018.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Matter

The financial statements of the Foundation for the year ended April 30, 2018 were audited by Campbell, Saunders & Co. of Vancouver, BC, Canada. Campbell, Saunders & Co. expressed a qualified opinion on those statements on October 4, 2018 for the reasons described in the Basis for Qualified Opinion paragraph.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Surrey, British Columbia

December 19, 2019

MNP LLP

Chartered Professional Accountants

MNP

The Obakki Foundation
Statement of Financial Position
As at April 30, 2019

	2019	2018
Assets		
Current		
Cash	10,997	29,279
Donations receivable	1,430	20,191
Prepaid expenses	1,142	1,453
Advances to related party (Note 3)	202,899	-
	216,468	50,923
Liabilities		
Current		
Accounts payable and accruals	128,086	23,322
Net Assets		
Unrestricted	88,382	27,601
	216,468	50,923

Approved on behalf of the Board of Directors



Director

The Obakki Foundation
Statement of Operations and Changes in Net Assets
For the year ended April 30, 2019

	2019	2018
Revenue		
Donations and fundraising - non-related parties	396,322	76,030
Donations - related parties	255,739	107,371
Event sponsorship	50,000	-
Interest on advances to related party	5,838	-
	707,899	183,401
Project expenses	440,667	153,114
Excess of revenue over project expenses	267,232	30,287
Administrative expenses		
Bank charges and interest	1,006	290
Fundraising	160,683	-
Insurance	3,299	6,000
Office and administration	9,342	-
Professional fees	6,510	6,150
Training and education	1,412	-
Travel	7,559	1,320
Website	16,640	2,560
	206,451	16,320
Excess of revenue over expenses	60,781	13,967
Net assets, beginning of year	27,601	13,634
Net assets, end of year	88,382	27,601

The accompanying notes are an integral part of these financial statements

The Obakki Foundation
Statement of Cash Flows
For the year ended April 30, 2019

	2019	2018
<hr/>		
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	60,781	13,967
Changes in working capital accounts		
Donations receivable	18,761	(4,458)
Prepaid expenses	311	696
Accounts payable and accruals	104,764	17,322
	<hr/>	<hr/>
	184,617	27,527
Investing		
Advances to related party	(202,899)	-
	<hr/>	<hr/>
Increase (decrease) in cash resources	(18,282)	27,527
Cash resources, beginning of year	29,279	1,752
	<hr/>	<hr/>
Cash resources, end of year	10,997	29,279
	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements

1. Incorporation and nature of the organization

The Obakki Foundation (the "Foundation") was incorporated under the authority of the Canada Not-For-Profit Corporations Act as a not-for-profit organization and is a registered charity and thus is exempt from income taxes under the Income Tax Act ("the Act").

The Foundation's mission is to assist children and adults in developing nations in becoming self-sufficient, while supporting their fundamental human rights. The Foundation's projects address needs related to clean water, agriculture and food security, health, education and economic initiatives.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada, and include the following significant accounting policies:

Revenue recognition

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest income is recognized on the accrual basis.

Contributed materials and services

The Foundation benefits from services in the form of volunteer time and from contributed materials. Due to the difficulty of determining their fair value, the value of volunteer services and contributed materials are not recorded in the financial statements.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Donations receivable and advances to related party are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

Foreign currency translation

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and monetary liabilities reflect the exchange rates at the statement of financial position date. Gains and losses on translation or settlement are included in the determination of excess of revenue over expenses for the current year.

Financial instruments

The Foundation recognizes its financial instruments when the Foundation becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with Section 3840 *Related Party Transactions* (refer to Note 4).

At initial recognition, the Foundation may irrevocably elect to subsequently measure any financial instrument at fair value. The Foundation has not made such an election during the year.

Financial assets and liabilities are subsequently measured at cost or amortized cost, with transaction costs and financing fees added to the carrying amount of the financial instruments.

2. Significant accounting policies *(Continued from previous page)*

Financial asset impairment

The Foundation assesses impairment of all of its financial assets measured at cost or amortized cost. When there is an indication of impairment, the Foundation determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Foundation reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year excess of revenues over expenses.

The Foundation reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the excess of revenues over expenses in the year the reversal occurs.

Controlled entity

The Foundation is deemed to control another not-for-profit organization, Obakki Foundation USA. Obakki Foundation USA has not been consolidated in the Foundation's financial statements. The financial summaries of this unconsolidated entity, as at April 30, 2019 and 2018, and for the years then ended, are disclosed in the notes to the financial statements in accordance with Section 4450 *Reporting Controlled and Related Entities by Not-for-profit Organizations* (Note 6).

3. Advances to related party

The advances to Zero-G Music Inc., a company controlled by directors of the Foundation, are unsecured, bear interest at the Foundation's bank's prime lending rate and are repayable on demand.

4. Related party transactions

Included in accounts payable and accruals is \$120,807 (2018 - \$nil) payable to Obakki Foundation USA.

Included in donations revenue are donations of \$200,622 (2018 - \$50,000) from directors of the Foundation, \$55,117 (2018 - \$51,367) from Zero-G Music Inc. and \$nil (2018 - \$6,004) from Obakki Foundation USA.

Included in interest income is \$5,838 (2018 - \$nil) from Zero-G Music Inc.

Included in project expenses are payments of \$435,230 (2018 - \$121,000) to Obakki Foundation USA.

These transactions were conducted in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

5. Financial instruments

The Foundation, as part of its operations, carries a number of financial instruments. It is management's opinion that the Foundation is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The Foundation is exposed to interest rate cash flow risk with respect to its advances to related party.

The Obakki Foundation
Notes to the Financial Statements
For the year ended April 30, 2019

5. **Financial instruments** *(Continued from previous page)*

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Certain of the Foundation's project expenses are denominated in US dollars for which the accounts payable are subject to exchange rate fluctuations. Included in accounts payable and accruals are US dollar denominated payables of \$120,807 CAD\$ (2018 - \$nil CAD\$).

Liquidity risk

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting obligations associated with financial liabilities. The Foundation enters into transactions to purchase goods and services on credit, for which repayment is required at various maturity dates.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Foundation is exposed to this risk mainly with respect to its advances to related party.

To mitigate the risk associated with advances to related party, the Foundation performs regular assessments of the credit worthiness of its related party and provides allowances for amounts potentially uncollectible. The Foundation believes there is minimal risk associated with the collection of these amounts as the related party has sufficient net assets to repay the advances.

6. **Controlled entity**

Obakki Foundation USA is deemed to be controlled by the Foundation by virtue of common management and board members. The Foundation and Obakki Foundation USA have a common purpose and work collaboratively on projects and other charitable activities.

Obakki Foundation USA is a not-for-profit organization formed under the laws of the District of Columbia and is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) on income related to its organizational purpose.

Financial summaries of this unconsolidated entity, as at April 30, 2019 and 2018, and for the years then ended, are as follows:

	2019	2018
	(US \$)	(US \$)
Statement of Financial Position		
Total assets	96,833	109,581
Total liabilities	(77,704)	(94,462)
Total net assets	19,129	15,119
Statement of Operations		
Total revenue	619,390	717,009
Total expenses	(615,380)	(701,890)
Excess of revenues over expenses	4,010	15,119
Statement of Cash Flows		
Cash used in operating activities	(70,870)	68,784
Increase (decrease) in cash resources	(70,870)	68,784

The Obakki Foundation
Notes to the Financial Statements
For the year ended April 30, 2019

7. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.