



OneSky

Annual Report 2015



ONESKY

for all children

OneSky believes in the vast potential hidden in our world's most vulnerable young children. We create and implement simple, replicable early learning programs that provide nurturing responsive care, transforming the lives of thousands of at-risk children every day, and ensuring that those most in need have a second chance at childhood.



Letter from the President

Dear Friends,

I am very happy to present our 2015 Annual Report. Each year, as we look back and compile the impact of our work, I am always amazed at how much we have accomplished. Allow me to share a few key numbers:

- As of December 2015, this year, OneSky trained 2,586 caregivers from 240 welfare centers in China. Since our national train plan was established in 2011, we have trained a total of 10,986 caregivers from 679 welfare centers.
- In 2015, we provided nurturing and educational opportunities for 3,828 children living in institutions, bringing the total number of children we've reached in our programs in orphanages over 18 years to 75,000.
- This year, we launched a new program for left-behind children in China's impoverished rural villages that has already reached 900 children.
- 1jiaren.org, our online learning and training platform, now brings together 1,844 caregivers, professionals and institution staff from across China.

And those are just a few examples.

Because we are committed to making sure every child's life matters to someone, this year, Half the Sky became OneSky. We are ever so thankful to all our individual, corporate and foundation supporters, without whom all these accomplishments, and those to come, would not be possible.

All our thanks,

Guy Russo

Letter from the CEO & Founder

Dear Friends,

The last year has been one of wonderful change.

In orphanages across the country, we witnessed as the Chinese stepped forward to assume financial and operational responsibility for some of our programs. Our 1998 dream of empowering and educating the Chinese to care for their own smallest citizens is becoming a reality!

In remote villages in central China, we launched our programs to help struggling village elders better meet the needs of the young children left in their care. We set up preschool programs and family skills training and witnessed the positive impact loving and responsive care has in the lives of children left behind while their parents work in faraway cities.

And as I write this, our team is working on our new model designed to reach children of factory workers, in Vietnam to start, so they too can receive quality care while their parents labor in the factories that are helping their country thrive.

So much success, but still so many children to reach. Which is why this year, we changed our name to OneSky... OneSky for all children, to better reflect our goal of reaching all vulnerable children under our big blue sky. You can read more about it in the following pages.

Thank you to all our sponsors, supporters, and members of our global family.

All my love,

Jenny Bowen



INTRODUCING ONESKY

How Half the Sky Became OneSky

Half the Sky was started because we saw a simple solution to the devastating consequences of children living neglected and without love. The situation in China's orphanages seemed hopeless, but we had to try. It has never been easy, yet our dedicated team of child advocates and practitioners has found greater success than we could have dreamed.

We have directly transformed the lives of more than 130,000 orphaned and abandoned children and trained more than 13,000 caregivers. Our model has become China's national standard for orphan care. And we have learned more than we could have imagined. We have learned how to give at-risk children, if we can reach them early enough, a second chance at a bright future. And we now understand how to bring together the adults who are responsible for these young lives and teach them how to gently transform broken systems and practices to benefit, rather than damage, vulnerable young children. We see the potential in every child — real potential that's worth real investment — and we show those adults that they have the power to make a difference.

Because we now understand that our approach can have widespread and profound impact not only on the lives of children living in orphanages but also on the lives of millions of at-risk children around the world, this year, we embarked on a bold new effort to bring our successful models to children the world forgot. And to better characterize this broader purpose and vision, we changed our name to OneSky. OneSky for all children.

Because all children deserve to have big dreams.



In OneSky's Infant Nurture program, women from the local community are trained to provide nurturing, responsive care and stimulation for orphaned babies and toddlers and to be attentive to the tremendous gains they can make early in life – physically, emotionally, socially and intellectually.

THE CHILDREN

Babies and Their Nannies



'Seeing' Life Differently

When I first met Hanyu, she was 1 month old and would not make eye contact with me. She opened her eyes briefly, frowned and closed them again. She was unresponsive. I learned that Hanyu's vision was impaired so decided to use my voice to communicate with her.

"Hanyu, I am your nanny and you are my baby. I am here," I told her.

Each day, when I went to her crib, I kissed her on the cheek and said, "Hanyu, these are the sounds of my steps...try to remember them."

Slowly, Hanyu became more responsive. Though I knew she could

not see me, she would blink and sometimes smile, kick her feet or make cooing sounds when she recognized my sounds. She also learned to recognize what direction the sounds were coming from. Now, when she hears my voice, she comes straight to me!

As she grew older, I helped Hanyu discover the world around her using her other senses. We often go outside to feel the leaves, grass, and wind on our faces. We learned to 'see' life differently. And now, 18-month old Hanyu is both a social butterfly and a little explorer in the toy room.

By OneSky Nanny Huang Zhengyu

THE CHILDREN

Preschoolers and Their Teachers



OneSky's preschool program is designed to prepare the children to develop intellectual curiosity and a love of learning, succeed in community schools, and attain the positive sense of self so often missing in institutionalized children.

Learning from Nature

Outside our institution, we have a large tree. I like to take children from our preschool program who struggle with language to visit it. It gives us a chance to practice simple conversation skills.

The other day, I took five of the children outside to visit it.

"What is this, children?" I asked.

"It is a tree, Miss."

"Yes, you are right. Let's get to know our tree. How does it feel? Is it smooth or rough when you touch it?"

The children were fascinated. They approached the tree and touched the bark. One child simply pointed and smiled while another answered "rough."

"Yes, and this is called bark. It's like the warm coat you wear in the winter. This bark keeps the tree warm in the winter."

We talked about the roots, and the leaves... it was a great little exercise to let the children discover nature and practice simple words.

The children loved it so much that when we got back in the classroom, we did a craft about trees also. They now hang on our playroom wall.

We enjoy finding creative ways to teach children new skills.

