ONESKY FOUNDATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

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CONTENTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of OneSky Foundation and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of OneSky Foundation and Subsidiaries as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of OneSky Foundation and Subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about OneSky Foundation and Subsidiaries' ability to continue as a going concern for one year from the date the consolidated financial statements are available to be issued.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 OneSky Foundation and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about OneSky Foundation and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Crowe LLP

Crowe LLP

Los Angeles, California
June 20, 2023

ONESKY FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	$ 3,768,993	$ 4,894,271
Pledges receivable, net (Note 3)	228,286	265,417
Other receivables	3,026	4,085
Prepaid program expenses	86,755	107,947
Inventory	7,617	8,107
Property and equipment, net (Note 4)	1,184,125	1,777,353
Right-of-use asset (Note 5)	930,414	-
Deposits	143,503	145,203
Total assets	$ 6,352,719	$ 7,202,383
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 329,736	$ 349,355
Accrued expenses	134,674	142,422
Lease liability (Note 5)	979,922	-
Deferred income	18,680	-
Total liabilities	1,463,012	491,777
Net assets:		
Without donor restrictions	3,447,018	4,793,000
With donor restrictions (Note 6)	1,442,689	1,917,606
Total net assets	4,889,707	6,710,606
Total liabilities and net assets	$ 6,352,719	$ 7,202,383

See accompanying notes to consolidated financial statements.

ONESKY FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended December 31, 2022 and 2021

	2022			2021		
	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 10, 11, and 12)	$ 2,977,843	$ 2,674,780	$ 5,652,623	$ 5,188,187	$ 3,683,552	$ 8,871,739
Contributed services and materials	205,934	-	205,934	178,703	-	178,703
Merchandise sales	3,325	-	3,325	100	-	100
Other income	78,999	-	78,999	320,156	-	320,156
Net assets released from restriction (Note 7)	3,149,697	(3,149,697)	-	4,554,154	(4,554,154)	-
Total revenues, gains and other support	6,415,798	(474,917)	5,940,881	10,241,300	(870,602)	9,370,698
Expenses:						
Program services:						
Donated goods and services	87,973	-	87,973	27,219	-	27,219
Other program services	5,934,187	-	5,934,187	6,620,601	-	6,620,601
Total program services	6,022,160	-	6,022,160	6,647,820		6,647,820
Fundraising:						
Donated goods and services	19,531	-	19,531	2,552	-	2,552
Other fundraising	867,947	-	867,947	914,240	-	914,240
Total fundraising	887,478	-	887,478	916,792	-	916,792
Merchandise costs:	1,440	-	1,440	-	-	-
Management and general (Notes 8 and 9):						
Donated goods and services	97,710	-	97,710	80,424	-	80,424
Other management	752,992	-	752,992	891,615	-	891,615
Total management and general	850,702	-	850,702	972,039	-	972,039
Total expenses	7,761,780	-	7,761,780	8,536,651	-	8,536,651
Change in net assets	(1,345,982)	(474,917)	(1,820,899)	1,704,649	(870,602)	834,047
Net assets, beginning of year	4,793,000	1,917,606	6,710,606	3,088,351	2,788,208	5,876,559
Net assets, end of year	$ 3,447,018	$ 1,442,689	$ 4,889,707	$ 4,793,000	$ 1,917,606	$ 6,710,606

See accompanying notes to consolidated financial statements.

ONESKY FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	$ (1,820,899)	$ 834,047
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	600,565	602,111
Net change in assets and liabilities:		
Pledges receivable, net	37,131	(82,655)
Other receivables	1,059	(1,029)
Prepaid program expenses	21,192	23,737
Right-of-use asset amortization	507,498	-
Inventory	490	28
Deposits	1,700	16,781
Accounts payable	(19,619)	(14,852)
Deferred income	18,680	-
Change in lease liability	(457,990)	-
Accrued expenses	(7,748)	3,210
Net cash (used in) provided by operating activities	(1,117,941)	1,381,378
Cash flows used in investing activities		
Acquisition of property and equipment	(7,337)	(61,301)
Net change in cash and cash equivalents	(1,125,278)	1,320,077
Cash and cash equivalents, beginning of the year	4,894,271	3,574,194
Cash and cash equivalents, end of the year	$ 3,768,993	$ 4,894,271
Supplemental disclosures of cash flow information:		
Contributed services and materials	$ 205,935	$ 178,703
Supplemental noncash disclosures:		
Lease liabilities arising from obtaining right-of-use assets	$ 1,437,912	$ -

See accompanying notes to consolidated financial statements.

