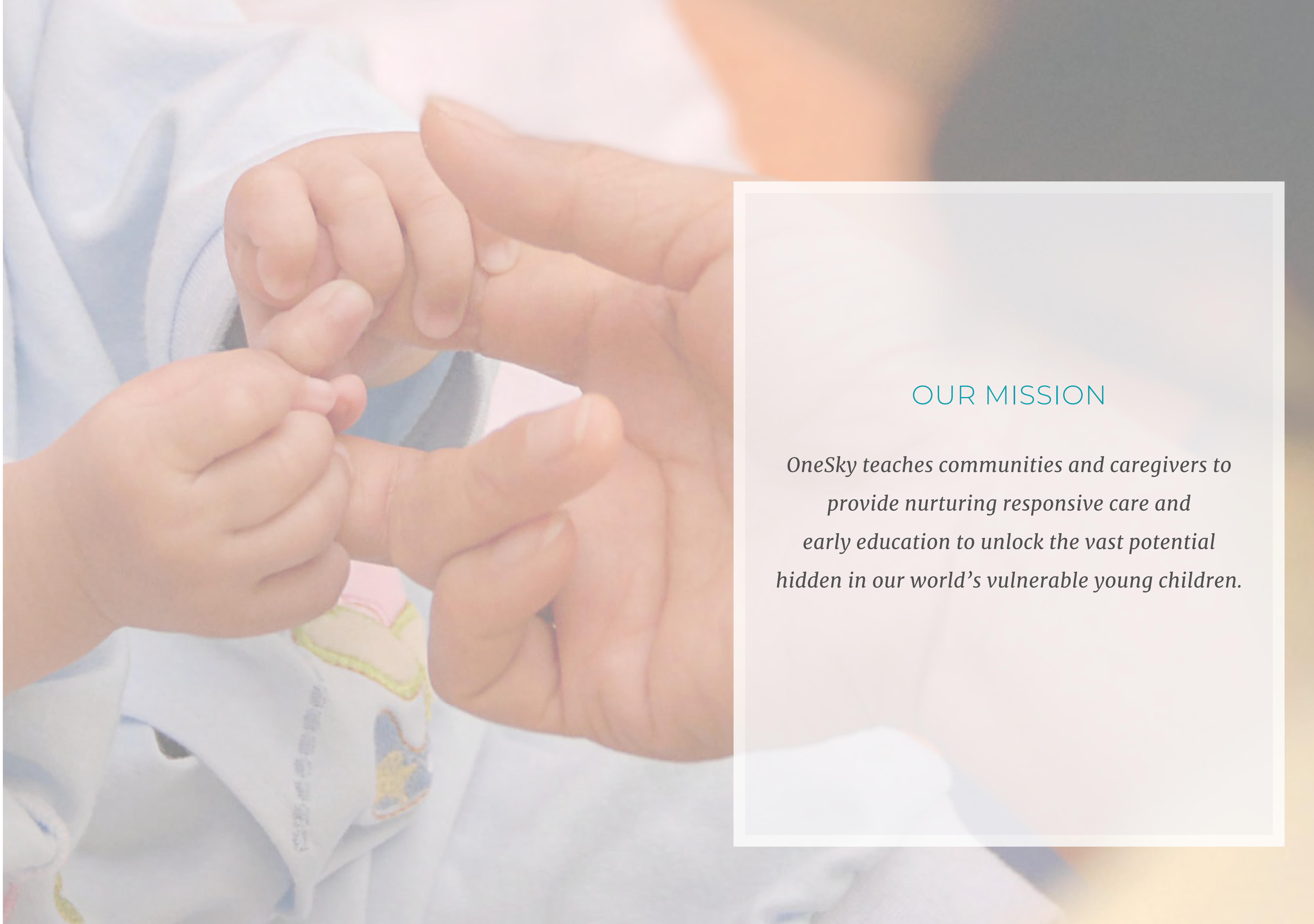
2019 ANNUAL REPORT

OneSky for all children

Unlocking the potential of our world's vulnerable children



OUR MISSION

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

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ON EXPANDING OUR REACH ...

LETTER FROM ONESKY'S CHAIRMAN AND OUR CEO & FOUNDER

To our OneSky Family,

It was more than two decades ago that OneSky was founded as a small but determined grassroots organization. Our goal back in our earliest days, as today, was clear: to help unlock the hidden potential in the lives of vulnerable young children.

