

**OBAKKI FOUNDATION USA**

**Financial Statements  
And Independent Auditors' Report**

April 30, 2017

(With Comparative Totals for 2016)

**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, 2017, 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, 2017, 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, 2016, financial statements and expressed an unmodified opinion on those audited financial statements in our report dated September 23, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended April 30, 2016, is consistent in all material respects with the audited financial statements from which it has been derived.

VSH PLLC

Bellingham, Washington  
November 24, 2017

**OBAKKI FOUNDATION USA**  
**STATEMENT OF FINANCIAL POSITION**  
April 30, 2017  
(With Comparative Totals for 2016)

**ASSETS**

	2017	2016
Cash and cash equivalents	\$ 7,919	\$ 7,386
Contributions receivable	1,207	-
Contributions receivable from directors	12,762	230,000
Prepaid expenses	1,360	3,570
Employee advance	1,000	-
<b>TOTAL ASSETS</b>	<b>\$ 24,248</b>	<b>\$ 240,956</b>

**LIABILITIES AND NET ASSETS (DEFICIENCY IN NET ASSETS)**

<b>Liabilities</b>		
Accounts payable	\$ 4,150	\$ 108,630
Amount due to directors	-	111,981
Accrued Sudan social insurance	20,098	12,900
Amount due to related party	-	230,000
Total liabilities	24,248	463,511
<b>Net assets (Deficiency in net assets)</b>		
Unrestricted	-	(452,555)
Temporarily restricted	-	230,000
Total deficiency in net assets	-	(222,555)
<b>TOTAL LIABILITIES AND NET ASSETS (DEFICIENCY IN NET ASSETS)</b>	<b>\$ 24,248</b>	<b>\$ 240,956</b>

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

**OBAKKI FOUNDATION USA**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended April 30, 2017  
(With Comparative Totals for 2016)

	Unrestricted	Temporarily Restricted	2017 Total	2016 Total
<b>SUPPORT AND REVENUE</b>				
Contributions and grants	\$ 603,508	-	\$ 603,508	\$ 536,550
Other income	10	-	10	6,824
Net assets released from restrictions	230,000	(230,000)	-	-
Total support and revenue	<u>833,518</u>	<u>(230,000)</u>	<u>603,518</u>	<u>543,374</u>
<b>EXPENSES</b>				
Program services	204,166	-	204,166	322,638
Supporting services	176,286	-	176,286	246,786
Total expenses	<u>380,452</u>	<u>-</u>	<u>380,452</u>	<u>569,424</u>
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS</b>	453,066	(230,000)	223,066	(26,050)
<b>OTHER (EXPENSES) INCOME FROM NON-OPERATING ACTIVITIES</b>				
Foreign currency exchange (loss) gain	(511)	-	(511)	7,286
Interest income	-	-	-	696
Total other (expenses) income from non-operating activities	<u>(511)</u>	<u>-</u>	<u>(511)</u>	<u>7,982</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	452,555	(230,000)	222,555	(18,068)
<b>NET ASSETS (DEFICIENCY IN NET ASSETS), beginning of year</b>	<u>(452,555)</u>	<u>230,000</u>	<u>(222,555)</u>	<u>(204,487)</u>
<b>NET ASSETS (DEFICIENCY IN NET ASSETS), end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (222,555)</u>

**OBAKKI FOUNDATION USA**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended April 30, 2017  
(With Comparative Totals for 2016)

	Program Services	Supporting Services		2017 Total	2016 Total
		Management and General	Fund Raising		
	\$ 78,147	\$ -	\$ -	\$ 78,147	\$ 199,126
Sudan well-drilling and rehabilitation	67,879	-	-	67,879	38,230
Salaries and contracted services	36,139	-	-	36,139	3,415
Cameroon orphanage and school	10,778	-	-	10,778	14,360
Housing	7,447	-	-	7,447	1,094
Solar panels	2,286	-	-	2,286	1,768
Travel	1,115	-	-	1,115	7,996
Donations to Sudan	175	-	-	175	-
Photography	94	-	-	94	3,817
Transportation	84	-	-	84	2,099
General labor and transport	22	-	-	22	711
Supplies	-	-	-	-	16,743
Agricultural project	-	-	-	-	27,568
Livestock watering stations	-	-	-	-	743
Customs and immigration	-	-	-	-	-
Administrative services and facilities (Note 4)	-	-	-	-	-
Management services	-	70,075	-	70,075	163,000
Facilities	-	42,798	-	42,798	19,000
Website and social media management	-	9,700	14,550	24,250	33,000
Accounting services	-	19,800	-	19,800	15,000
Professional services	-	9,500	-	9,500	12,854
Payroll taxes	-	6,120	-	6,120	4,968
Bank charges	-	3,743	-	3,743	3,932
<b>Total functional expenses</b>	<b>\$ 204,166</b>	<b>\$ 161,736</b>	<b>\$ 14,550</b>	<b>\$ 380,452</b>	<b>\$ 569,424</b>