ONESKY FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2022 and 2021

	2022					2021				
	Program Services	Fundraising	Merchandise Cost	Management and General	Total	Program Services	Fundraising	Merchandise Cost	Management and General	Total
Expenses:										
Compensation and benefits for non-field staff	$ 1,333,880	$ 766,753	$ -	$ 492,814	$ 2,593,447	$ 1,669,554	$ 786,911	$ -	$ 642,152	$ 3,098,617
Consulting and professional services	173,405	18,745	-	98,398	290,548	3,411	2,125	-	95,589	101,125
Office expenses	92,781	33,404	-	20,968	147,153	36,407	31,985	-	9,881	78,273
Information technology	25,055	2,037	-	-	27,092	128,231	4,597	-	-	132,828
Occupancy	544,124	16,290	-	69,725	630,139	544,009	34,943	-	72,968	651,920
Travel	43,463	2,344	-	5	45,812	2,937	209	-	1,050	4,196
Conferences and meetings	4,120	-	-	-	4,120	185	-	-	-	185
Depreciation	544,764	1,331	-	54,470	600,565	546,313	1,194	-	54,604	602,111
Insurance	3,405	-	-	16,558	19,963	2,957	-	-	15,370	18,327
Compensation and benefits for field staff	1,877,772	-	-	-	1,877,772	1,771,971	-	-	-	1,771,971
Donated goods and services	87,973	19,531	-	97,710	205,214	27,219	2,552	-	80,424	110,195
Subsidies, stipends and tuition	985,641	-	-	-	985,641	1,304,143	-	-	-	1,304,143
Center construction, equipment and furnishings	162,006	-	-	-	162,006	91,320	-	-	-	91,320
Training programs and materials	143,081	-	-	-	143,081	493,215	-	-	-	493,215
Event expense	-	1,528	-	-	1,528	-	16,404	-	-	16,404
All other expense	690	25,515	1,440	54	27,699	25,948	35,872	-	1	61,821
Total functional expenses	$ 6,022,160	$ 887,478	$ 1,440	$ 850,702	$ 7,761,780	$ 6,647,820	$ 916,792	$ -	$ 972,039	$ 8,536,651

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, United States. 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 qualified 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 envisions a world where every young child has access to quality early care and education. To achieve this objective, the Foundation has partnered with communities to provide quality responsive care and early education training. The objective of these partnerships is to expand the capacity and quality of caregiving so children in low-resourced settings across Asia can thrive.

The Foundation provides direct support to young children and their caregivers, while also training partners and working with policy makers throughout Asia, specifically in the following countries:

China — Since 1998, OneSky has led efforts to make nurturing care available to children living in welfare institutions while also training caregivers in rural communities impacted by migration. The Foundation provides training to caregivers and foster parents in welfare institutions, as well as family/caregivers living and working in rural villages.

Hong Kong SAR — Beginning in 2020 OneSky began training both family and professional caregivers in Hong Kong SAR to help young children thrive. Through the P. C. Lee OneSky Centre for Early Childhood Development, OneSky supports families in one of the most economically disadvantaged areas of Hong Kong, by providing parent-skills training in a safe and educational play space for local children. These services are supported by OneSky’s Family Mentors.

Vietnam — Since 2017, OneSky has trained home-based daycare providers who provide care for the children of migrant workers working in factories. Further, through the Foundation’s model training center, the OneSky Early Learning Center in Da Nang, OneSky provides daily care for 252 children ages 6 months to 6 years.

Mongolia — In 2018, OneSky began training caregivers in state run nurseries and, in 2020, expanded our work to provide family skills training and cooperative playcare groups to support young children living in migrant communities through the OneSky Family Center in Ulaanbaatar, Mongolia. With support from Mongolia’s Ministry of Education and Science, OneSky is fine-tuning and expanding our program to transform the lives of more children across low-resource ger districts.

(Continued)

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, 2022 and 2021. 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.

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.