In that sense, nothing has changed. For over 20 years adoring OneSky-trained nannies, teachers, parents and grandparents have been delivering the hugs, cuddles, laughter and life lessons that enable once-forgotten children to thrive. What has changed is our reach. And 2019 brought a true milestone: by year-end, OneSky had opened its loving arms to over 200,000 abandoned, left-behind and migrant children living in China, Mongolia and Vietnam.

Throughout the year, in both China and Vietnam, our programs continued to grow and thrive. In Mongolia, we took our efforts beyond a pilot program for toddlers failing to thrive and launched the next phase – cooperating with a government kindergarten in preparation for an exciting new initiative in 2020.

Protests in Hong Kong stalled our hopes for the long-planned 2019 opening of our dream project: the P. C. Lee OneSky Global Centre for Early Childhood Development. Stalled, but certainly not stopped! Slated for a Spring 2020 opening, the new Centre will serve some of Hong Kong's most vulnerable young children and their families – many of them single parents and recently arrived immigrants. Happily, the Centre will also be OneSky's new home and training hub for caregivers.

As we open our arms across Asia, even in an ever-changing world, one thing will never change: OneSky remains committed to its mission to unlock hidden potential by teaching communities and caregivers how to provide what all young children need for healthy development: loving, responsive care and attention.

But no matter where our work takes us – whether orphanages, rural villages, industrial zone tenements or urban slums – we are always humbled to have you, our dedicated partners and supporters steadfastly by our side. Together, we forge ahead, making magic and moving mountains … for the children.

With love and gratitude,

Guy Russo
Chairman

Jenny Bowen
Founder & CEO

KEY ACHIEVEMENTS IN 2019 – CHINA

OneSky trained **3,598 caregivers** to provide quality care for **17,158 children** living in **88 welfare institutions**.

While in rural villages, OneSky trained **19,683 caregivers**, impacting **12,930 children** living in **41 villages.**

THE ONESKY APPROACH IN CHINA

SERVING ABANDONED AND LEFT-BEHIND CHILDREN

For over two decades, OneSky's programs have impacted the lives of hundreds and thousands of children in China. OneSky's early childhood caregivers and educators use a unique and progressive curriculum that fosters cognitive, physical and social-emotional development. Children are helped to develop a healthy sense of self, in both the orphanages and rural villages where we work.

In orphanages, the OneSky Approach has proven so effective that China now uses it as the standard of care for children in all its social welfare institutions. To date, OneSky has directly transformed the lives of 171,518 orphaned children. Working in conjunction with Chinese government partners, OneSky aims to train every child welfare worker in the nation to help institutionalized children across the country reach their full potential. Revenue received for our training services in 2019 was the highest since launching a fee-for-service model in China three years ago. We estimate that this trend will continue in the coming years, paving the path towards future sustainability of our Infant Nurture, Preschool and Loving Families Programs.

In rural villages, OneSky offers individual help to left-behind children, support and training in responsive care for their grandparents and other caregivers, as well as community-building activities for all villagers. Local women, who might otherwise have left for city jobs, are trained and employed as village teachers and family mentors – upskilling women and helping poor, rural communities become viable again. OneSky's work in China's villages includes family skills training and community engagement programs that strengthen the fabric of families and the entire community.

> *Had it not been for OneSky caregivers looking after me when I was a baby, I wouldn't have survived ... Now I am giving back and helping orphans like me.*
>
> Lili, OneSky Caregiver

THE ONESKY APPROACH IN HONG KONG, SAR CHINA

SERVING CHILDREN IN LOW RESOURCE SETTINGS

2019 was a milestone for OneSky in Hong Kong. It was this year that we took our OneSky Approach to Sham Shui Po in preparation for the establishment of the **new P. C. Lee OneSky Global Centre for Early Childhood Development,** where the need for our work was clear.

Despite its apparent prosperity, the gap between rich and poor in Hong Kong is growing. Sham Shui Po is one of Hong Kong's poorest districts. It's home to many single parent households, new arrivals, ethnic minorities, teenage mothers, and the unemployed. Many are living in cramped quarters, struggling for the most basic necessities. Early childhood education and care programs are **available to only a small percent of the infants and toddlers living in this district.**

But help for these vulnerable children and their families is on the way. Building on the success of our proven methods in Early Childhood Care and Education, the new centre will **serve vulnerable young children and be a training hub for caregivers.**

Our new home in Hong Kong will feature a **Family Centre; a community gathering place** where children, ages 0-6, their parents and caregivers can play and learn together under the guidance of a OneSky Family Mentor. The Family Centre will offer free facilitated play sessions, parenting skills workshops, consultation and referral services for families.