By OneSky Preschool Teacher Shanwu Liu

THE FAMILIES

In our Loving Families program, married couples who have already raised a family but still have room in their hearts are recruited from the local community to provide permanent loving foster families for children whose physical, emotional or cognitive challenges are likely to preclude their adoption.



A Heartwarming Display of Loving Care for Mom

My wife is a very dedicated foster mother in our Loving Families program. She always puts her children first. But recently, she came down with a bad cold and the roles were reversed.

One morning, I started working early in the dining hall of the institution. Around 8 a.m., I got a call from Xinxin, our foster daughter. She was worried, "Dad, mother's sick. She has a high fever. Come back!"

When I got there, I saw the children surrounding my wife. They were very worried, and they were tenderly caring for her. Liulu had a wet cloth on her forehead, Xinxin was giving her water to drink, and Jingjing was looking on saying, "Mom, I don't want you to be sick, you must get better soon!"

I smiled at the scene and asked my wife if she was ok. She said she had a sore throat and was running a small fever, but that the children were taking very good care of her!

It was a very heartwarming display of love on behalf of the children and for once, it was also mom's turn to get spoiled with attention.

By Liu Shuyu, OneSky Foster Dad



In rural China today, more than 61 million children of migrant workers are left behind in the care of grandparents or relatives who are struggling to simply keep them fed.

Twenty-three million of those children are under seven years old – left without nurturing care during their critical early years.

Most of the children see their parents only once a year, during the New Year holiday. They are China’s “economic orphans.” In fact, many of the children in our orphanage programs come from such places.

In April 2015, in partnership with government and a few extraordinary supporters who share our vision for a world in which all children are valued, we launched the OneSky Village Model, inspired by our orphanage programs, in a small group of rural villages in central China, in a place where more than 60% of parents have migrated away for work.

In four villages at first, we started offering “family skills” training to parents and grandparents, early learning programs for children from birth to six, and a new village engagement program to try to help re-energize these now disintegrating rural communities in order to provide a nurturing home for the children.



OUR WORK IN THE VILLAGES

Children of the Villages

After several weeks of planning, building, and training, together with government officials and locals, we celebrated the launch in all four villages.

During that first week, we saw newly trained teachers (local village moms) and curious grandparents trying new ideas, some more successfully than others, but all with enthusiasm.

The children, as always, were ready for love and attention. Life was full of promise.

A few days later, we got a call. A freak hailstorm hit much of the province, wiping out crops that were days away from harvest. For many of the families, most of the year’s income was wiped out as well. Hailstones the size of eggs rained down. Birds fell from the sky. Homes collapsed. Roofs were destroyed. Thankfully, no one was killed.

In a world battered numb by never-

ending war and disaster, what happened to those little villages in central China is minor. Just another reminder of how precarious life can be. But they are family now, and so of course, we feel their hurt.

Our training teams, still in the villages, went from house to house to check on families. We kept our children’s centers open and staffed day and night until everyone had safe shelter.

We called an old friend, a retired government official who lives in the province, and asked him how he thought we could help. He said that the government has ample resources to cover the loss. “The very best thing you can do for the villages is to run those new programs for the children as well as you possibly can. Build a model that will change the lives of all the children who are left-behind.”

That is what we will try to do.

Yutong, the Artist
Giving children in villages a second chance at childhood



Plenty of children's lives have a less than perfect start. Yutong is one of those children.

She doesn't remember the day her parents went away. Maybe they left while she was still asleep. She was only three years old.

In the weeks after, she looked for them every day. When she asked her grandma when her parents were coming home, her grandma said only, "When they can." She didn't ask her grandpa. Her grandpa never spoke. Both of them were in poor health. It took all the strength they had just to look after their small plot of land.

Yutong turned four. Then five. Still they didn't come. She spent her days alone. Even at the village preschool, she was silent.

Some days she didn't look for them. But she never forgot. One day, she found a bit of chalk on the floor and used it to draw a picture of her mother's face on the wall by her bed... smiling, just the way she remembered. But Yutong never smiled.

Early this year we came to the village to create a OneSky Early Learning Center, especially for children like Yutong who are left behind when their parents migrate away to find work. As part of our new model for children in villages, we plan to do all we can to give children like Yutong a second chance at a happy childhood.



OneSky's programs for children in villages are designed to mitigate the damage to children 0-6 who are left without nurturing, responsive care during their most critical early years.

OneSky Partners

We would like to extend a heartfelt thanks to all of our corporate, foundation and small business supporters for providing very significant financial and in-kind contributions. This support is crucial to helping us transform the lives of vulnerable children and giving them a second chance at childhood. For more information, visit www.onesky.com/partners.

Actis	China Care Foundation	Jack Morton Worldwide	Summitview Capital Management
Anchor Equity Partners (Asia)	Coach Foundation	Kalaari Capital Advisors	The Tan Family Education Foundation
APL Limited	Coles Group Asia Pty Ltd	Liberty Insurance	Target Foundation
Asia Alternatives Mgmt. LLC	Conrad N. Hilton Foundation	Linklaters LLP	TCT Foundation for the Children of China
Bank of America Merrill Lynch	Credit Suisse	NewQuest Capital Advisors	Toll Global Forwarding
Bank Julius Baer	Deutsche Bank	OtterBox Hong Kong Ltd.	The Walt Disney Company
Baring Private Equity Asia	DZ Trading	Peter Bennett Foundation	United States Liability Insurance Group
Barclays	East Vision	Pillsbury Winthrop Shaw Pittman LLP	Wah Kwong Maritime Transport Limited
BlackArts Racing	Eaton Partners	PRG Chicago	Weber Shandwick
Box of Hope	Freshfields Bruckhaus Deringer	Qualcomm Foundation	World Childhood Foundation
CAA Foundation	Fossil Foundation	Radio Flyer	
Capital Group Companies Charitable Foundation	Gaja Advisors Ltd	Saratoga Capital	
Capital World Hong Kong	Global Sources	Sieh Charity and Family Care Trust	
ChinaFriends	GMR Gymnastics Sales, Inc	Skoll Foundation	
CLSA Chairman's Trust	Grant Thornton, LLP	Storehouse Foundation	
	Ho Pui Fun Charitable Trust		

Capital Group Employees Driving Change

The Capital Group-OneSky partnership began in 2008 when staffers sponsored Harry De Pree's Phuket Triathlon, raising \$30,000 for our programs in Behai. In subsequent years, support expanded to OneSky programs in Wuhan, Sanya and Hefei. That success was made possible not only by enthusiastic staffers like Harry, but also by Capital Group's extraordinary support for employee-led giving and volunteering. When staffers support their favorite nonprofit organizations, Capital Group and its charitable foundation augment donations with grants and matching gifts.

