ONESKY FOUNDATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

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Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of OneSky Foundation and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, 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.

(Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of OneSky Foundation and Subsidiaries as of December 31, 2018 and 2017 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.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, OneSky Foundation and Subsidiaries has adopted ASU 2016-14 - *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities.* Our opinion is not modified with respect to this matter.

Crowe LLP

Crowe LLP

Sacramento, California
June 4, 2019

	2018	2017
ASSETS		
Cash and cash equivalents	$ 3,562,211	$ 4,388,183
Pledges receivable, net (Note 3)	415,536	189,544
Other receivables	10,849	19,707
Prepaid program expenses	81,593	68,668
Inventory	38,629	39,065
Property and equipment, net (Note 4)	450,385	29,045
Deposits	161,344	28,909
Total assets	$ 4,720,547	$ 4,763,121
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 273,127	$ 103,792
Accrued expenses	107,266	87,448
Total liabilities	380,393	191,240
Commitments and contingencies (Note 7)		
Net assets:		
Without donor restrictions:		
Undesignated	1,477,453	1,641,512
Board-designated	9,928	9,928
Total net assets without donor restrictions	1,487,381	1,651,440
With donor restrictions (Note 5)	2,852,773	2,920,441
Total net assets	4,340,154	4,571,881
Total liabilities and net assets	$ 4,720,547	$ 4,763,121

See accompanying notes to consolidated financial statements.

ONESKY FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended December 31, 2018 and 2017

	2018			2017		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues, gains and other support:						
Contributions (Notes 9, 10, and 11)	$ 3,943,918	$ 5,058,539	$ 9,002,457	$ 4,172,183	$ 4,881,422	$ 9,053,605
Contributed services and materials	396,850	-	396,850	400,909	-	400,909
Merchandise sales	2,859	-	2,859	2,260	-	2,260
Other income	42,335	-	42,335	62,618	-	62,618
Net assets released from restriction (Note 6)	5,126,207	(5,126,207)	-	4,887,056	(4,887,056)	-
Total revenues, gains and other support	9,512,169	(67,668)	9,444,501	9,525,026	(5,634)	9,519,392
Expenses:						
Program services:						
Donated goods and services	26,521		26,521	21,197	-	21,197
Other program services	7,279,746	-	7,279,746	7,250,587	-	7,250,587
Total program services	7,306,267	-	7,306,267	7,271,784	-	7,271,784
Fundraising:						
Donated goods and services	3,255	-	3,255	8,504	-	8,504
Other fundraising	1,452,091	-	1,452,091	1,184,888	-	1,184,888
Total fundraising	1,455,346	-	1,455,346	1,193,392	-	1,193,392
Merchandise costs	1,526	-	1,526	19,909	-	19,909
Management and general (Notes 7 and 8):						
Donated goods and services	242,201	-	242,201	146,548	-	146,548
Other management	670,888	-	670,888	558,425	-	558,425
Total management and general	913,089	-	913,089	704,973	-	704,973
Total expenses	9,676,228	-	9,676,228	9,190,058	-	9,190,058
Change in net assets	(164,059)	(67,668)	(231,727)	334,968	(5,634)	329,334
Net assets, beginning of year	1,651,440	2,920,441	4,571,881	1,316,472	2,926,075	4,242,547
Net assets, end of year	$ 1,487,381	$ 2,852,773	$ 4,340,154	$ 1,651,440	$ 2,920,441	$ 4,571,881

See accompanying notes to consolidated financial statements.

ONESKY FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	$ (231,727)	$ 329,334
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	22,320	13,632
Net change in assets and liabilities:		
Pledges receivable, net	(225,992)	653,412
Other receivables	8,858	41,496
Prepaid program expenses	(12,925)	37,138
Inventory	436	23,153
Deposits	(132,435)	39,794
Accounts payable	169,335	23,499
Accrued expenses	19,818	(15,466)
Net cash (used in) provided by operating activities	(382,312)	1,145,992
Cash flows used in investing activities		
Acquisition of property and equipment	(443,660)	(12,265)
(Decrease) increase in cash and cash equivalents	(825,972)	1,133,727
Cash and cash equivalents, beginning of the year	4,388,183	3,254,456
Cash and cash equivalents, end of the year	$ 3,562,211	$ 4,388,183
Supplemental disclosures of cash flow information		
Contributed services and materials	$ 396,850	$ 400,909

See accompanying notes to consolidated financial statements.