Meanwhile, located within the centre, the **D. H. Chen Foundation Training Hub will offer professional training programs**, using cutting-edge theory on early brain development and teaching methods, putting the child at the forefront of his or her own learning. Both local parents and professional caregivers will benefit from purpose-designed curriculums.

KEY ACHIEVEMENTS IN 2019-HONG KONG

Continued build out of the **P. C. Lee OneSky Global Centre for Early Childhood Development,** supported by individuals, corporations and foundations from across the OneSky family.

Engagement with **local NGOs, government and other stakeholders** and development of training curriculums for family training and professional caregiver training.

> *Hong Kong's wealth disparity is one of the worst in the world and growing. We can't change that ... but we can be there for at-risk children, to help level the playing field.*
>
> Jenny Bowen, Founder & CEO, OneSky for all children

THE ONESKY APPROACH IN MONGOLIA

SERVING CHILDREN FAILING TO THRIVE

From a once pastoral way of life, Mongolia's rural nomads have in **recent years migrated by the thousands** to the country's one major metropolis, Ulaanbaatar. Forced by extreme weather conditions and hardship to leave their traditional life, the families have wound up in crude sprawling urban settlements of yurts, called ger districts. Conditions are dismal, and most public services – running water, waste collection – are nonexistent.

Most **critically lacking are opportunities and services for thousands of children**, as Mongolia's government struggles to help new arrivals who live on the edge. Surrounded by unemployment, alcoholism, and a lack of community, children end up neglected, malnourished, and alone, desperately in need of safe and loving care.

We began our work in Mongolia with a small project in a state-run day nursery where we brought the **OneSky Approach to benefit more than a hundred very young children** who were failing to thrive. The nursery, which previously focused only on providing nutritional support to vulnerable young children, had no programs to address children's social and emotional needs. Besides fitting out the rooms with age-appropriate developmental toys and furnishings, we hired additional caregivers and trained them, along with existing caregivers, in providing responsive care.

Building upon the success of that initial venture into Mongolia, OneSky began **exploring the feasibility of a larger scale program to train local women** to provide the early care and education that children living in the ger districts so desperately need.

> *Thanks to the new OneSky Approach in Mongolia, children like Delkii will benefit from the same early intervention that has transformed hurt children's lives for more than two decades.*
>
> Excerpt from Meet the Future, Delkii (Jenny's Journal)

KEY ACHIEVEMENTS IN 2019 – MONGOLIA

Our pilot program in Ulaanbaatar trained **six caregivers** to provide vital early care for **110 children.**

Developed a plan for our first large scale project to benefit children and families living in informal settlements in Ulaanbaatar.

> *When I walked through the door (of the ELC) I was instantly relieved ... I knew with OneSky, my baby would be well looked after.*
>
> Thoa, mom of then 8-month-old Bao

THE ONESKY APPROACH IN VIETNAM

SERVING MIGRANT WORKERS' CHILDREN

In a growing trend across Asia, countless young people are leaving their rural villages in search of work in factories and, in Vietnam, they bring their children with them. As a result, **1.2 million children under the age of 6** are now living inside Vietnam's industrial zones.

To offer a safe and stimulating alternative for migrant children and to bring peace of mind to their hardworking parents, OneSky launched a **demonstration Early Learning Center (ELC) in 2017**, in Da Nang's Hoa Khanh Industrial Zone with our partner, the Da Nang Department of Education and Training.

The OneSky ELC offers developmentally appropriate care, creative play and music, and a stimulating environment to promote cognitive, physical, language and social-emotional development **for 251 children between the ages of 6 months and 6 years**. The ELC also hosts parenting skills workshops and serves as a hub for training home-based care providers throughout the province, and eventually the country.

Since launching our Vietnam programs, OneSky has taught 320 home day care providers in Da Nang to create safe, nurturing and stimulating learning environments. Based on the success of the program in Da Nang, Vietnam's Ministry of Education and Training asked OneSky to expand our home-based day care provider training to 19 provinces – ultimately benefitting over 400,000 children living in industrial zones across the country.

We took our first step towards this expansion in December, recruiting 160 home-based care providers in Quang Nam, the province immediately south of Da Nang.

OneSky's innovative blended learning approach combines in-person and online education. Our **online learning portal 1GiaDinhLon (1GDL), or "1BigFamily" in Vietnamese**, is transforming the way home care providers are trained and supported in Vietnam. The mobile friendly platform provides on-demand content including interactive, visual resources that enable caregivers of all educational levels to understand and apply concepts immediately.