**OBAKKI FOUNDATION USA**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended April 30, 2017  
(With Comparative Totals for 2016)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 222,555	\$ (18,068)
<i>Adjustments to reconcile increase (decrease) in net assets to net cash used for operating activities</i>		
Amount due to directors forgiven	(111,981)	-
Net cash changes in operating activities		
Increase in accrued Sudan social insurance	(1,207)	30,278
Increase in contributions receivable from directors	(12,762)	(85,000)
Decrease in prepaid expenses	2,210	5,348
Decrease in accounts payable	(104,480)	(91,570)
Increase in accrued Sudan social insurance	7,198	5,200
Net cash provided by (used for) operating activities	1,533	(153,812)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net (increase) decrease in advance to related party	(1,000)	645
Borrowings from related party	-	85,000
Borrowings from directors	-	33,981
Net cash (used for) provided by financing activities	(1,000)	119,626
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	533	(34,186)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	7,386	41,572
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 7,919	\$ 7,386
 <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, 2017  
 (With Comparative Totals for 2016)

**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.

Temporarily restricted net assets consist of the following as of April 30:

	2017	2016
Services and facilities	\$ -	\$ 230,000

*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, 2017 and 2016.

*See independent auditors' report*

**OBAKKI FOUNDATION USA**  
**NOTES TO FINANCIAL STATEMENTS**  
April 30, 2017  
(With Comparative Totals for 2016)

**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 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, 2017 and 2016.

**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 92% and 94% of its contributions and grants from three major contributors for the years ended April 30, 2017 and 2016, 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.

*See independent auditors' report*

**OBAKKI FOUNDATION USA**  
**NOTES TO FINANCIAL STATEMENTS**  
April 30, 2017  
(With Comparative Totals for 2016)

**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 November 24, 2017, 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 \$91,102 and \$148,704 in contributions from Obakki Canada for the years ended April 30, 2017 and 2016, respectively.

The shareholder of Zero-G Music Inc., dba Obakki Designs (Obakki Designs) is a director of the Organization. The Organization received \$341,758 and \$118,193 in contributions from Obakki Designs for the years ended April 30, 2017 and 2016, respectively. As of April 30, 2017 and 2016, the Organization had balances of \$0 and \$230,000, respectively, due to Obakki Designs with no interest or repayment terms. Obakki Designs forgave the full amount due on the note receivable in 2017. The Organization included \$156,923 and \$230,000 of administrative services and facilities expense to Obakki Designs for the years ended April 30, 2017 and 2016, 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 \$20,098 and \$12,900 as of April 30, 2017 and 2016, respectively.

**NOTE 4. DIRECTOR TRANSACTIONS**

The Organization received \$12,762 and \$246,000 in contributions from directors for the years ended April 30, 2017 and 2016, respectively. Contributions receivable from directors have no stated terms of repayment or interest and totaled \$0 and \$230,000 as of April 30, 2017, and 2016, respectively. The Organization forgave the full amount due from the directors in 2017. Certain expenses, as detailed in the statement of functional expenses, were covered by this contribution.

Amounts due to directors have no stated terms of repayment or interest and totaled \$0 and \$111,981 as of April 30, 2017 and 2016, respectively.

**OBAKKI FOUNDATION USA**  
**NOTES TO FINANCIAL STATEMENTS**  
April 30, 2017  
(With Comparative Totals for 2016)

**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, 2017 and 2016, respectively. The Organization translated cash on hand of \$5,739 and \$121 as of April 30, 2017 and 2016, respectively.

The Organization transacted with one foreign contractor who accounted for 95% and 73% of the costs of its well-drilling and rehabilitation during the years ended April 30, 2017 and 2016, respectively.