

OBAKKI FOUNDATION USA

FINANCIAL STATEMENTS

With Independent Auditors' Report

April 30, 2014

(With Comparative Totals for 2013)

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, 2014, 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 auditor's 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, 2014 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 2013 financial statements and expressed an unmodified opinion on those financial statements in our report dated November 22, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended April 30, 2013 is consistent in all material respects with the audited financial statements from which it has been derived.

VSH *ALLC*
Bellingham, Washington
November 18, 2014

OBAKKI FOUNDATION USA
STATEMENT OF FINANCIAL POSITION

April 30, 2014
(With Comparative Totals for 2013)

ASSETS

	2014	2013
Cash and cash equivalents	\$ 15,978	\$ 11,957
Contributions receivable	415	-
Advance, related party	-	984
TOTAL ASSETS	\$ 16,393	\$ 12,941

LIABILITIES AND NET ASSET DEFICIENCY

Accounts payable	\$ 125,088	\$ 16,593
Due to directors	357,220	222,000
Refundable advances - UNMISS grant	9,359	-
Total liabilities	491,667	238,593
 Net asset deficiency		
Unrestricted	(475,689)	(225,652)
Temporarily restricted	415	-
Total net asset deficiency	(475,274)	(225,652)
TOTAL LIABILITIES AND NET ASSET DEFICIENCY	\$ 16,393	\$ 12,941

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

OBAKKI FOUNDATION USA

STATEMENT OF ACTIVITIES

For the Year Ended April 30, 2014
(With Comparative Totals for 2013)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2014 Total</u>	<u>2013 Total</u>
SUPPORT AND REVENUE				
Contributions and grants	\$ 420,449	\$ 415	\$ 420,864	\$ 273,339
Contributed services and facilities	145,000	-	145,000	115,000
Other income	8,852	-	8,852	-
Total support and revenue	<u>574,301</u>	<u>415</u>	<u>574,716</u>	<u>388,339</u>
EXPENSES				
Program services	748,816	-	748,816	515,314
Supporting services	105,697	-	105,697	80,301
Total expenses	<u>854,513</u>	<u>-</u>	<u>854,513</u>	<u>595,615</u>
DECREASE IN NET ASSETS FROM OPERATIONS	(280,212)	415	(279,797)	(207,276)
OTHER INCOME FROM NON-OPERATING ACTIVITIES				
Foreign exchange gain	<u>30,175</u>	<u>-</u>	<u>30,175</u>	<u>27,028</u>
DECREASE IN NET ASSETS	(250,037)	415	(249,622)	(180,248)
NET ASSET DEFICIENCY, beginning of year	<u>(225,652)</u>	<u>-</u>	<u>(225,652)</u>	<u>(45,404)</u>
NET ASSET DEFICIENCY, end of year	<u>\$ (475,689)</u>	<u>\$ 415</u>	<u>\$ (475,274)</u>	<u>\$ (225,652)</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, 2014
(With Comparative Totals for 2013)

	Program Services	Supporting Services		2014 Total	2013 Total
		Management and General	Fund Raising		
Well drilling and rehabilitation	\$ 413,796	\$ -	\$ -	\$ 413,796	\$ 228,751
Livestock watering stations	109,748	-	-	109,748	29,159
Project expense - UNMISS	29,255	-	-	29,255	-
Agricultural project	28,564	-	-	28,564	19,673
Contracted services	27,614	-	-	27,614	27,329
Customs and immigration	18,376	-	-	18,376	3,198
Housing	17,994	-	-	17,994	10,626
Transportation	15,726	-	-	15,726	24,680
Travel	11,133	-	-	11,133	8,571
Legal and professional services	-	10,671	-	10,671	11,092
General labor and transport	8,901	-	-	8,901	6,185
Bank charges	-	5,026	-	5,026	2,868
Supplies	4,939	-	-	4,939	2,138
Solar panels	3,149	-	-	3,149	97,183
Miscellaneous	2,607	-	-	2,607	341
Insurance	1,350	-	-	1,350	-
Mapping and evaluation	664	-	-	664	1,821
Donations	-	-	-	-	6,000
Photography and videography	-	-	-	-	1,000
Donated services and facilities					
Management services	50,000	20,000	-	70,000	60,000
Website and social media management	-	-	25,000	25,000	25,000
Accounting services	-	20,000	-	20,000	15,000
Photography and videography	-	-	20,000	20,000	10,000
Facilities	5,000	5,000	-	10,000	5,000
Total functional expenses	\$ 748,816	\$ 60,697	\$ 45,000	\$ 854,513	\$ 595,615

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

OBAKKI FOUNDATION USA
STATEMENT OF CASH FLOWS
For the Year Ended April 30, 2014
(With Comparative Totals for 2013)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (249,622)	\$ (180,248)
<i>Adjustments to reconcile decrease in net assets to net cash used for operating activities</i>		
(Increase) decrease in contributions receivable	(415)	200,507
Decrease in inventory	-	13,580
Decrease (increase) in advance, related party	984	(984)
Decrease in drilling advances	-	8,800
Increase (decrease) in accounts payable	108,495	(153,987)
Increase in refundable advances - UNMISS grant	9,359	-
Net cash used for operating activities	(131,199)	(112,332)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings from directors	135,220	92,000
Net cash provided by financing activities	135,220	92,000
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,021	(20,332)
 CASH AND CASH EQUIVALENTS, beginning of year	11,957	32,289
 CASH AND CASH EQUIVALENTS, end of year	\$ 15,978	\$ 11,957

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

OBAKKI FOUNDATION USA
NOTES TO FINANCIAL STATEMENTS

April 30, 2014
(With Comparative Totals for 2013)

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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, which 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, 2013.

