



OneSky

for all children

Annual Report 2017

Unlocking the potential of our world's vulnerable children





OneSky teaches communities and caregivers to provide nurturing responsive care and early education that unlocks the vast potential hidden in our world's most vulnerable young children.

CONTENTS

- 2. Letter from the President
 - 3. Letter from the CEO & Founder
 - 4. Human beings need to love and be loved
 - 6. Models for Change
 - 8. Factory Model
 - 12. Village Model
 - 16. Orphanage Model
 - 20. Partners
 - 22. Board of Directors
 - 24. Audited Report
-

LETTER FROM THE CHAIRMAN

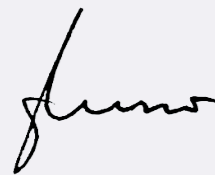
Dear Friends,

I am very happy to present our Annual Report for 2017, a momentous year during which we opened our first Early Learning Center (ELC) outside China in Da Nang, Vietnam where we've taken everything we've learned in China and tailored it to create a scalable model to reach 1.2 million children of factory workers.

In China, we continue to make progress toward our goal of training caregivers in every orphanage in the country; already, we've impacted the lives of 117,647 children. In impoverished rural villages, we've trained 13,184 caregivers, impacted the lives of 8,481 children, and are working with our government partners on plans to reach more than 2.5 million young children in 128,000 villages.

The numbers are impressive, but for me, the most rewarding moments of my visits to both countries are the smiling children who are blossoming now that they're finally receiving the care they need to thrive. In China, the smiles continue and in Vietnam the smiles have just begun.

All our thanks,



Guy Russo



LETTER FROM THE CEO & FOUNDER

Dear Friends,

2017 was an especially gratifying year for me because we took our first step to spreading all we have learned in China to children in other countries when we opened our Early Learning Center (ELC) in Da Nang.

Though exciting, this year's ELC launch was only the first phase for implementing our comprehensive Factory Model in Vietnam. Next step will be to reach more children of factory workers in Da Nang when we start training home-based daycare providers to deliver quality early childhood education and nurturing. We'll also provide skills training for parents who are clamoring to learn how they can enhance their children's development at home.

And of course, as is the case with all of our Models for Change, we are working with our government partners to facilitate their plans to scale our model across Vietnam. We have so much to celebrate and so much more to do, none of which we could even attempt without the support of our global family.

Huge thanks to every one of our partners and supporters who ensure that the wind is at our back as we move resolutely forward to transform the lives of once-forgotten children.

All my love,



Jenny Bowen





HUMAN BEINGS NEED TO LOVE AND TO BE LOVED

A young child's need for loving care and attention is fundamental and universal. It's a simple fact. So simple, it's simplistic. Obvious.

Obvious, but we allow 935 million of our young to grow up without it.

Through long years of helping the Chinese government and its welfare workers re-imagine how to best care for orphaned and abandoned children, OneSky has found a way to reach hurt children in their most formative years.

We develop affordable, scalable early childhood intervention models and train caregivers how they can transform young lives.

We show them how to provide not just early education, but also how to offer the consistent nurturing, responsive care that young children, from the moment of birth, need to develop normally.

Our solution goes beyond the children... we pay even more attention to training and transforming grownups. In fact, the changes we witness in children are miraculous, but no more so than those we see in the adults responsible for their welfare.

When adults realize they have the power to turn a child's life around, there is nothing more magical to behold. We've seen that light in the eyes of not just caregivers and teachers, but even the most staid government officials and business leaders. There is nothing we humans love more than bringing happiness to a child.



MODELS FOR CHANGE

OneSky has developed three affordable, scalable early childhood intervention models that can be adapted to meet challenges in diverse situations wherever young children live in adversity, particularly in developing countries.

To implement our **Orphanage, Village and Factory Models**, we foster partnerships among individuals, communities, businesses and governments at all levels, building local capacity by providing ongoing training, guidance and support as our partners take our models to scale.

Implementing our models doesn't require fancy buildings or expensive toys.

It does require human interaction, lots of it. And professionally trained caregivers cost money.

But humans who are trained to enable vulnerable young children to reach their potential can become a workforce for good. A workforce that can change our world.

SINCE OUR WORK BEGAN IN 1998, WE'VE:

IMPROVED THE LIVES OF
161,272
CHILDREN



TRAINED
33,769
CAREGIVERS



EDUCATED
69%

of the **staff and administrators of China's child welfare institutions** in OneSky's method for early childhood care through our National Training Plan.



REACHED
207
CHILDREN

beyond China in 2017 with the launch of our Early Learning Center in **Da Nang, Vietnam**.



FACTORY MODEL



Instead of being left with ill-equipped caregivers or aging relatives, children enjoy high-quality care, education and play so they can learn and develop daily.