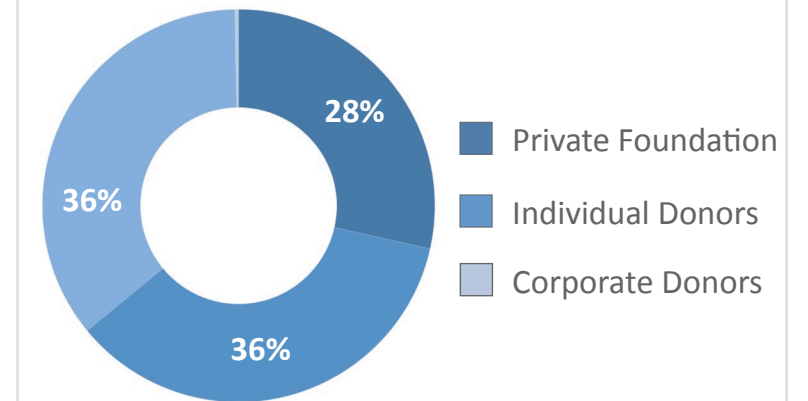
Inspired by his success in Phuket, Harry and his friends launched the OneSky annual Charity Hike in 2011. Participation has skyrocketed from 25 to over 500. Harry attributes that growth in part to the special bond staffers have built with the children during their visits. "When you go back to the same orphanage a few times, you recognize some of the children. You see them getting taller, running around more, engaging with people more. It's incredible!"

Also incredible is the Capital Group-OneSky partnership for the children!

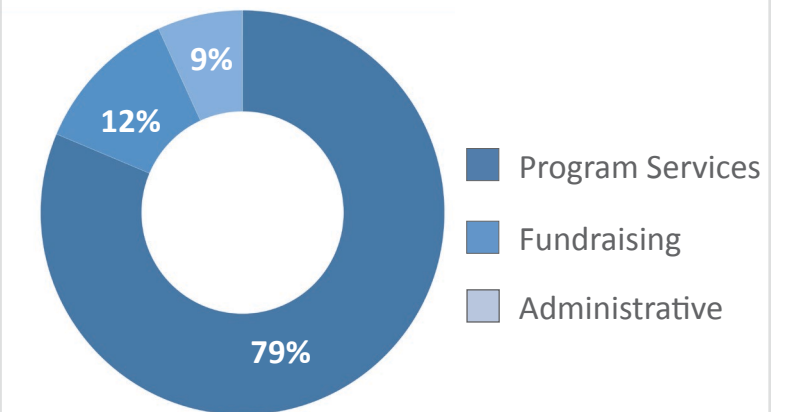


OneSky has been recognized for its exceptional fiscal responsibility and transparency by a number of charity evaluation organizations, including Wise Giving, Guidestar and Charity Navigator.

Income Resources



Expenses



OneSky Board of Directors and Advisors

Board of Directors

Guy Russo

President
Managing Director of the Kmart retail chain owned by Wesfarmers Ltd in Australia and New Zealand; former Managing Director & CEO in Australia and President in Greater China of McDonald's Corporation.

Jenny Bowen

Founder and CEO of OneSky
A former screenwriter and film director who wrote screenplays for major Hollywood producers and was writer-director on several independent films.

Randy C. Belcher

Hong Kong-based executive Vice President — Asia Pacific for Fossil Inc.; serves on the boards of the Fossil Foundation (Chairman) and Helen Keller International.

Peter Bennett

After a successful career in the financial industry, established the Peter Bennett Foundation to support charitable and social impact development in Hong Kong, China, and Southeast Asia.

Stephen Chipman

CEO of Grant Thornton LLP (retired), the US member firm of Grant Thornton International Ltd. Launched his career with Grant Thornton in 1981 in the UK.

Matt Dalio

Founder, CEO and Chief of Product at Endless Mobile; president of the board of directors of the China Care Foundation, Inc. that he founded in 2000 at age 16; BA Harvard University; MBA, Stanford Graduate School of Business.

Tim Huxley

CEO of Mandarin Shipping Ltd; served as Vice Chairman of the Hong Kong Shipowners Association and several others industry bodies and is a regular commentator on shipping issues in the press and on television.

Laura Hui

Head of Asia Pacific Investor Relations at CQS (retired), a UK-based hedge where she was responsible for acquiring new Asia Pacific private and institutional investors for CQS's alternative

funds.

Dana Johnson, MD, PhD

Professor of Pediatrics and Director of the Division of Neonatology; and Co-Founder of the International Adoption Medical Program at the University of Minnesota. Also serves as Medical Consultant on international adoptions to multiple agencies across the United States.

Joe Longo

Hong Kong-based General Counsel, Asia, Deutsche Bank AG; responsible for the direction and coordination of legal support for the Bank's businesses throughout Asia (ex-Japan).

Melissa Ma

Co-Founder and Managing Partner of Asia Alternatives; co-leads the firm's investments in buyout and special situations funds and oversees investor relations, market research and back office functions.

