

Obakki Foundation USA
Financial Statements
Stated in United States dollars
For the year ended April 30, 2019

Obakki Foundation USA
Contents

For the year ended April 30, 2019

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Independent Auditor's Report

To the Directors of Obakki Foundation USA:

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Obakki Foundation USA (the "Foundation"), which comprise the statements 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, 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 revenue and cash flow from operations for the years ended April 30, 2019 and April 30, 2018 and net assets as at April 30, 2019, April 30, 2018 and May 1, 2017.

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

We draw attention to Note 2 to the financial statements which describes that Obakki Foundation USA adopted Canadian accounting standards for not-for-profit organizations on May 1, 2018 with a transition date of May 1, 2017. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at April 30, 2018 and May 1, 2017, and the statements of operations and changes in net assets and cash flows for the year ended April 30, 2018 and related disclosures. We were not engaged to report on the restated comparative information and, as such, it is unaudited.

The financial statements of the Foundation for the year ended April 30, 2018 were audited by VSH Certified Public Accountants of Bellingham, WA, USA. VSH Certified Public Accountants expressed an unmodified opinion on those statements on January 10, 2019.

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

February 19, 2020

MNP LLP

Chartered Professional Accountants

Obakki Foundation USA
Statement of Financial Position

As at April 30, 2019

	<i>April 30</i> 2019	<i>April 30</i> 2018	<i>May 1</i> 2017
Assets			
Current			
Cash	2,707	76,703	7,919
Donations receivable	94,126	31,518	14,969
Prepaid expenses and deposits	-	1,360	1,360
	96,833	109,581	24,248
Liabilities			
Current			
Accounts payable and accruals (Note 4)	68,644	94,462	24,248
Net Assets			
Unrestricted	28,189	15,119	-
	96,833	109,581	24,248

Approved on behalf of the Board of Directors


Director

The accompanying notes are an integral part of these financial statements

Obakki Foundation USA
Statement of Operations and Changes in Net Assets

For the year ended April 30, 2019

	<i>April 30</i> 2019	<i>April 30</i> 2018
Revenue		
Donations - non-related parties	109,888	255,869
Donations - related parties <i>(Note 5)</i>	509,502	461,140
	619,390	717,009
Project expenses	432,151	418,837
Excess of revenue over project expenses	187,239	298,172
Administrative expenses		
Bank charges and interest	3,189	2,281
Office and administration	159,319	264,591
Professional fees	10,121	12,976
	172,629	279,848
Excess of revenue over expenses before foreign exchange loss	14,610	18,324
Foreign exchange loss	(1,540)	(3,205)
Excess of revenue over expenses	13,070	15,119
Net assets beginning of year	15,119	-
Net assets, end of year	28,189	15,119

The accompanying notes are an integral part of these financial statements

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

	2019	2018
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Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	13,070	15,119
Changes in working capital accounts		
Donations receivable	(62,608)	(16,549)
Prepaid expenses and deposits	1,360	-
Accounts payable and accruals	(25,818)	70,214
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Increase (decrease) in cash resources	(73,996)	68,784
Cash resources, beginning of year	76,703	7,919
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Cash resources, end of year	2,707	76,703
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The accompanying notes are an integral part of these financial statements

1. Incorporation and nature of the organization

Obakki Foundation USA (the "Foundation") was formed under the laws of the District of Columbia and is a not-for-profit organization and is thus exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

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. Impact of adopting accounting standards for not-for-profit organizations

These are the Foundation's first financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"). The accounting policies in Note 3 have been applied in preparing the financial statements for the year ended April 30, 2019, the comparative information for the year ended April 30, 2018, and the opening ASNPO statement of financial position as at May 1, 2017 (the Foundation's date of transition to ASNPO).

In preparing these financial statements, the Foundation has not elected to apply any of the transitional provisions permitted by Section 1501 *First-time adoption by not-for-profit organizations* at the date of transition to ASNPO.

The transition to ASNPO has not affected the statement of financial position, statement of operations and changes in net assets or statement of cash flows previously reported under accounting principles generally accepted in the United States of America.

3. Significant accounting policies

The financial statements have been prepared in accordance with Canadian 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.

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 over expenses during the reporting period.

Donations receivable 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 over expenses in the periods in which they become known.

Foreign currency translation

These financial statements have been presented in US dollars, the principal currency of the Foundation's operations.

Transaction amounts denominated in foreign currencies are translated into their US 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 revenues over expenses for the current year.

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

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 5).

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.

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 excess of revenues over expenses in the year the reversal occurs.

4. Accounts payable and accruals

Included in accounts payable and accruals is \$48,034 (2018 - \$34,066, 2017 - \$20,098) in government remittances payable.

5. Related party transactions

Included in donations receivable is \$nil (2018 - \$29,185, 2017 - \$12,762) receivable from directors of the Foundation, \$3,126 (2018 - \$nil, 2017 - \$nil) receivable from Zero-G Music Inc., a company controlled by directors of the Foundation, and \$90,000 (2018 - \$nil, 2017 - \$nil) receivable from The Obakki Foundation, an organization that is deemed to control the Foundation by virtue of common management and board members.

Included in donations revenue are donations of \$153,952 (2018 - \$335,000) from directors of the Foundation, \$33,531 (2018 - \$36,624) from Zero-G Music Inc. and \$322,019 (2018 - \$89,516) from The Obakki Foundation.

Included in office and administration expenses are payments of \$148,949 (2018 - \$264,511) to Zero-G Music Inc.

Included in project expenses are payments of \$nil (2018 - \$4,550) to The Obakki Foundation.

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.

6. Economic dependence

The Foundation is economically dependent upon the funding it receives from The Obakki Foundation to fund its various projects.

7. 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.

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 donations receivable. The Foundation believes there is minimal risk associated with the collection of these amounts as they are receivable from related parties.

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.

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 Central African CFA franc and Sudanese pound for which the accounts payable and accruals are subject to exchange rate fluctuations. The Foundation also maintains certain cash balances in these foreign currencies.

Included in cash is \$1,485 USD (2018 - \$2,601 USD, 2017 - \$5,736 USD) denominated in foreign currency.

Included in accounts payable and accruals is \$48,034 USD (2018 - \$34,066 USD, 2017 - \$20,098 USD) denominated in foreign currency.

8. Comparative figures

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