KEY ACHIEVEMENTS IN 2019 – VIETNAM

OneSky trained **649 caregivers** to provide quality care to **11,981 children** in Vietnam.

This included **240 trainees** from home-based daycare facilities in Da Nang who progressed through OneSky training, impacting **6,960 children**.

And **160 new trainees** in Quang Nam who commenced OneSky's training program to become home-based care providers.

REPORTS FROM THE FIELD

Meet Kaikai, a little boy who resides with his grandfather in a rural village. Although Kaikai lives in China, his story represents that of so many of our children and their families; who live in danger of falling through the cracks – whether in villages, orphanages, industrial zone tenements or permanent encampments ...

KAIKAI'S STORY

When we first met Kaikai his grandfather was doing the best he could to take care of the little boy.

However, Kaikai's grandfather's own health was deteriorating under the pressure of already looking after his wife, who is bedridden, and his father, who is over 80. Living in a household with several aging family members, Kaikai gradually became withdrawn and afraid of strangers and seldom communicated or interacted with others.

For 11 months after his birth, Kaikai's mom had been at home to help, but in order to lessen the family's financial burdens she, like Kaikai's dad before her, left their rural village to find work, leaving the household in the hands of her 57-year-old father – who was struggling to cope.

Happily, help was available at OneSky's Family Center in their village where trained Family Mentors provide parenting skills training, including on-site demonstrations, for overwhelmed caregivers like Kaikai's grandfather.

Thanks to these efforts, Kaikai, who is now 18-months-old, has become a beloved "regular" at the center and has come out of his shell, even taking the initiative to smile and say hello! And he and his grandfather have become closer and more confident in their lives, both at home and as part of their wider village community.

Meet Bao, the son of a determined single working mother, Thoa, living in Vietnam and doing the best she can to raise him while simultaneously caring for her aging father. In all of the areas we serve, there are many single mothers like Thoa, wanting the best for their children, yet living paycheck to paycheck ...

BAO'S STORY

One day, when he is older, Bao's mom, Thoa, will tell him the story of how she left her small hometown as a young woman to move to Da Nang for work at a toy factory in Hoa Khanh Industrial Zone, one of the area's six largest industrial parks.

It was there that she met and married Bao's father, Hai. Unfortunately, soon after the couple welcomed baby boy Bao into their lives, Hai had become unemployed, spending whatever meager salary Thoa made on drinking, taking little interest in his son.

Eventually Thoa left Hai, becoming a single mom, while also looking after her ailing, elderly father. Because she spent over half her salary on Bao's daycare, Thoa could only afford to rent a tiny room. The family's cramped quarters meant that one shared bed was where Bao played, slept, and ate.

At his home-based daycare, Bao was left in a crib most of the time. Thoa became very worried about her baby's well-being. One day, when sharing her concerns with work colleagues at the factory, they recommended the OneSky Early Learning Center (ELC) where they said, "children were thriving in a safe, loving, and nurturing environment."

Bao, then 8-months-old, was offered a place at the ELC. Now Thoa is better able to focus while at work, knowing that her beloved baby is receiving the care she always dreamed she could give him.

OneSky-trained Teacher Tinh joyfully recounted Bao's transformation since he first arrived at the ELC: "I remember seeing Bao pull himself up for the first time with such a proud smile. Seemingly little nurturing gestures really can dramatically improve someone's life."

LIST OF PARTNERS

We would like to extend a heartfelt thanks to all of our corporate and foundation partners 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.

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Wah Kwong Maritime Transport Holding Limited

LORINET FOUNDATION:

SERVING MIGRANT WORKERS' CHILDREN IN VIETNAM

In 2018, Pierre and Bolor Lorinet, founders of the Lorinet Foundation, visited our recently launched Early Learning Center (ELC) in Da Nang, Vietnam. There, they witnessed first-hand the OneSky Approach to supporting young, vulnerable migrant children whose parents labor in factories.

"Seeing the children blossoming at the center was an absolute joy," recalled Pierre and Bolor. They were struck by how much more the children at the ELC engaged in both learning and play activities with their teachers than children they had seen at some home-based childcare centers they'd also visited. That sparked the desire to explore ways to replicate access to quality early education to reach even more children.

Guided by a desire to enable positive and sustainable impact in the lives of children, youth and families living in vulnerable communities, Pierre and Bolor launched their family foundation in 2013. The foundation currently has active investments in impactful, sustainable initiatives promoting education, employment and access to clean water and energy for vulnerable communities in Mongolia and South East Asia.