ONESKY FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2018 and 2017

	2018					2017				
	Program Services	Fundraising	Merchandise Cost	Management and General	Total	Program Services	Fundraising	Merchandise Cost	Management and General	Total
Expenses (Note 8):										
Compensation and benefits for non-field staff	$ 2,305,503	$ 1,128,208	$ -	$ 412,057	$ 3,845,768	$ 2,179,618	$ 885,422	$ -	$ 303,812	$3,368,852
Consulting and professional services	15,763	24,300	-	84,658	124,721	192,493	-	-	73,132	265,625
Office expenses	75,405	41,213	-	28,222	144,840	57,064	24,371	-	18,947	100,382
Information technology	55,428	7,677	-	-	63,105	80,690	7,311	-	-	88,001
Occupancy	167,169	-	-	102,327	269,496	52,618	-	-	99,381	151,999
Travel	337,470	86,900	-	25,770	450,140	280,611	86,523	-	46,726	413,860
Conferences and meetings	12,980	-	-	-	12,980	37,160	-	-	-	37,160
Depreciation	22,320	-	-	-	22,320	13,632	-	-	-	13,632
Insurance	369	-	-	17,854	18,223	-	-	-	16,427	16,427
Compensation and benefits for field staff	1,818,126	-	-	-	1,818,126	1,949,925	-	-	-	1,949,925
Donated goods and services	26,521	3,255	-	242,201	271,977	21,197	8,504	-	146,548	176,249
Subsidies, stipends and tuition	1,842,952	-	-	-	1,842,952	1,552,519	-	-	-	1,552,519
Center construction, equipment and furnishings	207,523	-	-	-	207,523	578,189	-	-	-	578,189
Surgery and nurturing care in connection with China Care program	14,817	-	-	-	14,817	86	-	-	-	86
Training programs and materials	386,188	-	-	-	386,188	261,030	-	-	-	261,030
Event expense	-	107,118	-	-	107,118	-	126,651	-	-	126,651
All other expense	17,733	56,675	1,526	-	75,934	14,952	54,610	19,909	-	89,471
Total functional expenses	$ 7,306,267	$ 1,455,346	$ 1,526	$ 913,089	$ 9,676,228	$ 7,271,784	$ 1,193,392	$ 19,909	$ 704,973	$9,190,058

See accompanying notes to consolidated financial statements.

NOTE 1 – ORGANIZATION AND OPERATION

OneSky Foundation (the "Foundation" or "OneSky"), a non-profit public benefit corporation, was incorporated in November 1998 with its corporate office located in Berkeley, California. From inception and through April 2018, the legal name of the Foundation was “Half the Sky Foundation”. Effective May 2018, the name of the legal entity was changed to OneSky Foundation and Subsidiaries.

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").

OneSky 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. In connection with the legal name change for the consolidated entity, the legal names of these entities were formerly known as “Half the Sky” instead of “OneSky”, until May 2018.

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

OneSky was created to help unlock the potential in the lives of vulnerable children. OneSky aims to ensure that young children at risk 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.

In support of its goal to enrich the lives of children, OneSky has developed the OneSky approach to quality early education and care, and serves the following communities in China, Vietnam, and Mongolia:

For orphaned children: OneSky-inspired orphanage program models are located in government-run welfare institutions throughout China and provide nurturing and educational opportunities for orphaned and abandoned children. OneSky-inspired Seed Centers provide short-term funding to independent organizations for up to three years, for the mentoring and training of individuals with limited resources. Such funding allows those organizations to establish programs of their own similar to those operated directly by OneSky. During the year ended December 31, 2018, OneSky supported various orphanage programs at a total of 57 sites, including 32 Seed Centers.

For left-behind children: OneSky-inspired program models in China’s rural villages are designed to teach communities and caregivers how to mitigate the damage done to young children left behind by migrant parents who have moved away to find work in faraway cities. Services offered include Family Skills, which teaches parenting skills and responsive care training to primary caregivers, Early Learning, and Community Engagement, which includes trainer-facilitated village gatherings, monthly community projects, and cooperative childcare. During the year ended December 31, 2018, OneSky supported programs in 46 villages within one province.

For migrant workers’ children: OneSky’s work in Vietnam includes the development and operation of a model Early Learning Center (ELC) located in the Hoa Khanh Industrial Park in Da Nang . The model center, which offers the OneSky Approach to benefit children, ages 6 months to 6 years, of factory workers who cannot afford or do not have access to other adequately trained early learning or daycare services, opened in September 2017. Training in the OneSky Approach is further offered to Da Nang’s home-based care providers and parents, so that quality care can be provided to young children at risk wherever they may spend their days.