F. Chapman Taylor

Senior Vice President of Capital International Research, Inc., a global investment management

firm that is part of the Capital Group of Companies. Serves on the boards of For Love of Children, Microdreams and Karya Salemba Empat.

Wang Zhenyao

Director of the new Beijing Normal University's One Foundation Philanthropy Research Institute & China Institute for Social Policy and Chairman of Chunhui Children's Foundation.

Advisors

Peter Rupert Lighte

Founding Chairman of JP Morgan Chase Bank China (retired), sinologist and author of *Host of Memories: Tales of Inevitable Happenstance and Pieces of China*.

Since OneSky was founded, it has always been our intention to turn all we have built over to the Chinese to operate and fund. In our early days, that was a distant dream because there was no recognition about the importance of nurturing care for institutionalized children and because China's economy was ailing. But thanks to China's economic boom and thanks to generous Chinese citizens who have benefitted from it, more and more of our programs are now being supported by Chinese donors.

As of December 31, 2015, 25 of the 58 centers that we have established over the years through our fundraising efforts are now being supported by Chinese donors, a wonderful sign that the Chinese are empowering themselves to care for their smallest and most vulnerable citizens. We are, of course, continuing to provide training and mentoring for caregivers and administrators at all the centers we established—we have promised to provide that support for as long as we are needed.

We are also continuing to invest in our training and mentoring efforts. Specifically, our 8 National Model Centers provide examples of best-practice childcare, our team of Child Development Experts travel throughout China to educate and mentor adults all over the country who care for young at-risk children, and our distance learning platform, 1jiaren.org is helping to create a network of professional caregivers.

Finally, our distant dream to help the Chinese re-imagine their entire social welfare system is starting to come true.

MOVEMENT TOWARDS

Model Centers

Half the Sky Financial Statements

Independent Auditor's Report

To the Audit Committee and Board of Directors
Half the Sky and Subsidiaries
Berkeley, California

Crowe Horwath

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Half the Sky Foundation and Subsidiaries as of December 31, 2015 and 2014 and the changes in their net assets, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Sacramento, California
May 26, 2016

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Half the Sky Foundation and Subsidiaries ("Foundation"), which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities and changes in net assets, cash flows and functional expenses for the years 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

Consolidated Statements of Financial Position

Half the Sky and Subsidiaries, December 31, 2015 and 2014

	2015	2014
Assets:		
Cash and cash equivalents	\$3,234,779	\$3,914,518
Pledges receivable, net (Note 3)	300,000	24,811
Other receivables	8,012	38,452
Prepaid program expenses	123,116	127,078
Inventory	64,632	62,065
Property and equipment, net (Note 4)	17,118	14,873
Deposits	64,367	40,469
Total assets	<u>\$ 3,812,024</u>	<u>\$4,222,266</u>
Liabilities:		
Accounts payable	\$193,217	\$94,091
Accrued expenses	134,470	110,825
Total liabilities	<u>327,687</u>	<u>204,916</u>
Commitments and contingencies (Note 7)		
Net assets:		
Unrestricted	1,248,825	858,911
Designated by the Board	6,928	4,445
Total unrestricted net assets	<u>1,255,753</u>	<u>863,356</u>
Temporarily restricted (Note 5)	2,228,584	3,153,994
Total net assets	<u>3,484,337</u>	<u>4,017,350</u>
Total liabilities and net assets	<u>\$ 3,812,024</u>	<u>\$4,222,266</u>

See accompanying notes to consolidated financial statements.

Consolidated Statements of Activities and Changes in Net Assets

Half the Sky Foundation and Subsidiaries, Years Ended December 31, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support:						
Contributions (Notes 9, 10 and 11)	\$ 4,289,985	\$ 4,311,329	\$8,601,314	\$3,722,534	\$6,116,770	\$9,839,304
Contributed services and materials	432,614	-	432,614	312,120	-	312,120
Merchandise sales	3,828	-	3,828	15,574	-	15,574
Interest and dividend income on investments	309	-	309	-	-	-
Other income	70,939	-	70,939	63,663	-	63,663
Net assets released from restriction (Note 6)	5,236,739	(5,236,739)	-	5,400,796	(5,400,796)	-
Total revenues, gains and other support	10,034,414	(925,410)	9,109,004	9,514,687	715,974	10,230,661
Expenses:						
Program services:						
Donated goods and services	20,228	-	20,228	63,890	-	63,890
Other program services	7,634,901	-	7,634,901	7,079,417	-	7,079,417
Total program services	7,655,129	-	7,655,129	7,143,307	-	7,143,307
Fundraising:						
Donated goods and services	11,373	-	11,373	9,906	-	9,906
Other fundraising	1,098,437	-	1,098,437	755,809	-	755,809
Total fundraising	1,109,810	-	1,109,810	765,715	-	765,715
Merchandise costs	1,212	-	1,212	3,966	-	3,966
Management and general (Notes 7 and 8):						
Donated goods and services	235,762	-	235,762	131,983	-	131,983
Other management	640,104	-	640,104	655,885	-	655,885
Total management and general	875,866	-	875,866	787,868	-	787,868
Total expenses	9,642,017	-	9,642,017	8,700,856	-	8,700,856
Change in net assets	392,397	(925,410)	(533,013)	813,831	715,974	1,529,805
Net assets, beginning of year	863,356	3,153,994	4,017,350	49,525	2,438,020	2,487,545
Net assets, end of year	\$ 1,255,753	\$2,228,584	\$3,484,337	\$863,356	\$3,153,994	\$4,017,350

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Half the Sky Foundation and Subsidiaries, Years Ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$(533,013)	\$1,529,805
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	9,333	7,269
Deferred rent liability	-	(4,990)
Net change in assets and liabilities:		
Pledges receivable, net	(275,189)	137,721
Other receivables	30,440	(36,574)
Prepaid program expenses	3,962	(73,118)
Inventory	(2,567)	3,462
Deposits	(23,898)	(17,260)
Accounts payable	99,126	(41,500)
Accrued expenses	23,645	35,145
Net cash (used in) provided by operating activities	(668,161)	1,539,960
Cash flows used in investing activities:		
Acquisition of property and equipment	(11,578)	(11,747)
(Decrease)Increase in cash and cash equivalents	(679,739)	1,528,213
Cash and cash equivalents, beginning of the year	3,914,518	2,386,305
Cash and cash equivalents, end of year	\$3,234,779	\$3,914,518
Supplemental disclosures of cash flow information		
Contributed services and materials	\$432,614	\$312,120

See accompanying notes to consolidated financial statements.