When OneSky's first Early Learning Center (ELC) outside China opened in September in Da Nang's Hoa Khanh Industrial Zone, it immediately became the lively, child-friendly environment it was designed to be. At the ELC, OneSky-trained teachers are using evidence-based methodology to provide a stimulating and nurturing early learning environment that promotes cognitive, physical, language, and social-emotional development.

The ELC's teachers follow a curriculum that blends age-appropriate, responsive care with best practices for early education and that has been adapted to serve the specific needs of children in Vietnam ages 6 months to 6 years old. They also conduct daily observations to better understand who each child is and how each child learns. These observations are used to plan activities that extend and deepen children's inquiries and learning. Each child has a memory book, which contains a collection of teachers' observations, children's work, and a developmental checklist that charts the child's progress over time.

The ELC fills an enormous need for quality early childhood care in Da Nang. Daycare centers and kindergartens in and around industrial zones are often out of reach for the children of factory workers due to high enrollment costs, overcrowding, or lack of residency status.

To fill the gap, an industry of home-based care providers staffed by untrained workers overseeing as many as 30 children for 12 or more hours a day

has emerged. The ELC's high-quality care provides a welcome alternative. Says OneSky's Vietnam Program Director Vo Thi Hien, "Instead of being left with ill-equipped caregivers or aging relatives, children enjoy high-quality care, education and play so they can learn and develop daily. For their parents, who work so hard to provide for them, it's hard to imagine the peace of mind this brings."

The next step will be to fully implement the model by providing training for parents and for home-based care providers. Eighty home-based care providers in the Hoa Khanh Industrial Zone will be recruited to learn how to deliver quality care in their home businesses and up to 800 parents will learn in classes at the factories how to support their children's healthy development at home.

Of course, like all of OneSky's Models for Change, our Factory Model is designed to be scalable. That means we are also fine-tuning the ELC's operational systems for replicability and building capacity by cultivating and empowering a team of ELC teachers and trainers who can demonstrate and model early childhood best practices.

Just as we did to ensure the opening of the first ELC in Da Nang, we are working closely with our partners—government at all levels, including the Ministry of Education and Training, trade unions, factory owners, individuals—to reach more children.

Because we know that when we work together, our dreams for the children can come true.

A Dream Come True in Da Nang

After Thuy found a factory job in Da Nang, she went back to her village to pick up her 4-year-old daughter Mai, who was being cared for by her grandparents.

At first, Mai went to a private nursery so Ha could work. But the nursery consisted of one room with a dozen toys for 20 children and no outdoor space for Mai, who loves to dance and play outdoors. Then Thuy found OneSky's Early Learning Center (ELC) where the fee was only two thirds of what she had been paying and the quality far superior: "As soon as I visited the Center and saw with my eyes the wonderful facilities and the passion of the teachers, I knew it was the right place for her."

At the ELC, Mai can choose activities like arts and crafts, music, and her favorites, dramatic play and blocks. She also loves playing outdoors in the sand pit and visiting the animals – the rabbits, chickens, ducks and dog that have been donated to the ELC by parents.

Thuy wishes Mai's dad, who died in a traffic accident when she was pregnant, could see the caring, vivacious child she has become, but is grateful that Mai is in Da Nang with her and that she doesn't have to work lots of late shifts to afford childcare. "This is a dream come true. Enrolling Mai at OneSky's ELC is the luckiest thing that has happened to me—I can't wish for anything more."



VIETNAM

1.2 MILLION children of factory workers

300 industrial zones

220 USD: average monthly salary of factory workers

DA NANG'S HOA KHANH INDUSTRIAL ZONE

10,000 children 0-6 years old

EARLY LEARNING CENTER IN DA NANG

250 children 6 months to 6 years old

Operating Hours: **6:00 AM to 6:30 PM**

SCALING GOALS

To have OneSky programs in 10 more provinces by 2020. Train **33,000 caregivers** for **800,000 children** in **195 industrial parks**

CHINA

9 MILLION left-behind children in rural villages

2.5 MILLION left-behind children, aged 0-5

ONESKY'S VILLAGE MODEL

Since 2015

Held **1,850 family skills trainings**

Trained **13,184 caregivers**

Impacted **8,481 children & 30,000 villagers**

Hired **462 local women** as preschool teachers & family mentors

SCALING GOALS

128,000 villages in **585 rural counties**



VILLAGE MODEL

In rural China today, millions of children of migrant workers—including **2.5 million under five years old**—are left behind by parents who have to leave their impoverished villages in search of work in faraway cities. Left in the care of grandparents or relatives who are struggling to simply keep them fed, they are China's "economic orphans."

Our Village Model offers a comprehensive approach toward healing children and rural communities disintegrating through the loss of their young workers. Now operating in **46 villages** in central China, OneSky is working with our government partners to scale the model nationally, with a special emphasis on reaching **585 government-designated "poverty counties."**

Programs include:

Family Skills training for primary caregivers at the OneSky Family Center and via weekly home visits. The focus is on providing nurturing care in daily life, with an emphasis on attachment and bonding, brain development and stimulation, and fostering early communication.