(Continued)

NOTE 1 – ORGANIZATION AND OPERATION (continued)

For children failing to thrive: During the year ended December 31, 2018, a pilot program was launched in a state-run day nursery in Ulaanbaatar, Mongolia to introduce the OneSky Approach to benefit very young children of impoverished nomadic herders living in that city's ger districts. The nursery, which previously focused only on nutrition, had no programs to address children's social and emotional needs, or healthy development. Besides fitting out the rooms with age-appropriate developmental toys and furnishings, OneSky hired additional caregivers and trained them along with existing caregivers, in how to use the OneSky Approach to provide responsive and nurturing care and early education for vulnerable young children.

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, 2018 and 2017. 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 with donor restrictions and without donor restrictions 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.

Net Asset Classification: The Foundation reports two primary classifications of net assets within the consolidated statements of net position:

Net Assets - *without donor restrictions* – Net assets without donor restrictions include those revenues and expenses associated with program and supporting services which do not have externally imposed restrictions on their use. However, the Foundation's Board of Directors has designated certain net assets to be used for the purpose of a guardian program. As of December 31, 2018 and 2017, Board designated assets totaled $9,928.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets - with donor restrictions – Net assets with donor restrictions 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 with donor restrictions net assets and recognized as without donor restrictions 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, 2018 and 2017, the Foundation had deposits with two financial institutions eligible for FDIC insurance coverage with carrying amounts and bank balances of $3,346,777 and $2,773,788, respectively. Of the total bank balances, $315,747 and $324,681 were insured at December 31, 2018 and 2017, 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, 2018 and 2017.

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 net realizable 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 includes gifts of cash and other assets as net assets with donor restrictions, if they are received with donor stipulations which 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, net assets with donor restrictions are reclassified to net assets without donor restrictions, and reported as net assets released from restrictions. Conditional promises to give are not recorded as contributions until the conditions on which they depend have been substantially met.

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions with donor restrictions whose restrictions are met in the same reporting period as the period in which contribution is recorded, are reported as contributions with donor restrictions. Net assets associated with these contributions are released from restriction 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 the requirements of ASC 958-605. The Foundation received and recorded contributed pro-bono legal services for the years ended December 31, 2018 and 2017, with estimated fair values of $268,722 and $167,745, respectively.

Contributed goods are recorded at their estimated fair value at the date of receipt. Contributed goods totaled $128,128 and $233,164 for the years ended December 31, 2018 and 2017, 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, 2018 and 2017.

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 functional expenses. Certain categories of expenses are attributable to both program and supporting functions. Accordingly, these expenses have been allocated among program services and supporting services based on a consistently applied and reasonable basis. Expenses which may include allocations include depreciation, which is allocated on a square-footage basis, and salaries and benefits, which are allocated on the basis of estimates of time and effort, as applicable.

Subsequent Events: The Foundation has evaluated subsequent events for recognition and disclosure through June 4, 2019, which is the date the consolidated financial statements were available to be issued.

Recently Adopted Accounting Guidance: In August 2016, the FASB issued ASU No. 2016-14, *Not for Profit Entities (ASU 2016-14)*. ASU 2016-14 made several improvements to not-for-profit reporting. ASU 2016-14 no longer requires entities to include the indirect method reconciliation if using the direct method in its Statement of Cash Flows. It requires disclosure of qualitative and quantitative information on how an entity manages liquid resources available to meet cash needs within one year of the statement of financial position date. ASU 2016-14 further requires the entity to disclose expenses by both natural and functional classification, as well as methods used to allocate between program and support functions. The ASU is effective for fiscal periods beginning after December 15, 2017. OneSky implemented the applicable elements of this guidance for the year ended December 31, 2018.

(Continued)

NOTE 3 – PLEDGES RECEIVABLE, NET

Pledges receivable represent unconditional promises to give by donors and are recorded at net realizable value. Pledges receivables of $415,536 and $189,544 at December 31, 2018 and 2017, respectively, were expected to be collected within one year. There were no long-term pledge receivables at December 31, 2018 and 2017.

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, 2018 and 2017. There were conditional promises to give of $3,587,443 and $250,000 as of the years ended December 31, 2018 and 2017, respectively.

NOTE 4 – PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following at December 31:

	2018	2017
Equipment	$ 101,735	$ 197,834
Furniture and fixtures	439,974	40,153
Total	541,709	237,987
Less: accumulated depreciation	(91,324)	(208,942)
Property and equipment, net	$ 450,385	$ 29,045

Depreciation expense for the years ended December 31, 2018 and 2017 amounted to $22,320 and $13,632, respectively.