Statement of Functional Expenses

Half the Sky Foundation and Subsidiaries, Years Ended December 31, 2015 and 2014

Expenses (Notes 8):	2015					2014				
	Program Service	Fundraising	Merchandise Cost	Management and General	Total	Program Service	Fundraising	Merchandise Cost	Management and General	Total
Compensation and benefits for non-field staff	\$2,199,406	\$785,170	\$ -	\$400,357	\$3,384,933	\$1,899,782	\$435,533	\$ -	\$413,185	\$2,748,500
Consulting and professional services	276,428	-	-	81,776	358,204	71,763	-	-	89,237	161,000
Office expenses	43,761	29,043	-	16,805	89,609	32,785	18,365	-	18,593	69,743
Information technology	105,896	17,422	-	-	123,318	247,352	10,471	-	-	257,823
Occupancy	53,928	-	-	91,855	145,783	76,367	-	-	82,066	158,433
Travel	287,958	94,146	-	32,299	414,403	162,384	119,353	-	38,615	320,352
Conferences and meetings	22,764	-	-	-	22,764	10,003	-	-	-	10,003
Depreciation and amortization	9,333	-	-	-	9,333	7,269	-	-	-	7,269
Insurance	-	-	-	17,012	17,012	-	-	-	14,189	14,189
Compensation and benefits for field staff	3,610,420	-	-	-	3,610,420	3,358,115	-	-	-	3,358,115
Donated goods & services	20,228	11,373	-	235,762	267,363	63,890	9,906	-	131,983	205,779
Stipends and tuition	183,304	-	-	-	183,304	169,879	-	-	-	169,879
Orphanage center construction, equipment & furnishings	205,659	-	-	-	205,659	49,695	-	-	-	49,695
Surgery and nurturing care in connection with China Care Program	10,844	-	-	-	10,844	390,688	-	-	-	390,688
Family Village	48,663	-	-	-	48,663	8,756	-	-	-	8,756
Training programs and materials	523,775	-	-	-	523,775	553,917	-	-	-	553,917
Event expenses	-	117,784	-	-	117,784	-	106,274	-	-	106,274
All other expenses	52,762	54,872	1,212	-	108,846	40,662	65,813	3,966	-	110,441
Total functional expenses	\$7,655,129	\$1,109,810	\$1,212	\$875,866	\$9,642,017	\$7,143,307	\$765,715	\$3,966	\$787,868	\$8,700,856

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Half the Sky Foundation and Subsidiaries, Years Ended December 31, 2015 and 2014

NOTE 1 – ORGANIZATION AND OPERATIONS

Half the Sky Foundation (the "Foundation" or "HTS"), a non-profit public benefit corporation, was incorporated in November 1998 with its corporate office located in Berkeley, California.

The Foundation formed a Beijing Representative Office in June 2008. Effective since January 1, 2008 the Foundation also qualifies in the Netherlands as a charitable fund ("ANBI").

Half the Sky Foundation (Asia) Limited ("Asia Ltd."), a supporting organization of the Foundation, was incorporated in Hong Kong in March 2006. Half the Sky Foundation United Kingdom Limited ("UK Ltd."), another supporting organization of the Foundation, was incorporated in England and Wales in April 2008.

The consolidated financial statements include the accounts of the Foundation and all of the supporting organizations.

The Foundation was created in order to enrich the lives of China's most vulnerable children. The Foundation provides model programs and caregiver training designed to offer loving, family-like care to children of all ages and abilities. It is the Foundation's goal to ensure that every at-risk child has a caring adult in her life and a chance at a bright future. The Foundation works in 54 state-run welfare institutions in 26 provinces and municipalities in China and offers three primary programs:

Model Children's Centers Program that Includes: Infant Nurture (IN) designed to give infants aged 0-3 years a healthy start in life. The Foundation employs "nannies"- retired or laid-off workers from the local community - to cuddle, love and provide orphaned infants (0-3 years) the physical and emotional stimulation essential to normal development. The Foundation renovates rooms in the welfare institutions and provides training, salaries, other program expenses and supervision of staff.

Preschools (PS) in which Foundation-trained teachers use a unique and progressive curriculum that blends principles of the Reggio Emilia approach to

early childhood education with contemporary Chinese teaching methods. PS are designed not only to prepare the children (4-7 years) to succeed in Chinese schools, but also to help develop the "whole child", facilitating healthy emotional, physical and cognitive development. The Foundation renovates rooms in the welfare institution and provides training, salaries, other program expenses and supervision of staff.

Youth Services (YS) in which the Foundation provides individualized learning opportunities for older children (8-21 years) who remain in the institutions. The Foundation tailors these opportunities to the specific child, offering such services as tutoring prior to entrance exams, tuition to vocational schools, funds for music, dance, computer or art classes, and tutors for learning a second language. The Foundation also provides school fees for a growing number of orphans to attend universities throughout China.

Family Village (FV) in which children whose disabilities or special needs preclude adoption, live in permanent foster families in comfortable apartments in or nearby the welfare institutions. FV enables children who are unlikely to be adopted to grow up knowing the love of family while also receiving the support services that the welfare institution and the Foundation provide. The children attend the Foundation preschools and then go on to enjoy the enrichment opportunities of YS. The Foundation partners with local governments to renovate apartments, provide furnishings, a small stipend for foster parents, ongoing training and miscellaneous fees.