Preschool for all children aged 3-6 in the village irrespective of the family's ability to pay. The child-centered curriculum emphasizes responsive care to improve cognitive and social-emotional development as well as preparation to successfully move on to primary school.

Community Engagement offering trainer-facilitated village gatherings, monthly community projects (e.g. community gardens) and cooperative childcare to give weary grandparents regular respite and engage the adults remaining in the village to help nurture the children.

What I Want for My Son Is What I Want for All Children!



When her son was a year old, Lv did what many mothers in rural China do to make ends meet. She left her village and headed for work in a nearby city, leaving her son Kunkun behind in the care of her husband's aging parents. After Lv had been away for six months working in an electronics factory, she was elated to be able to return home for a brief visit home, but her happiness turned to worry when she realized that her son had stopped learning. At 18 months, Kunkun could only say three words.

...her son had stopped learning.
At 18 months, Kunkun could only say three words.

Months later, Lv applied for a job as a OneSky family mentor and, thanks to her enthusiasm and understanding about conditions in village families like her own, got the job.

After her OneSky training, Lv started visiting families at home and showing them and Kunkun's grandmother ways to engage children. Lv grew particularly close to a family with a little girl named Yanyan, who had been very weak since birth.

She encouraged Yanyan's grandmother to bring her to OneSky's Family Center and showed her how to baby proof the house so the little girl could practice her first steps safely.

Soon Kunkun became a "new child," active, engaged and speaking in sentences and Yanyan had learned to walk and was saying simple words. As for Lv, she had come to love her job. "My days are full and happy!" she says, "What I want for my son is what I want for all children!"

The Knitting Grandmothers

One day, a grandmother sitting in the community-built park in her village pulled out her knitting needles and started working on "something fun" for a child. The "click click" of her needles soon attracted other adults, who came by to admire her work.

Before long, with the encouragement of OneSky's family mentors, several more grandmothers joined the group. Knitters who were more experienced offered to teach those who were less experienced, and the little group was soon happily knitting away, sharing balls of yarn as they knitted dolls, coasters and cushions. "These are more beautiful than what's sold in shops," said one impressed villager.

Some of their creations, the grandmothers decided, would make good presents;

others they might start selling someday. For now, though, they are happy being in each other's company three or four times a week. As they knit, they share stories about their children and about how their grandchildren have changed since they enrolled in OneSky's program.

One grandmother reports: "Our grandson used to be afraid of people, but now he is not. He dares to speak up and he behaves better."

Another says, "My grandson used to know little about colors, now every time I knit, he stands beside me and tells me what color each strand of yarn is."

A third put down her needles and yarn for a moment to muse about the impact of their cozy knitting klatch: "I think we have knitted our neighborhood into a close net."





ORPHANAGE MODEL

CHINA

410,000 orphans

1,278 government-run welfare institutions

Source: Government Statistics

ONESKY'S ORPHANAGE MODEL

Since 1998 Managed programs at **97 sites**

Built **31 Seed Centers**

Impacted the lives of **117,647 children**

An orphanage is a terrible place to raise a child, but in some countries orphanages are still the primary destination for children who have been separated from their families. Until deinstitutionalization becomes the norm, our Orphanage Model trains caregivers to provide institutionalized orphaned and abandoned family-like care so they too can thrive.

Our model has been so successful that it has become China's national standard for the care of institutionalized children and is being scaled across the country through the National Training Plan. Working closely with our government partners, we are training every child welfare worker in the country, onsite and online via our learning platform 1jiaren.org, to provide the care that we have seen over and over transforms institutionalized children's lives.

Programs include:

Infant Nurture: Women from the local community are trained to provide nurturing, responsive care for babies and toddlers that enhances the tremendous developmental gains infants make in the early years of life. Each early educator is assigned 3-4 babies and treats them as her very own.

Preschool: Experienced early childhood educators are taught a unique and progressive curriculum that fosters cognitive, physical, language, and social-emotional development, curiosity, and the positive sense of self so often missing in institutionalized children.

Loving Families: Married couples are recruited to provide permanent foster homes for children whose physical, emotional or cognitive challenges are likely to preclude their adoption. Children who would otherwise spend their lives in institutional care grow up knowing the love of a family.

SCALING GOALS

To have established a demonstration center in each province by 2023

To reach every orphanage in the country by 2030

Anyun, Abandoned but not Alone

When Anyun arrived at the orphanage as a toddler, she could not walk, speak, or even stand up on her own. But when Anyun's OneSky-trained nanny Li Xiamei extended her hand, the silent little girl, who has cerebral palsy, grabbed it, while clinging tightly to the warm, clean blanket she was wrapped in when she was discovered abandoned outside a police station.

Xiamei believes that Anyun's biological parents loved her because they took such care to wrap her in a warm blanket and dress her in clean clothes. She assumes they made the painful decision to abandon Anyun because, like many parents who have children with special needs, they could not afford quality medical care.