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, 2018 and 2017:

	2018	2017
China Care Program	$ 22,800	$ 859
China Orphanage	772,955	727,590
China Training	42,710	553,604
China Village	431,267	774,266
Hong Kong Center	1,362,504	-
Mongolia Nursery	126,454	-
Time Restriction	-	650,000
Vietnam Early Learning Center	96,940	214,122
Total net assets with donor restrictions	$ 2,852,773	$ 2,920,441

(Continued)

NOTE 6 – NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses aligned with the purpose of the restriction or by the passage of time as follows during the year ended December 31, 2018:

	2018
China Care Program	$ 13,679
China Orphanage	1,001,523
China Training	1,054,320
China Village	1,118,563
Hong Kong Center	933,017
Mongolia Nursery	70,154
Time Restriction	650,000
Vietnam Early Learning Center	284,951
Total net assets released from donor restrictions	$ 5,126,207

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Lease Obligation: The Foundation leases office facilities in the United States, an office facility in Beijing, Peoples Republic of China (PRC), an apartment unit in Shanghai, PRC, and an apartment unit and office facility in Hong Kong. As of December 31, 2018, the operating leases are set to expire at various dates through October 2024. Rent paid under these leases was $256,133 and $205,993 for the years ended December 31, 2018 and 2017, respectively.

As of December 31, 2018, the Foundation's future minimum lease payments are as follows:

Years Ending December 31,	Amount
2019	$ 635,772
2020	489,573
2021	489,573
2022	489,573
2023 and over	875,177
	$ 2,979,668

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.

(Continued)

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, 2018 and 2017 were $64,222 and $64,979, respectively.

NOTE 9 – RELATED PARTY TRANSACTIONS

For the years ended December 31, 2018 and 2017, recorded contribution revenue from members of the Board of Directors of OneSky Foundation or companies or individuals with which the Board of Directors are affiliated were $3,086,923 and $1,662,987, respectively.

NOTE 10 – AFFILIATED ENTITIES

OneSky 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 OneSky since 2011. Australia Ltd contributed $486,123 and $816,000 to the Foundation in the years ended December 31, 2018 and 2017, respectively. OneSky Foundation ("Canada") Inc., another affiliate of the Foundation was incorporated in Canada in June 2009. OneSky Foundation (“Canada”) Inc. contributed $10,000 and $54,181 to the Foundation in the years ended December 31, 2018 and 2017, respectively.

NOTE 11 – MAJOR CONTRIBUTORS

The Foundation had four donors whose combined contributions totaled more than 35% and 32% of total contributions for the years ended December 31, 2018 and 2017, respectively.

NOTE 12 – COOPERATION AGREEMENTS

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.

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NOTE 12 – COOPERATION AGREEMENTS (Continued)

In April 2016, the Foundation entered into an agreement with the Vietnam Department of Education and Training (DOET). The agreement resulted in the construction of the Early Learning Center (ELC), which was developed as part of the Industrial Parks program. This first ELC is located near the Hoa Khanh Industrial Park in Da Nang, Vietnam and upon completion the ownership was fully retained by the DOET. Under the agreement with DOET, OneSky contributed partial funding for the construction costs of the ELC, provides OneSky employees and services at the ELC, and training to DOET personnel for the purpose of ultimately handing off operational responsibility to the DOET at a future date.

NOTE 13 – COOPERATION WITH CHBAF

Beginning in September 2012, a Chinese fundraising organization called ChunHui Bo'Ai Children's Foundation (CHBAF) was established with objectives similar to those of the Foundation. During the years ended December 31, 2017 and 2018, the Foundation provided support and assistance to CHBAF for the operation of programs supporting disadvantaged children throughout China, to similar standards as programs operated by the Foundation.

NOTE 14 - LIQUIDITY AND AVAILABILITY

The Foundation's financial assets available for general expenditure within one year of the statement of financial position date, are as follows:

	2018	2017
Cash and cash equivalents	$ 3,562,211	$ 4,388,183
Pledges receivable, net	415,536	189,544
Other receivables	10,849	19,707
	$ 3,988,596	$ 4,597,434

The Foundation has $3,988,596 and $4,597,434 of financial assets available within 1 year of the statement of financial position date, to meet cash needs for general expenditure. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. Pledges receivable are subject to implied time or purpose restrictions, but are expected to be collected and available for general expenditures within one year. The Foundation has a liquidity management policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.