Temporarily restricted net assets consist of the following as of April 30, 2014:

Subsequent year’s operations	\$415
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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, 2014 and 2013.

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 3.

Cash equivalents – The Organization considers all short-term, highly liquid investments with original maturities of three months or less to be cash equivalents.

OBAKKI FOUNDATION USA
NOTES TO FINANCIAL STATEMENTS

April 30, 2014
(With Comparative Totals for 2013)

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
continued

Contributions receivable – Contributions receivable as of April 30, 2014 are expected to be realized in one year or less and are classified as temporarily restricted net assets in the statement of activities. Management expects the contributions receivable to be fully collectible, therefore, no allowance has been provided as of April 30, 2014.

Contributions – Contributions 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 are considered available for the Organization's general programs unless specifically restricted by the donor. Contributions 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 are recognized. All other donor-restricted contributions 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 87% of its contributions and grant revenue from four major contributors for the year ended April 30, 2014. The Organization received 98% of its contributions and grant revenue from three major contributors for the year ended April 30, 2013.

Grants – The Organization received funding under a Quick Impact Project grant from the United Nations Mission in South Sudan (UNMISS) for program costs during the year ended April 30, 2014. This support is subject to contractual restrictions which must be met through incurring qualifying expenses for the Rehabilitation of 37 Community Boreholes in Yirol West County project. Revenue from this grant is recognized only when the funds are utilized by the Organization to carry out the activity in the grant. Cash received under this grant in advance of incurring the related expenses is reported as refundable advances.

Contributed services and facilities – Contributed services and facilities are reflected as contributions in the accompanying statement of activities at their estimated values at date of receipt. FASB ASC 958-605 requires services contributed by professionals and craftsmen that require specialized skills to be recognized as in-kind income and expense. Contributed services that do not require specialized skills are not recognized.

Contributed services and facilities consisted of the following for the years ended April 30:

	<u>2014</u>	<u>2013</u>
Management services	\$ 70,000	\$ 60,000
Website and social media management	25,000	25,000
Accounting services	20,000	15,000
Photography and videography	20,000	10,000
Facilities	<u>10,000</u>	<u>5,000</u>
	<u>\$ 145,000</u>	<u>\$ 115,000</u>

Federal income tax – 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. The Organization is no longer subject to federal tax examinations by tax authorities for years before 2010.

OBAKKI FOUNDATION USA
NOTES TO FINANCIAL STATEMENTS

April 30, 2014
(With Comparative Totals for 2013)

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
continued

Allocation of expenses – Costs of providing programs and activities are summarized by functional category in the statement of activities. 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 consolidated financial statements require the exercise of judgment and are used for, but not limited to, allowance for doubtful accounts, and contribution recognition.

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

Subsequent events – Subsequent events have been evaluated through November 18, 2014, which is the date the financial statements were available to be issued.

NOTE 2. RELATED PARTY TRANSACTIONS

Obakki Foundation Canada (Obakki Canada) shares a common board of directors with the Organization. The Organization received \$74,824 and \$105,453 in contributions from Obakki Canada for the years ended April 30, 2014 and 2013, respectively.

The shareholder of Zero-G Music Inc. dba Obakki Designs (Obakki Designs) is a director of the Organization. The Organization received \$59,929 and \$53,293 in contributions from Obakki Designs for the years ended April 30, 2014 and 2013, respectively. The Organization recognized \$145,000 and \$115,000 of contributed services and facilities from Obakki Designs and its employees for the years ended April 30, 2014 and 2013, respectively.

The Organization contributed \$6,000 to Obakki Canada for the year ended April 30, 2013.

Due to directors includes amounts with no stated terms of repayment or interest. The balance due to directors was \$357,220 and \$222,000 as of April 30, 2014 and 2013, respectively.

NOTE 3. 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, 2014 and 2013, respectively. The Organization had translated cash on hand of \$1,258 and \$664 as of April 30, 2014 and 2013, respectively.

See independent auditors' report.

OBAKKI FOUNDATION USA
NOTES TO FINANCIAL STATEMENTS

April 30, 2014
(With Comparative Totals for 2013)

NOTE 3. FOREIGN OPERATIONS, continued

The Organization had two contractors who accounted for 70% of the costs of its well drilling rehabilitation, livestock watering stations and agriculture projects during the year ended April 30, 2014. The Organization had three contractors who accounted for 76% of the costs of its well drilling rehabilitation, livestock watering stations and solar panels during the year ended April 30, 2013.