Still, frightened Anyun knew only that she was suddenly alone.

"She looked at the world with vacant eyes full of fear and mistrust," says Xiamei. Xiamei sang soft lullabies to soothe her. During meals, she cheered whenever Anyun ate something, no matter how little. Soon Anyun was responding happily to Xiamei's kisses, cuddles and singing.

Xiamei also massaged Anyun's legs daily. Then she started pulling her gently up to a standing position. After lots of practice, one day Anyun stood up on her own, prompting all the nannies in the playroom to applaud.

Now Anyun is a smiling, good-natured three year old, who likes to play peek-a-boo and can, to the delight of her beloved nanny Xiamei, walk on her own: "I'm glad she is able to enjoy the freedom that her feet bring her!"



Little Emperor Fudi

Shortly after midnight, on November 8, 2013, a passerby found a newborn boy wrapped in a blanket by the side of a road in central China. The tiny baby, who weighed less than 7 pounds, was taken to the nearest orphanage where he was given the name Fudi ("Lucky Emperor") perhaps in the hope that his luck would change.

By the time he turned three, Fudi's luck did change when he joined OneSky's Loving Family Program. Finally Fudi had a mom, a dad and four siblings of his own. Now Fudi follows his big brother Lejie wherever he goes and, just like millions of Chinese preschoolers, loves to watch his favorite cartoon program *Boonie Bears*.

At first Fudi's mom Wei Aiqing says he was true to his name, demanding to be the first one served rice and lording it over his toys, but over time he became more considerate, taking home desserts from school to share with his siblings and helping with chores.

Fudi's development also accelerated. The only area where Fudi lags is speech so his teachers and mom have created activities and games that encourage him to speak and exercises like blowing paper to open up his diaphragm.

Though she is grateful for all of her son's progress, Wei Aiqing is most impressed by how loving he has become. Despite his language struggles, one day Fudi pronounced clearly: "I love my mom and my dad. I am happy that I have a mom and dad of my own."



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 for our work transforming the lives of vulnerable children so they can have a second chance at childhood. For more information, visit www.onesky.com/partners.

Anchor Equity Partners (Asia)	Freshfields Bruckhaus Deringer	Porticus Foundation
Asia Alternatives Mgmt. LLC	Fossil Foundation	SCMP Charities Limited
Bank of America Merrill Lynch	Half the Sky Foundation Australia	SophiaGrace Foundation
Baring Private Equity Asia	IKEA Foundation	Skoll Foundation
The Capital Group	Jack Morton Worldwide	Storehouse Foundation
The Capital Group Companies Charitable Foundation	Kadoorie Charitable Foundation	Summitview Capital Management
The Chen Wai Wai Vivien Foundation Limited	Kwok Foundation	Swire Trust
Chow Tai Fook Charity Foundation	Linklaters	The Tan Family Education Foundation
Clifford Chance LLP	Matthews Asia	Target Foundation
Deutsche Bank	New Idea Electronic Technology Limited	UBS Optimus Foundation
The Dorothea Haus Ross Foundation	One World Foundation	Union Bancaire Privée
Edrington Hong Kong Limited	OtterBox Hong Kong Ltd	Wah Kwong Maritime Transport Limited
	Peter Bennett Foundation	Weber Shandwick

A Leap of Faith for Porticus

When Porticus Regional Asia Director and Portfolio Manager Early Childhood Development traveled to Vietnam for an onsite preview of our Early Learning Center (ELC) in Da Nang, the building site was still under construction. For the visitors, it required a leap of imagination to envision the construction site as it would become just several months later—a nurturing, child-friendly space filled with active learners 6 months to 6 years old.

Nevertheless, the Porticus visitors' enthusiasm for launching the ELC, the first phase of our multi-faceted, scalable model for children of factory workers, was unwavering and contagious. "Porticus took a leap of faith by partnering with us. It was inspiring to all of us who were working tirelessly on the ground to open the ELC doors to have a partner like Porticus," says Chief Development Officer Natalie Campion.

The ELC doors opened on schedule, thanks in large part to Porticus, which awards grants to charitable organizations all over the world and has vast experience with Asian education projects. We are also on schedule to fully implement our Factory Model in Da Nang and work with government to scale it across the country because, like our valued partner Porticus, we are focused not only on one ELC but on our vision for creating systemic social change.



BOARD OF DIRECTORS

Guy Russo

Chairman
CEO, Wesfarmers Department Store Division (Target and Kmart, Australia); former Managing Director & CEO in Australia and President in Greater China of McDonald's Corporation.

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.

Deanne Bevan

CEO (Volunteer), Half the Sky Australia Ltd; former Senior Vice President, Employee Relations, Training & Development, McDonald's Australia and advisor in the Asia region for McDonald's Corporation USA. Has worked in a voluntary capacity for Half the Sky since 2006 including as Global Director of Development.