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2022 and 2021 the Foundation had bank deposits with carrying amounts and balances of $3,265,816 and $4,695,884, respectively, which included deposits with two financial institutions eligible for FDIC insurance coverage. Of the total bank balances, $288,827 and $307,147 were insured at December 31, 2022 and 2021, respectively. Amounts received but not deposited and therefore not insured by the FDIC, totaled $503,177 and $198,387 at December 31, 2022 and 2021, 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 as of December 31, 2022 and 2021.

Property and Equipment, Net: Acquisitions of property and equipment, including leasehold improvements, 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 for property and equipment is computed using the straight-line method over the estimated useful lives of the assets ranging from three to ten years. Leasehold improvements are depreciated on a straight-line basis over the lesser of the related lease term or the useful lives of the related improvements.

Right-of-Use Asset and Leases: Right of Use (“ROU”) asset represents the Foundation’s right to use the underlying assets for the lease term and lease liabilities represent the net present value of the Foundation’s obligation to make payments arising from these leases. The lease liabilities are based on the present value of fixed lease payments over the lease term using the incremental borrowing rate for a period comparable to the lease term at the date of lease commencement. If the lease includes one or more options to extend the term of the lease, the renewal option is considered in the lease term if it is reasonably certain that the Institute will exercise the options. Operating lease expense is recognized on a straight-line basis over the term of the lease. As permitted by the accounting guidance, leases with an initial term of twelve months or less (“short-term leases”) are not recorded on the accompanying statement of financial position.

The Foundation’s lease agreements do not contain material restricted covenants. The Foundation is required to make monthly rent payments based on the lease agreements.

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, 2022 and 2021.

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.

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2022 and 2021, with estimated fair values of $205,215 and $107,643, respectively.

Contributed goods are recorded at their estimated fair value at the date of receipt. Contributed goods totaled $720 and $71,060 for the years ended December 31, 2022 and 2021, 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 as of December 31, 2022 or 2021.

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 20, 2023, which is the date the consolidated financial statements were available to be issued.

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standards: The Foundation adopted Accounting Standards Update, ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (ASU 2020-07). In September 2020, the FASB issued ASU 2020-07 to provide guidance regarding the way nonprofit organizations report nonfinancial assets, including donated goods and rent, in-kind professional services, etc. ASU 2020-07 requires contributed nonfinancial assets to be presented separately from cash and other financial assets on the statement of activities, and the footnote disclosure must include a disaggregation by type, donor restrictions, if applicable, and other details about the nature and valuation of the nonfinancial assets received. The new standard was effective for fiscal years beginning after June 15, 2021. Adoption of ASU 2020-07 did not have a significant impact on the Foundation's reporting of contributed nonfinancial assets.

The Foundation also adopted Accounting Standards Update, ASU 2016-02, *Leases (Topic 842)*. In February 2016, the FASB issued Topic 842 to update and amend the way lessees record lease transactions. Upon adoption of Topic 842, lessees must recognize at commencement, the right-of-use asset and a lease liability representing the lessee's obligation to make lease payments arising from the lease, as discounted, for all leases except short-term leases. Topic 842 was effective for annual financial statements issued for fiscal years beginning after December 15, 2021, and early adoption was permitted. At January 1, 2022, the adoption of Topic 842 resulted in recognition of a right-of-use asset and lease liability totaling $1,437,912. There was no material impact to the timing of expense or income recognition in the Foundation's consolidated statements of activities and changes in net assets, and prior periods were not restated and continue to be presented under legacy GAAP. Disclosures about the Company's leasing activities are presented in Note 5 – Leases.

NOTE 3 – PLEDGES RECEIVABLE, NET

Pledges receivable represent unconditional promises to give by donors and are recorded at net realizable value. Pledges receivables of $228,286 and $265,417 at December 31, 2022 and 2021, respectively, were expected to be collected within one year. There were no long-term pledge receivables at December 31, 2022 and 2021.

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, 2022 and 2021. There were conditional promises to give of $1,034,539 and $757,495 as of December 31, 2022 and 2021, respectively.

(Continued)

NOTE 4 – PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following at December 31:

	2022	2021
Equipment	$ 191,395	$ 190,371
Furniture and fixtures	299,893	311,239
Leasehold improvements	2,359,410	2,359,410
Total	2,850,698	2,861,020
Less: accumulated depreciation	(1,666,573)	(1,083,667)
Property and equipment, net	$ 1,184,125	$ 1,777,353

Total depreciation expense for the years ended December 31, 2022 and 2021 amounted to $600,565 and $602,111, respectively.