National Training Plan (Rainbow Program): Beginning in October 2011, the Foundation began its National training Plan (called the "Rainbow Program" in China) which will enable the Foundation to eventually train every caregiver in the country and thereby help the Chinese raise the standards of care for its entire children's welfare system. Primary training sessions through the National Training Plan include lectures, group discussions, reflection, problem solving, and guided hands-on practice with children. For secondary training, the Foundation completes an assessment of the needs for each institution and then develops tailored on-site training for those needs.

The Foundation has trained 10,986 caregivers from 679 welfare centers. The

Foundation is also working to transition support and operations of the Children's Centers it has established in government-run social welfare institutions over to the Chinese, except for its Model Centers. After that transition is complete, the Foundation will be a training and mentoring organization that continues to conduct effective joint provincial trainings with China Center for Child Welfare and Adoption, helps welfare institutions create Half the Sky-inspired programs of their own, and runs Model programs that serve as examples of best-practice childcare.

Village Programs: In 2015, the Foundation launched its Village Programs for children left-behind in rural China. In rural China today, more than 61 million children of migrant workers are left behind in the care of grandparents or relatives who are struggling to simply keep them fed; 23 million of those children are under seven years old. The Foundation's Village Model programs are designed to mitigate the damage to children 0-6 who are left without nurturing, responsive care during their most critical early years.

Similar to other Foundation programs, the Village Programs are designed to be scalable and sustainable. Village Programs include Family Skills, Early Childhood Development Centers that provide a child-centered curriculum that emphasizes using responsive care to improve cognitive, social, and emotional development as well as school readiness; and Community Engagement that is geared toward strengthening now disintegrating rural communities and providing a nurturing home for young children despite parental absence by offering trainer-facilitated village gatherings, monthly community projects and cooperative childcare to give weary primary caregivers respite.

As part of this program expansion, the Foundation has changed its operating name to Half the Sky Foundation, Inc. DBA OneSky, effective January 1, 2016.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of the Foundation and its supporting organizations. Inter-organization transactions and balances have been eliminated upon consolidation.

Foreign Currency: Assets and liabilities denominated in foreign currencies are translated into United States of America dollars, the reporting currency, at exchange rates in effect on reporting dates, and revenue and expenses are translated at rates which approximate those in effect on transaction dates. A

significant amount of the Foundation's expenses were paid for using the Chinese Renminbi for the years ended December 31, 2015 and 2014. Translation gains and losses were not material to the consolidated financial statements taken as a whole and are not reflected separately in the consolidated financial statements.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Basis of Presentation: The consolidated financial statements have been prepared on the accrual basis of accounting which recognizes revenue and support when earned and expenses when incurred.

The financial statement presentation follows the guidance of Financial Accounting Standards Board (the "FASB") Accounting Standards Codification™ ("ASC") 958 - 205, Not-for-Profit Entities – Presentation of Financial Statements ("ASC 958 – 205"). Under ASC 958 – 205, the Foundation is required to report information regarding its financial position and activities classified as permanently restricted, temporarily restricted, and unrestricted net assets with the change in each of these classes of net assets to be presented in the consolidated statements of activities and changes in net assets.

Unrestricted Net Assets - Unrestricted net assets have no donor-imposed restrictions and include those revenues and expenses associated with program and supporting services. The Board of Directors has designated certain unrestricted net assets to be used for certain purposes. As of December 31, 2015 and 2014, Board designated assets totaled \$6,928, and \$4,445, respectively.

Temporarily Restricted Net Assets - Temporarily restricted net assets represent contributions that are limited in use by the Foundation in accordance with donor-imposed stipulations. These stipulations may expire with time or may be satisfied and removed by the actions of the Foundation according to the terms of the contribution. Upon satisfaction of such stipulations, net assets are released from temporarily restricted net assets and recognized as unrestricted net assets.

Permanently Restricted Net Assets - Permanently restricted net assets are restricted by the donor for investment in perpetuity, such as endowments. The income from such invested assets is available to support the activities of

the Foundation. As of December 31, 2015 and 2014, the Foundation held no permanently restricted net assets.

Cash and Cash Equivalents: Cash and cash equivalents consist primarily of highly liquid investments with an original maturity of three months or less. Cash and cash equivalents are carried at cost which approximates fair value.

Credit Risk: The Foundation maintains cash and cash equivalents with commercial banks and other major financial institutions. Cash equivalents include overnight investments and money market funds. Cash balances may exceed the Federal Deposit Insurance Corporation ("FDIC") limits from time to time. At December 31, 2015 and 2014, the Foundation had deposits at two financial institutions eligible for FDIC insurance coverage with carrying amounts of \$2,373,431 and \$1,885,394, and bank balances of \$2,373,431 and \$1,885,414, respectively. Of the total bank balances, \$403,887 and \$271,445 were insured at December 31, 2015 and 2014, respectively. The credit risk in pledges receivable is addressed as the Foundation evaluates the collectability of pledges based on knowledge and available information about the donors. Additionally, any pledges that are expected to be collected after one year have been discounted and are reflected in the consolidated financial statements at their net present value.

Pledges Receivable: The Foundation evaluates the collectability of its pledges receivable on an ongoing basis and records a reserve for potential uncollectible pledges receivable.

Property and Equipment, Net: Acquisitions of property and equipment in excess of \$500 are capitalized. Purchased property and equipment are stated at cost. Significant donated property and equipment are recorded at their estimated fair value on the date of receipt. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to ten years.

Impairment of Long-Lived Assets and For Long-Lived Assets to be Disposed Of: Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted future net cash flows, excluding interest, expected to be generated by the asset. If such assets are considered to be impaired, the impairment is recognized on an asset-by-asset basis. The impairment is measured as the amount by which the carrying amount of the asset exceeds the fair value of the asset (fair value determined by

discounted cash flows, market comparison, or replacement cost). Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. No assets have been determined to be impaired as of December 31, 2015 and 2014.