Jenny Bowen

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

Stephen Chipman

CEO, Radius. Former CEO, Grant Thornton where he helped lead the development and growth of services in China. He sits on the boards of the Chicago Council on Global Affairs and World Business Chicago.

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.

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.

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.

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.

Stella Lee

Silicon Valley Private Investor; retired biostatistician living in Silicon Valley who travels regularly to Asia; volunteer at low-income schools in the Ravenswood City School District; supports the Ravenswood Education Foundation.

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.

Lisa Norton

Law Office of Lisa Norton PLLC (retired); retired corporate attorney; 10 years serving the legal needs of nonprofit organizations; author of How To Be A Global Nonprofit: Legal and Practical Guidance for International Activities.

Jal S. Shroff, J.P.

Former Director / Fossil Group, Inc. & Managing Director, Fossil (East) Ltd.; In Hong Kong, director, Vision 2047; former Chairman, Executive Committee, English Schools Foundation and President, Kowloon Cricket Club.

F. Chapman Taylor

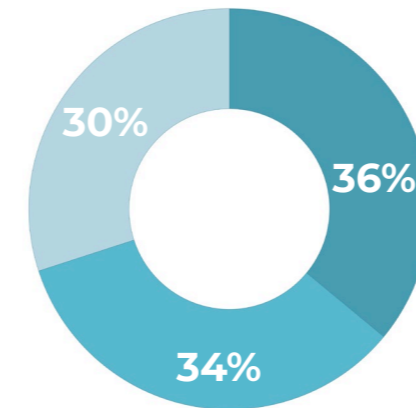
Senior Vice President of Capital International Research, Inc., a global investment management firm that is part of the Capital Group of Companies. Serves on the boards of For Love of Children, Microdreams and Karya Salemba Empat.

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.

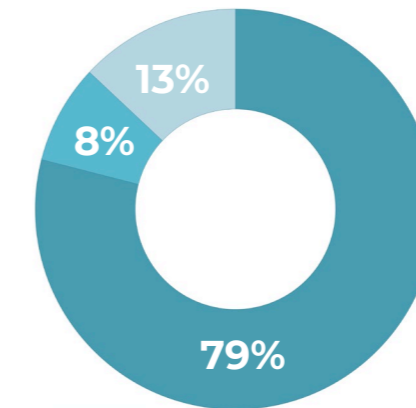
OneSky has consistently been recognized for exceptional fiscal responsibility and transparency. OneSky meets all 20 Standards for Charity Accountability of the Better Business Bureau Wise Giving Alliance (BBBWGA) and has been highly evaluated by Charity Navigator, which has awarded us its highest four-star rating, Guidestar, iDonate and WiseGiving.

INCOME RESOURCES



- INDIVIDUAL DONORS 36%
- CORPORATE DONORS 34%
- PRIVATE FOUNDATION 30%

EXPENSES



- PROGRAM SERVICES 79%
- SUPPORT SERVICES 8%
- FUNDRAISING 13%



HALF THE SKY FINANCIAL STATEMENTS (DBA ONESKY)

Independent Auditor's Report

Crowe Horwath

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Half the Sky Foundation and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, 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.

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, 2017 and 2016 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.

Crowe LLP

Sacramento, California
May 25, 2018

Consolidated Statements of Financial Position

Half the Sky and Subsidiaries, December 31, 2017 and 2016

	2017	2016
Assets:		
Cash and cash equivalents	\$ 4,388,183	\$ 3,254,456
Pledges receivable, net (Note 3)	189,544	842,956
Other receivables	19,707	61,203
Prepaid program expenses	68,668	105,806
Inventory	39,065	62,218
Property and equipment, net (Note 4)	29,045	30,412
Deposits	28,909	68,703
Total assets	\$ 4,763,121	\$ 4,425,754
Liabilities:		
Accounts payable	\$103,792	\$80,293
Accrued expenses	87,448	102,914
Total liabilities	191,240	183,207
Commitments and contingencies (Note 7)		
Net assets:		
Unrestricted	1,641,512	1,307,144
Designated by the Board	9,928	9,328
Total unrestricted net assets	1,651,440	1,316,472
Temporarily restricted (Note 5)	2,920,441	2,926,075
Total net assets	4,571,881	4,242,547
Total liabilities and net assets	\$ 4,763,121	\$ 4,425,754