Following their visit to Vietnam, the Lorinets saw a potential partner in OneSky, as one of their foundation's key focus areas is closing the school readiness gap by enabling access to quality early learning and development for preschool aged children from vulnerable communities.

In 2019, our work in Vietnam was assessed using the foundation's nine-point criteria for selecting partners and projects. Following that, the Lorinet Foundation awarded OneSky a three-year grant, co-funded by the Octava Foundation, to support OneSky's training of home-based childcare providers (HBC) in the Hoa Khanh Industrial Zone that surrounds our ELC.

The funds will help cover the cost of HBC provider training, parenting classes, and development of an online learning platform for HBC trainees. Thanks to the grant, we can also begin to move forward with the request of Vietnam's Central Ministry of Education and Training for the expansion of the HBC training program into more provinces.

Following on the heels of the grant for the Vietnam program, the Lorinet Foundation invited OneSky's founder, Jenny Bowen, to Singapore to lead an interactive session with members of the Asia Philanthropy Circle about OneSky's success in responsive caregiving training in China and Vietnam and expertise in working with government bodies. It was there that Jenny and Bolor discussed OneSky's potential to make an impact on behalf of at-risk children in Mongolia, a key geographical focus for the foundation, as well as where Bolor is originally from.

Together, they forged an exciting new plan for a joint feasibility study in Ulaanbaatar in preparation for launching a program to provide family skills training and responsive, nurturing care for vulnerable young children – including toddlers and preschoolers with no access to early education.

Nearly half the population of Mongolia's capital, Ulaanbaatar, live in "ger" districts. The once proud nomadic herder families, now migrants, are squatting in massive, permanent tent encampments surrounding the capital city. But OneSky and the Lorinet family are determined to make a difference for the plight of the ger district's youngest members by developing a Family Training Program to be piloted in Ulaanbaatar.

"We are thrilled to be working with the Lorinet Foundation in delivering this vital level of care to thousands of at-risk young children and grateful for the broad partnership we have with Pierre and Bolor as supporters of both our Vietnam and Mongolia programs," said Morgan Lance, OneSky's Chief Development Officer.

ONESKY'S BOARD OF DIRECTORS

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Chairman of the Board, OneSky
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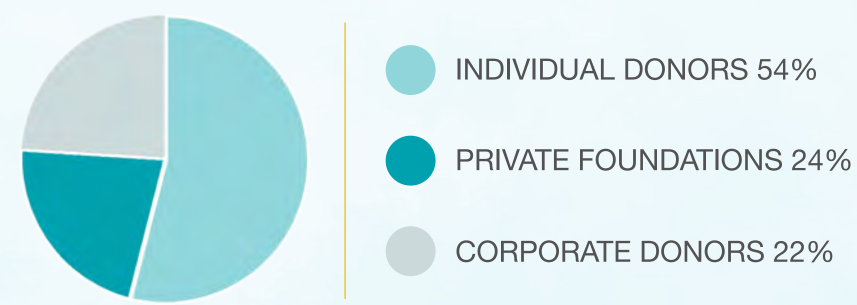
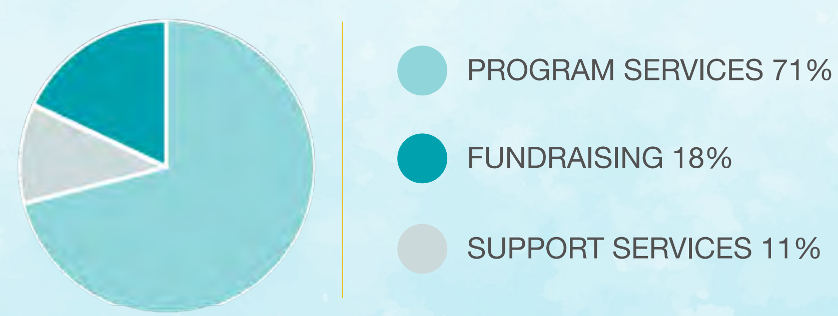
INCOME RESOURCES (FY19)



EXPENSES (FY19)



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 and has been highly evaluated by the following: Charity Navigator, Guidestar, iDonate and WiseGiving.