Inventory: Inventory consists principally of merchandise sold in the Foundation's on-line store and is stated at the lower of weighted average cost or market value.

Revenue Recognition: Contributions are recognized as revenue when they are received or unconditionally promised as prescribed by ASC 958 – 605, Not-for-Profit Entities – Revenue Recognition ("ASC 958 – 605"). The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor stipulation expires, that is, when a stipulated time restriction ends or the purpose is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Conditional promises to give are not recorded as contributions until the conditions on which they depend are substantially met.

Donor-restricted contributions whose restrictions are met in the same reporting period as the contribution is recorded are reported as temporarily restricted contributions and net assets released from restrictions as donor restrictions are met.

The Foundation recognizes revenues from on-line store sales upon the sale of merchandise.

Contributed Services and Materials: Contributed services and materials are recognized in accordance with ASC 958 – 605. The Foundation received and recorded contributed pro-bono legal services for the years ended December 31, 2015 and 2014, with estimated fair values of \$255,900 and \$195,873, respectively.

Contributed goods are recorded at estimated fair value at the date of receipt and amounted to \$176,624 and \$116,247 for the years ended December 31, 2015 and 2014, respectively.

Income Tax Status: The Foundation has been recognized as an organization exempt from tax pursuant to Internal Revenue Code Section 501(c)(3) and classified by the Internal Revenue Service as other than a private foundation, and has been recognized by the California Franchise Tax Board as exempt from

California franchise taxes under Revenue and Taxation Code Section 23701(d). Asia Ltd. has been granted tax exempt status by the Hong Kong Inland Revenue Department. UK Ltd. has been granted tax exempt status by UK HM Revenue & Customs. The Foundation is also qualified as a charitable fund ("ANBI") in the Netherlands for tax purposes.

Generally accepted accounting principles require that a tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The Foundation does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months. The Foundation recognizes interest and/or penalties related to income tax matters in income tax expense. The Foundation did not have any amounts accrued for interest and penalties at December 31, 2015 and 2014.

Functional Expense Allocations: The costs of providing the various program and supporting services have been summarized on a functional basis in the consolidated statements of activities and changes in net assets. Accordingly, certain expenses have been allocated among program services and supporting services based on estimates made by management.

Reclassifications: Some items in the prior year financial statements have been reclassified to conform to the current presentation, with no effect on the prior year change in, classification of restriction for, or ending balance of net assets for the Foundation.

Subsequent Events: The Foundation has evaluated subsequent events for recognition and disclosure through May 26, 2016, which is the date the financial statements were available to be issued.

NOTE 3 – PLEDGES RECEIVABLE, NET

Pledges receivable represent unconditional promises to give by donors and are recorded at net realizable value. Pledges receivables of \$300,000 and \$24,811 at December 31, 2015 and 2014, respectively, were expected to be collected within one year. There were no long-term pledge receivables at December 31, 2015 and 2014.

The Foundation has received notification of various conditional pledges. These pledges for which the conditions have not yet been substantially met are not included as revenues and are not included in total revenue on the accompanying consolidated statements of activities and changes in net assets for the years ended December 31, 2015 and 2014. There were conditional promises to give of \$22,079 and \$74,752 as of the years ended December 31, 2015 and 2014, respectively.

NOTE 4 – PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following at December 31:

	2015	2014
Equipment	\$ 172,838	\$ 163,270
Furniture and fixtures	28,229	26,219
Total	201,067	189,489
Less: accumulated depreciation	(183,949)	(174,616)
Property and equipment, net	\$ 17,118	\$ 14,873

Depreciation expense for the years ended December 31, 2015 and 2014 amounted to \$9,333 and \$7,269, respectively.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purpose-restricted programs or locations at December 31, 2015 and 2014:

	2015	2014
Village Program	\$ 616,245	\$ 858,712
Rainbow Training	55,000	168,588
Changsha, XianTan Seed, and Kunming programs	396,538	169,521
Ten Little Sister Programs (LSP)	-	320,027
Child Development Experts	300,000	-
Nanchang, Datong, and Rainbow	-	192,638
Guangzhou	11,513	14,184
Huazhou	-	156,518
Nanning programs, and Guangxi Rainbow training	158,162	153,000

Beihai, Sanya LSP, Wuhan INP, Hefei FVP	46,218	29,283
National YSP	-	100,147
Shenzhen	128,263	118,930
Qingyuan Wuhan, Qingdao, and Urumqi LSP	-	27,501
Changchun	29,746	134,229
Tianjin	20,165	-
Digital Media Training, Rainbow and YSP	-	93,277
China Care Clubs	30,606	21,026
Nanjing	66,074	63,021
Tianjin and Shenyang FVP	61,934	18,126
Changzhou	39,804	99,498
Wuzhou	-	1,208
National INP	-	-
Henan	2,130	3,990
Maonan	-	42,345
Huangshi, Luoyang, Qingyuan INP	-	33,823
Harbin and Heilongjiang CDE & Project Office	-	30,255
Chengdu Family Village Program (FVP)	-	30,214
Tai'an Seed Program	13,433	11,298
Lianjiang Seed Program	2,498	30,000
Shaoguan	-	20,459
Development Evaluation	-	17,034
Chenzhou	30,238	45,379
Lianyungang	-	13,001
Huazhou, Kuming, and Yinchuan start-up cost	-	13,057
Ya'an	-	13,042
China Care	145	5,029
Unrestricted donation – time restricted	150,000	-
Creating Optimal Learning Spaces project	40,015	-
Nanchang LSP	15,280	-
Guiyang LSP	14,477	-
Others	100	105,634
Total temporarily restricted net assets	\$2,228,584	\$ 3,153,994