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, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support:						
Contributions (Notes 9, 10 and 11)	\$ 4,172,183	\$ 4,881,422	\$ 9,053,605	\$ 3,463,589	\$ 5,234,991	\$ 8,698,580
Contributed services and materials	400,909	-	400,909	512,528	-	512,528
Merchandise sales	2,260	-	2,260	7,247	-	7,247
Other income	62,618	-	62,618	55,143	-	55,143
Net assets released from restriction (Note 6)	4,887,056	(4,887,056)	-	4,537,500	(4,537,500)	-
Total revenues, gains and other support	9,525,026	(5,634)	9,519,392	8,576,007	697,491	9,273,498
Expenses:						
Program services:						
Donated goods and services	21,197	-	21,197	158,748	-	158,748
Other program services	7,250,587	-	7,250,587	6,518,587	-	6,518,587
Total program services	7,271,784	-	7,271,784	6,677,335	-	6,677,335
Fundraising:						
Donated goods and services	8,504	-	8,504	13,791	-	13,791
Other fundraising	1,184,888	-	1,184,888	1,120,332	-	1,120,332
Total fundraising	1,193,392	-	1,193,392	1,134,123	-	1,134,123
Merchandise costs	19,909	-	19,909	3,816	-	3,816
Management and general (Notes 7 and 8):						
Donated goods and services	146,548	-	146,548	199,057	-	199,057
Other management	558,425	-	558,425	500,957	-	500,957
Total management and general	704,973	-	704,973	700,014	-	700,014
Total expenses	9,190,058	-	9,190,058	8,515,288	-	8,515,288
Change in net assets	334,968	(5,634)	329,334	60,719	697,491	758,210
Net assets, beginning of year	1,316,472	2,926,075	4,242,547	1,255,753	2,228,584	3,484,337
Net assets, end of year	\$ 1,651,440	\$ 2,920,441	\$4,571,881	\$ 1,316,472	\$ 2,926,075	\$ 4,242,547

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Half the Sky Foundation and Subsidiaries, Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 329,334	\$ 758,210
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	13,632	11,360
Net change in assets and liabilities:		
Pledges receivable, net	653,412	(542,956)
Other receivables	41,496	(53,191)
Prepaid program expenses	37,138	17,310
Inventory	23,153	2,414
Deposits	39,794	(4,336)
Accounts payable	23,499	(112,924)
Accrued expenses	(15,466)	(31,556)
Net cash provided by operating activities	1,145,992	44,331
Cash flows used in investing activities:		
Acquisition of property and equipment	(12,265)	(24,654)
Increase in cash and cash equivalents	1,133,727	19,677
Cash and cash equivalents, beginning of the year	3,254,456	3,234,779
Cash and cash equivalents, end of the year	\$ 4,388,183	\$ 3,254,456
Supplemental disclosures of cash flow information		
Contributed services and materials	\$400,909	\$ 512,528

See accompanying notes to consolidated financial statements.

Consolidated Statements of Functional Expenses

Half the Sky Foundation and Subsidiaries, Years Ended December 31, 2017 and 2016

	2017					2016				
	Program Services	Fundraising	Merchandise Cost	Management and General	Total	Program Services	Fundraising	Merchandise Cost	Management and General	Total
Expenses (Notes 8):										
Compensation and benefits for non-field staff	\$2,179,618	\$ 885,422	\$ -	\$ 303,812	\$ 3,368,852	\$2,009,322	\$ 821,375	\$ -	\$ 268,865	\$ 3,099,562
Consulting and professional services	192,493	-	-	73,132	265,625	261,561	-	-	68,839	330,400
Office expenses	57,064	24,371	-	18,947	100,382	52,898	37,205	-	19,244	109,347
Information technology	80,690	7,311	-	-	88,001	90,837	6,377	-	-	97,214
Occupancy	52,618	-	-	99,381	151,999	53,081	-	-	95,822	148,903
Travel	280,611	86,523	-	46,726	413,860	209,441	62,672	-	31,639	303,752
Conferences and meetings	37,160	-	-	-	37,160	24,872	-	-	-	24,872
Depreciation	13,632	-	-	-	13,632	11,360	-	-	-	11,360
Insurance	-	-	-	16,427	16,427	-	-	-	16,548	16,548
Compensation and benefits for field staff	1,949,925	-	-	-	1,949,925	1,860,928	-	-	-	1,860,928
Donated goods & services	21,197	8,504	-	146,548	176,249	158,748	13,791	-	199,057	371,596
Subsidies, stipends and tuition	1,552,519	-	-	-	1,552,519	1,439,354	-	-	-	1,439,354
Center construction, equipment & furnishings	578,189	-	-	-	578,189	170,149	-	-	-	170,149
Surgery and nurturing care in connection with China Care Program	86	-	-	-	86	9,616	-	-	-	9,616
Training programs and materials	261,030	-	-	-	261,030	317,235	-	-	-	317,235
Event expenses	-	126,651	-	-	126,651	-	118,806	-	-	118,806
All other expenses	14,952	54,610	19,909	-	89,471	7,933	73,897	3,816	-	85,646
Total functional expenses	\$ 7,271,784	\$ 1,193,392	\$ 19,909	\$ 704,973	\$ 9,190,058	\$ 6,677,335	\$ 1,134,123	\$ 3,816	\$ 700,014	\$ 8,515,288

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Half the Sky Foundation and Subsidiaries, Years Ended December 31, 2017 and 2016

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 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. OneSky Foundation UK Limited ("UK Ltd."), another supporting organization of the Foundation, was incorporated in England and Wales in April 2008.