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, 2019 and 2018, 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 OneSky Foundation and Subsidiaries as of December 31, 2019 and 2018 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 22, 2020

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	2019	2018
ASSETS:		
Cash and cash equivalents	**$ 2,957,100**	$ 3,562,211
Pledges receivable, net (Note 3)	**485,735**	415,536
Other receivables	**4,150**	10,849
Prepaid program expenses	**95,652**	81,593
Inventory	**8,255**	38,629
Property and equipment, net (Note 4)	**1,713,786**	450,385
Deposits	**164,359**	161,344
Total assets	**$ 5,429,037**	$ 4,720,547
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	**$341,072**	$273,127
Accrued expenses	**106,985**	107,266
Total liabilities	**448,057**	380,393
Commitments and contingencies (Note 7)		
Net assets:		
Without donor restrictions:		
Undesignated	**1,583,880**	1,477,453
Board-designated	**9,928**	9,928
Total net assets without donor restrictions	**1,593,808**	1,487,381
With donor restrictions (Note 5)	**3,387,172**	2,852,773
Total net assets	**4,980,980**	4,340,154
Total liabilities and net assets	**$ 5,429,037** $	4,720,547

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	2019			2018		
	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)	**$ 3,890,768**	**$ 5,997,422**	**$ 9,888,190**	$ 3,943,918	$ 5,058,539	$ 9,002,457
Contributed services and materials	**525,560**	**-**	**525,560**	396,850	-	396,850
Merchandise sales	**1,468**	**-**	**1,468**	2,859	-	2,859
Other income	**63,133**	**-**	**63,133**	42,335	-	42,335
Net assets released from restriction (Note 6)	**5,463,023**	**(5,463,023)**	**-**	5,126,207	(5,126,207)	-
Total revenues, gains and other support	**9,943,952**	**534,399**	**10,478,351**	9,512,169	(67,668)	9,444,501
Expenses:						
Program services:						
Donated goods and services	**28,867**	**-**	**28,867**	26,521	-	26,521
Other program services	**6,921,949**	**-**	**6,921,949**	7,279,746	-	7,279,746
Total program services	**6,950,816**	**-**	**6,950,816**	7,306,267	-	7,306,267
Fundraising:						
Donated goods and services	**2,565**	**-**	**2,565**	3,255	-	3,255
Other fundraising	**1,754,350**		**1,754,350**	1,452,091		1,452,091
Total fundraising	**1,756,915**	**-**	**1,756,915**	1,455,346	-	1,455,346
Merchandise costs	**975**	**-**	**975**	1,526	-	1,526
Management and general (Notes 7 and 8):						
Donated goods and services	**311,987**	**-**	**311,987**	242,201	-	242,201
Other management	**816,832**	**-**	**816,832**	670,888	-	670,888
Total management and general	**1,128,819**	**-**	**1,128,819**	913,089	-	913,089
Total expenses	**9,837,525**	**-**	**9,837,525**	9,676,228	-	9,676,228
Change in net assets	**106,427**	**534,399**	**640,826**	(164,059)	(67,668)	(231,727)
Net assets, beginning of year	**1,487,381**	**2,852,773**	**4,340,154**	1,651,440	2,920,441	4,571,881
Net assets, end of year	**$ 1,593,808**	**$ 3,387,172**	**$4,980,980**	$ 1,487,381	$ 2,852,773	$4,340,154

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	2019	2018
Cash flows from operating activities:		
Change in net assets	**$ 640,826**	$ (231,727)
Adjustments to reconcile change in net assets to net cash provided (used in) by operating activities:		
Depreciation	**22,595**	22,320
Net change in assets and liabilities:		
Pledges receivable, net	**(70,199)**	(225,992)
Other receivables	**6,699**	8,858
Prepaid program expenses	**(14,059)**	(12,925)
Inventory	**30,374**	436
Deposits	**(3,015)**	(132,435)
Accounts payable	**67,945**	169,335
Accrued expenses	**(281)**	19,818
Net cash (used in) provided by operating activities	**680,885**	(382,312)
Cash flows used in investing activities:		
Acquisition of property and equipment	**(1,285,996)**	(443,660)
Decrease in cash and cash equivalents	**(605,111)**	(825,972)
Cash and cash equivalents, beginning of the year	**3,562,211**	4,388,183
Cash and cash equivalents, end of the year	**$ 2,957,100**	$ 3,562,211
Supplemental disclosures of cash flow information Contributed services and materials	**$525,560**	$396,850

See accompanying notes to consolidated financial statements.

CONCONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

	2019					2018				
Expenses (Notes 8):	Program Services	Fundraising	Merchan-dise Cost	Manage-ment and General	Total	Program Services	Fundraising	Merchan-dise Cost	Manage-ment and General	Total
Compensation and benefits for non-field staff	$ 2,122,332	$ 1,381,111	$ -	$ 551,392	$ 4,054,835	$2,305,503	$ 1,128,208	$ -	$ 412,057	$ 3,845,768
Consulting and professional services	63,211	4,000	-	95,155	162,366	15,763	24,300	-	84,658	124,721
Office expenses	104,708	70,021	-	22,321	197,050	75,405	41,213	-	28,222	144,840
Information technology	41,088	5,618	-	-	46,706	55,428	7,677	-	-	63,105
Occupancy	602,952	16,733	-	94,209	713,894	167,169	-	-	102,327	269,496
Travel	149,314	90,249	-	36,045	275,608	337,470	86,900	-	25,770	450,140
Conferences and meetings	24,864	-	-	-	24,864	12,980	-	-	-	12,980
Depreciation	18,727	2,295	-	1,573	22,595	22,320	-	-	-	22,320
Insurance	-	-	-	16,137	16,137	369	-	-	17,854	18,223
Compensation and benefits for field staff	2,114,440	-	-	-	2,114,440	1,818,126	-	-	-	1,818,126
Donated goods & services	28,867	2,565	-	311,987	343,419	26,521	3,255	-	242,201	271,977
Subsidies, stipends and tuition	1,457,056	-	-	-	1,457,056	1,842,952	-	-	-	1,842,952
Center construction, equipment & furnishings	39,291	-	-	-	39,291	207,523	-	-	-	207,523
Surgery and nurturing care in connection with China Care program	-	-	-	-	-	14,817	-	-	-	14,817
Training programs and materials	183,246	-	-	-	183,246	386,188	-	-	-	386,188
Event expenses	-	132,103	-	-	132,103	-	107,118	-	-	107,118
All other expenses	720	52,220	975	-	53,915	17,733	56,675	1,526	-	75,934
Total functional expenses	$ 6,950,816	$ 1,756,915	$ 975	$ 1,128,819	$ 9,837,525	$ 7,306,267	$ 1,455,346	$ 1,526	$ 913,089	$ 9,676,228

See accompanying notes to consolidated financial statements.

ONESKY FOUNDATION AND SUBSIDIARIES, DECEMBER 31, 2019 AND 2018

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, 2019, OneSky supported various orphanage programs at a total of 57 sites, including 33 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, 2019, OneSky supported programs in 47 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)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND OPERATION (continued)

For children failing to thrive - During the year ended December 31, 2019, 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.

P. C. Lee OneSky Global Centre for Early Childhood Development: OneSky has spent considerable effort in 2019 preparing for the 2020 opening of the P. C. Lee OneSky Global Centre for Early Childhood Development in Sham Shui Po. Our new home in Hong Kong will feature a Family Centre serving as a community gathering place where children (0-6 years old) and their parents and caregivers play and learn together. The Family Centre will also offer facilitated play sessions and parenting skills workshops as well as consultation and referral services for families. The centre will also serve as a training hub for teaching professional and paraprofessional caregivers in Hong Kong and beyond the OneSky Approach to responsive caregiving and early education.

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, 2019 and 2018. 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.

(Continued)

ONESKY FOUNDATION AND SUBSIDIARIES, DECEMBER 31, 2019 AND 2018

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Board-designated assets totaled $9,928 as of December 31, 2019 and 2018.

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, 2019 and 2018 the Foundation had deposits with two financial institutions eligible for FDIC insurance coverage with carrying amounts and bank balances of $2,590,630 and $3,346,777 respectively. Of the total bank balances, $276,992 and $315,747 were insured at December 31, 2019 and 2018, respectively. Amounts received but not deposited and therefore not insured by the FDIC, totaled $366,470 and $215,414 at December 31, 2019 and 2018, 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. No reserve for uncollectable amounts were considered necessary at December 31, 2019 and 2018.

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, 2019 and 2018.

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 met.

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, 2019 and 2018, with estimated fair values of $340,854 and $268,722, respectively.

Contributed goods are recorded at their estimated fair value at the date of receipt. Contributed goods totaled $184,706 and $128,128 for the years ended December 31, 2019 and 2018, 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, 2019 and 2018.

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.

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events: The Foundation has evaluated subsequent events for recognition and disclosure through May 22, 2020, which is the date the consolidated financial statements were available to be issued.

In December 2019, a novel strain of coronavirus surfaced in Wuhan, China, and has spread around the world, with resulting business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the Foundation could be materially adversely affected. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.

New Accounting Pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Foundation implemented this guidance for the year ended December 31, 2019 using a modified retrospective method of application to contracts. However, there was no material impact from the recognition or presentation of revenue as a result of the application of ASU 2014-19. As a result, no cumulative effect adjustment was recoded upon adoption.