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS RELEASED FROM RESTRICTIONS

Temporarily restricted net assets were released from donor restrictions by incurring expense satisfying the purpose of the restriction or by the passage of time during the year ended December 31, 2015:

Village Program	\$	1,216,367
Rainbow Training		592,264
Changsha, XianTan Seed, and Kunming programs		466,120
Ten Little Sister Programs (LSP)		320,027
Child Development Experts		300,000
Nanchang, Datong, and Rainbow		193,438
Guangzhou		202,148
Huazhou		156,668
Nanning programs, and Guangxi Rainbow training		144,838
Beihai, Sanya LSP, Wuhan INP, Hefei FVP		143,707
National YSP		119,147
Shenzhen		115,667
Qingyuan Wuhan, Qingdao, and Urumqi LSP		107,501
Changchun		104,483
Tianjin		95,789
Digital Media Training, Rainbow and YSP		93,277
China Care Clubs		90,420
Nanjing		81,656
Tianjin and Shenyang FVP		61,191
Changzhou		59,694
Wuzhou		55,619
National INP		54,782
Henan		36,860
Maonan		33,833
Huangshi, Luoyang, Qingyuan INP		33,823
Harbin and Heilongjiang CDE & Project Office		30,255
Chengdu Family Village Program (FVP)		30,214
Tai'an Seed Program		27,865
Lianjiang Seed Program		27,502
Shaoguan		20,509
Development Evaluation		17,034
Chenzhou		15,541
Lianyungang		13,101
Huazhou, Kuming, and Yinchuan start-up cost		13,057

Ya'an	13,043
China Care	10,844
Unrestricted donation	-
Creating Optimal Learning Spaces project	9,985
Nanchang LSP	7,232
Guiyang LSP	5,656
Others	115,582
	<hr/>
Total net assets released from restrictions	\$ 5,236,739

Total net assets released from restrictions for program services totaled \$5,400,796 for the year ended December 31, 2014.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Lease Obligation: The Foundation leases office facilities in the United States, an apartment unit and an office facility in Beijing and an apartment unit in Shanghai, People's Republic of China, and an apartment unit and office facility in Hong Kong. The operating leases expire at various dates through January 2017. Rent paid under these leases was approximately \$375,963 of which \$140,713 is recorded in rent expenses and \$235,250 as a benefit to an employee for the year ended December 31, 2015. Rent paid under these leases was approximately \$237,400, of which \$157,856 is recorded in rent expenses and \$79,544 as a benefit to an employee for the year ended December 31, 2014.

As of December 31, 2015, the Foundation's future minimum lease payments are as follows:

Years Ending December 31,	Amount
2016	\$ 380,945
2017	31,736
	<hr/>
	\$ 412,681

Contingencies: The Foundation is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to such actions will not materially

affect the financial position or results of operations of the Foundation.

NOTE 8 – EMPLOYEE BENEFIT PLANS

In 2008, the Foundation had a 403(b) retirement plan for its employees. In January 1, 2009, the Foundation transferred all assets to a 401(k) plan, covering all employees who have met certain eligibility requirements. Under the 401(k) plan, employees may elect to contribute a certain percent of their eligible compensation to the 401(k) plan, subject to IRS limitations. The Foundation may make matching contributions during the year equal to a discretionary percentage, as determined by the Foundation, of the participant's salary reductions. Employer contributions vest at the rate of 20% per year with full vesting after 6 years of service with the Foundation. Total contributions made to the retirement plans by the Foundation for the years ended December 31, 2015 and 2014 were \$50,686 and \$41,260, respectively.

NOTE 9 – RELATED PARTY TRANSACTIONS

For the years ended December 31, 2015 and 2014, recorded contribution revenue from members of the Board of Directors of Half the Sky Foundation or companies or individuals with which the Board of Directors are affiliated were \$1,339,518 and \$2,165,381, respectively.

NOTE 10 – AFFILIATED PARTIES

Half the Sky Foundation Australia Limited ("Australia Ltd"), an affiliate of the Foundation, was incorporated in Victoria, Australia in May 2009. It has a joint development project with HTS since 2011. Australia Ltd contributed \$693,137 and \$448,025 to the Foundation in the years ended December 31, 2015 and 2014, respectively. Half the Sky Foundation ("Canada") Inc., another affiliate of the Foundation was incorporated in Canada in June 2009. Half the Sky Foundation ("Canada") Inc. contributed \$8,883 and \$19,325 to the Foundation in the years ended December 31, 2015 and 2014, respectively.

NOTE 11 – MAJOR CONTRIBUTIONS

The Foundation had two donors with more than 15% and 19% of total contributions for the years ended December 31, 2015 and 2014, respectively.

NOTE 12 – COOPERATION AGREEMENT

In early 2008, the Foundation entered into a cooperation agreement with the Ministry of Civil Affairs of the PRC ("MCA") known as the "Blue Sky Plan." Under this agreement, the Foundation works with the MCA to establish cooperative model centers and to develop relevant care and education programs in each of the provinces in the PRC.

In July 2015, the Foundation entered into the "OneSky Ye-County Project" agreement with the Civil Affairs Bureau of Ye County and the Henan Social Welfare Association in order to fund the Village Program at the Ye-county (of the Henan Province). Under this agreement, the Foundation works with the Chinese partners to establish Family-skills program and Early Childhood Development Centers designed to mitigate the damage to children under 6 years old, who are left without nurturing, responsive care during their most critical early years.

NOTE 13 – COOPERATION WITH CHBAF

In September 2012, a Chinese fund-raising organization called ChunHui Bo' Ai Children's Foundation (CHBAF) was established with objectives similar to those of the Foundation. Currently, the Foundation provides support and assistance to CHBAF on an interim basis, to help CHBAF operate programs for disadvantaged children throughout China to similar standards as programs operated by the Foundation.

... a second chance at childhood



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