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

The Foundation was created in order to enrich the lives of China's most vulnerable children. The Foundation has recently extended its mission to children outside of China, opening its first Early Learning Center in Vietnam in 2017. It is the Foundation's goal to ensure that all at-risk children have a caring adult in their lives and a chance at a bright future by teaching communities and caregivers to provide nurturing responsive care and early education that unlocks their hidden potential. As of December 31, 2017, the Foundation manages programs at 26 model children centers and 32 seed centers across 29 provinces in China (Orphanage Model), and provides family skill training and early childhood learning programs at 46 villages in Henan province (Village Model). In 2016, the Foundation signed an agreement with the government of Vietnam to set up an Early Learning Center in Vietnam (Factory Model). The Factory Model became operational in September 2017.

Demonstration Children's Centers' Programs: : 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 develop the "whole child" by facilitating healthy emotional, physical and cognitive development. The Foundation renovates rooms in the welfare institution and provides training, salaries, other program expenses and staff supervision.

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, funds for music, dance, computer or art classes, and tutors for learning a second language. In 2014, the Foundation introduced the Sports Program by hiring sports teachers and designing tailored activities to improve the physical ability of the children with special needs.

Family Village (FV) in which children whose disabilities or special needs likely 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 preschools located in the orphanage 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.

Seed Centers: To expand the reach of the Foundation's Orphanage Model, the Foundation provides short-term funding (three years) for mentoring and training to smaller children welfare centers with limited resources so they can establish equivalent programs of their own. As of December 31, 2017, the Foundation has helped establish programs in 39 Seed Centers.

National Training Plan: Beginning in October 2011, the Foundation began its National Training Plan (called the “Rainbow Program” in China) 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. Since the National Training program was established, the Foundation has trained 15,541 caregivers from 724 welfare centers. The Foundation has been working on transitioning support and operations of the Children's Centers it has established in government-run social welfare institutions over to the Chinese. After that transition is complete, the Foundation will be a training and mentoring organization that continues to conduct effective trainings, in various forms and both online and offline, to help welfare institutions create Half the Sky-inspired programs of their own, and runs Demonstration programs that serve as examples of best-practice childcare.

Village Model: In 2015, the Foundation launched its Village Model programs for left-behind children in rural China. The Foundation's Village Model programs are designed to mitigate the damage to children up to 6 years old who are left without nurturing, responsive care during their most critical early years.

Similar to other Foundation programs, the Village Model's programs are designed to be scalable and sustainable. Programs include Family Skills in which parenting skills and responsive care training is delivered to primary caregivers through group trainings and home visits; 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 by offering trainer-facilitated village gatherings, monthly community projects and cooperative childcare to give weary primary caregivers respite.

Since the Village Model launched in Ye County, Henan Province in 2015, 8,481 children have been reached and 462 local women have been hired as preschool teachers and mentors. The Village Model has also established preschool, family skills, and community engagement programs in 46 villages.

Factory Model: During 2016, the Foundation designed a new model, referred to as the Factory Model, and is structured specifically for children of factory workers. The new Factory Model and curriculum were tailored to transform the lives of at-risk children whose parents work long hours in Vietnam's factories. In 2016, the Foundation signed an agreement with the Vietnam Department of Education and Training (DOET) to collaborate on a groundbreaking project to implement the Factory Model, with a primary objective to reach more than 200

children living near the Hoa Khanh Industrial Zones in Da Nang, Vietnam. The project's first Early Learning Center opened in 2017. The Foundation admitted 143 children to the program and hired 32 teachers in Phase I.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As part of its effort towards expanded and newly created programs, the Foundation changed its operating name to Half the Sky Foundation, Inc. DBA OneSky, effective January 1, 2016. At that date and through December 31, 2017, the change did not impact the name of the legal entity, and as such the audited financial statements will continue to present the name Half the Sky Foundation and Subsidiaries. In 2018, the legal names for all entities will be formally changed to OneSky and the financial statements for future years will be updated to OneSky or OneSky for all children.

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, 2017 and 2016. 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, 2017 and 2016, Board designated assets totaled \$9,928 and \$9,328, 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, 2017 and 2016, 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, 2017 and 2016, the Foundation had deposits with two financial institutions eligible for FDIC insurance coverage with carrying amounts and bank balances of \$2,773,788 and \$2,004,872, respectively. Of the total bank balances, \$324,681 and \$325,325 were insured at December 31, 2017 and 2016, 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, 2017 and 2016.

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: 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, 2017 and 2016, with estimated fair values of \$167,745 and \$360,363, respectively.

Contributed goods are recorded at estimated fair value at the date of receipt and amounted to \$233,164 and \$152,165 for the years ended December 31, 2017 and 2016, 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, 2017 and 2016.