In June 2018, the FASB issued (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The amendments in this Update provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional. The Foundation applied the amendments in this ASU for the year ended December 31, 2019 using a full retrospective method of application. There were no material changes to the recognition or presentation of revenue as a result of the application of ASU 2018-08. As a result, no cumulative effect adjustment was recorded upon adoption.

NOTE 3 – PLEDGES RECEIVABLE, NET

Pledges receivable represent unconditional promises to give by donors and are recorded at net realizable value. Pledges receivables of $485,735 and $415,536 at December 31, 2019 and 2018, respectively, were expected to be collected within one year. There were no long-term pledge receivables at December 31, 2019 and 2018.

The Foundation has received notification of various conditional pledges. These pledges for which the conditions have not yet been 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, 2019 and 2018. There were conditional promises to give of $2,697,756 and $3,587,443 as of the years ended December 31, 2019 and 2018, respectively.

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 – PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following at December 31:

	2019	2018
Equipment	$ 134,906	$ 101,735
Furniture & fixtures	148,219	439,974
Assets under Construction	1,544,580	-
Total	1,827,705	541,709
Less: accumulated depreciation	(113,919)	(91,324)
Property and equipment, net	$ 1,713,786	$ 450,385

Depreciation expense for the years ended December 31, 2019 and 2018 amounted to $22,595 and $22,320, respectively. Assets under construction reflect costs incurred to date in the development of the P. C. Lee OneSky Global Centre for Early Childhood Development. Once completed and put into use, these costs will be reclassified as Leasehold Improvements and depreciated over the remaining period of the related property rental lease

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, 2019 and 2018.

	2019	2018
China Care Program	-	$ 22,800
China Orphanage	765,715	772,955
China Training	-	42,710
China Village	641,718	431,267
Hong Kong Center	1,443,216	1,362,504
Mongolia Program	-	126,454
CN Migrant	322,610	-
Vietnam Early Program	213,913	94,083
Total net assets with donor restrictions	$ 3,387,172	$ 2,852,773

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, 2019:

	2019	2018
China Care Program	$ 122,800	$ 13,679
China Orphanage	760,618	1,001,523
China Training	509,088	1,054,320
China Village	840,604	1,118,563
Hong Kong Center	2,361,120	933,017
Mongolia Program	127,454	70,154
Time Restriction	-	650,000
General Management	191,128	-
Vietnam Program	550,211	284,951
Total net assets released from donor restrictions	$ 5,463,023	$ 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), and both an office facility and the P. C. Lee OneSky Global Centre for Early Childhood Development in Hong Kong. As of December 31, 2019, the operating leases are set to expire at various dates through October 2024. Rent paid under these leases was $669,591 and $256,133 for the years ended December 31, 2019 and 2018, respectively.

As of December 31, 2019, the Foundation's future minimum lease payments are as follows:

Years Ending December 31,	Amount
2020	$ 561,413
2021	554,216
2022	527,948
2023	495,969
2024 and over	385,604
	$2,525,150

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 – COMMITMENTS AND CONTINGENCIES (Continued)

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 six years of service with the Foundation. Total contributions made to the retirement plans by the Foundation for the years ended December 31, 2019 and 2018 were $58,421 and $64,222, respectively.

NOTE 9 – RELATED PARTY TRANSACTIONS

For the years ended December 31, 2019 and 2018 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 $3,492,591 and $3,086,923 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 $405,404 and $486,123 to the Foundation in the years ended December 31, 2019 and 2018, respectively. On March 26, 2020, members determined the voluntary winding down of Australia Ltd. OneSky Foundation (Canada) Inc. ("Canada"), another affiliate of the Foundation was incorporated in Canada in June 2009. OneSky Foundation (Canada) Inc. contributed $392,919 and $10,000 to the Foundation in the years ended December 31,2019 and 2018, respectively.

NOTE 11 – MAJOR CONTRIBUTORS

The Foundation had four donors whose combined contributions totaled more than 40% and 35% of total contributions for the years ended December 31, 2019 and 2018, 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.

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2019 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:

	2019	2018
Cash and cash equivalents	$ 2,957,100	$3,562,211
Pledges receivable, net	485,735	415,536
Other receivables	4,150	10,849
	$ 3,446,985	$ 3,988,596

The Foundation has $3,446,985 and $3,988,596 of financial assets available within one 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.

Unlocking the potential of our world's vulnerable children

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