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.

Subsequent Events: The Foundation has evaluated subsequent events for recognition and disclosure through May 25, 2018, 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 \$189,544 and \$842,956 at December 31, 2017 and 2016, respectively, were expected to be collected within one year. There were no long-term pledge receivables at December 31, 2017 and 2016.

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, 2017 and 2016. There were conditional promises to give of \$250,000 and \$675,000 as of the years ended December 31, 2017 and 2016, respectively.

NOTE 4 – PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following at December 31:

	2017	2016
Equipment	\$ 197,834	\$ 185,569
Furniture and fixtures	40,153	40,153
Total	237,987	225,722
Less: accumulated depreciation	(208,942)	(195,310)
Property and equipment, net	\$ 29,045	\$ 30,412

Depreciation expense for the years ended December 31, 2017 and 2016 amounted to \$13,632 and \$11,360, respectively.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purpose-restricted programs or locations at December 31, 2017 and 2016:

	2017	2016
Changchun program	\$ -	\$ 18,038
Changzhou program	43,335	40,863
Chenzhou program	-	30,238
China Orphanage program	62,500	73,946
General China programs	500,000	500,000
Dapu program	15,962	28,281
Guangzhou program	5,273	45,735
Guangxi and Rainbow training programs	162,000	209,194
Hangzhou program	76,248	-
Huazhou program	125,000	125,000
Hu'nan, Kunming and Rainbow training programs	622,710	644,460
Nanchang program	7,957	2,253
Nanjing program	127,362	134,492
Rainbow Training program	15,385	232,280
Shenzhen program	-	2,568
Tai'an Seed program	-	17,457
Tianjin and Shenyang programs	-	24,201
Vietnam program	214,121	-
Village program	774,266	598,520
Wuhan, Hefei and Rainbow training programs	17,462	40,884
Unrestricted donation – time restricted	150,000	150,000
Others	860	7,665
Total temporarily restricted net assets	\$ 2,920,441	\$ 2,926,075

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, 2017:

Changchun program	\$ 18,038
Changzhou program	42,116

Chenzhou program	30,238
Children film project	18,000
China Orphanage program	177,520
Dapu program	14,234
General China programs	500,000
Guangzhou program	143,389
Guangxi and Rainbow Training programs	197,194
Huazhou program	177,170
Hu 'nan, Kunming, and Rainbow Training programs	837,750
Nanchang program	2,253
Nanjing program	115,175
Rainbow Training program	503,977
Shenzhen program	2,568
Tai'an Seed program	17,457
Tianjin and Shenyang programs	45,670
Vietnam program	371,791
Village program	1,291,325
Wuhan, Hefei and Rainbow Training programs	223,439
Unrestricted donation – time restricted	150,000
Others	7,752

Total net assets released from restrictions \$ 4,887,056

Total net assets released from restrictions for program services totaled \$4,537,500 for the year ended December 31, 2016.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Lease Obligation: The Foundation leases office facilities in the United States, an office facility in Beijing and an apartment unit in Shanghai, People's Republic of China (PRC), an office facility in Vietnam, and an apartment unit and office facility in Hong Kong. The operating leases expire at various dates through June 2018. Rent paid under these leases was approximately \$205,993, of which \$151,583 was recorded in rent expenses and \$54,410 as a benefit to two employees for the year ended December 31, 2017. Rent paid under these leases was approximately \$386,528, of which \$144,006 was recorded in rent expenses and \$242,522 as a benefit to two employees for the year ended December 31, 2016.

As of December 31, 2017, the Foundation's future minimum lease payments

are as follows:

Years Ending December 31,	Amount
2018	<u>\$ 132,562</u>

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 January 1, 2009, the Foundation created a 401(k) plan, covering all employees who meet 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, 2017 and 2016 were \$64,979 and \$56,669, respectively.

NOTE 9 – RELATED PARTY TRANSACTIONS

For the years ended December 31, 2017 and 2016, 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 \$1,662,987 and \$1,322,248, 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 \$816,000 and \$689,329 to the Foundation in the years ended December 31, 2017 and 2016, 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 \$54,181 and \$11,772 to the Foundation in the years ended December 31, 2017 and 2016, respectively.

NOTE 11 – MAJOR CONTRIBUTIONS

The Foundation had four donors whose combined contributions totaled more than 32% and 29% of total contributions for the years ended December 31, 2017 and 2016, 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.

In April 2016, the Foundation signed an agreement with the Vietnam Department of Education and Training (DOET) to collaborate on a groundbreaking project to implement the Factory Model, with a primary objective to reach more than 200 children living near the Hoa Khanh Industrial Zones in Da Nang, Vietnam. The project's first Early Learning Center opened in September 2017.

NOTE 13 – COOPERATION WITH CHBAF

Beginning 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.





Unlocking the potential of our world's vulnerable children



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