NOTE 5 – LEASES

Lessee arrangements: The Foundation has agreements for the use of office facilities in the United States, an office facility in Beijing, Peoples Republic of China (PRC), and the P. C. Lee OneSky Global Centre for Early Childhood Development in Hong Kong (HK Centre). As of December 31, 2022, the operating leases are set to expire at various dates through October 2024. However, only the HK Centre includes an original lease term of more than 12 months, thus resulting in a lease liability and corresponding right-of-use asset.

The discount rate used in determining the lease liability was based upon the Foundation's incremental borrowing rates as of the date of the commencement or renewal for the lease. The Foundation applied an incremental borrowing rate of 9.02%.

Right-of-use asset and liability by lease type, and the associated balance sheet classifications, are as follows:

Right-of-use assets:		
Operating lease	Right of Use Asset	$ 930,414
Lease liabilities:		
Operating lease	Lease Liabilities	$ 979,922

Lease Obligations: Future undiscounted lease payments for operating leases with initial terms of one year or more as of December 31, 2022 are as follows:

Year Ending December 31:	Amount
2023	$ 590,772
2024	474,728
	1,065,500
Less: Interest	(85,578)
Total lease payments	$ 979,922

Lease Expense: Total rent expense associated with leases totaled $594,719 and $609,501, for the years ended December 31, 2022 and 2021, respectively.

(Continued)

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, 2022 and 2021.

	2022	2021
China Orphanage	$ 327,151	$ 333,683
China Village	-	240,509
Hong Kong Centre	938,824	1,193,224
Mongolia Program	25,000	55,831
Vietnam Program	151,714	94,359
Total net assets with donor restrictions	$ 1,442,689	$ 1,917,606

NOTE 7 – 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 years ended December 31:

	2022	2021
China Orphanage	$ 343,699	$ 399,151
China Training	258,911	664,751
China Village	240,519	783,447
COVID Fund	-	10
Hong Kong Centre	1,411,792	1,539,663
Mongolia Program	355,831	254,374
Global Training	-	342,502
Vietnam Program	538,945	570,256
Total net assets released from donor restrictions	$ 3,149,697	$ 4,554,154

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Commitments: In Mongolia, the Foundation has a non-binding memorandum of understanding (MOU) with the Ministry of Education, Culture, Science and Sports (MECSS), allowing OneSky to implement proposed charitable activities, effective June 18, 2020. With assistance from the MECSS, the Foundation also entered into a subsequent non-binding MOU with the Government of the Bayanzurkh District, effective June 23, 2020, allowing OneSky to use certain government-owned land at a cost of one U.S. Dollar per year.

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 9 – 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, 2022 and 2021 were $42,860 and $44,540, respectively.

NOTE 10 – RELATED PARTY TRANSACTIONS

For the years ended December 31, 2022 and 2021, contribution revenue from members of the Board of Directors of OneSky Foundation or companies or individuals with which the Board of Directors are affiliated totaled $2,746,491 and $2,831,661 respectively.

NOTE 11 – 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 did not make any contributions to the Foundation during the year ended December 31, 2022 and year ended December 31, 2021. OneSky Foundation (Canada) Inc. (“Canada”), another affiliate of the Foundation was incorporated in Canada in June 2009. OneSky Foundation (Canada) Inc. contributed $52,510 and $209,858 to the Foundation in the years ended December 31, 2022 and 2021, respectively.

NOTE 12 – MAJOR CONTRIBUTORS

The Foundation had four donors whose combined contributions totaled more than 31% and 36% of total contributions for the years ended December 31, 2022 and 2021, respectively.

NOTE 13 – 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.

NOTE 13 – 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.

A number of Memorandum of Understanding (“MOU”) have been signed with Department of Education and Training (DOET) in Da Nang, Quang Nam and Hai Duong in Vietnam since March 2018. With these MOUs signed, the Foundation can provide home-based care training to caregivers in various districts in these provinces in Vietnam.

In June 2020, the Foundation entered into a non-binding Memorandum of Understanding (MOU) with the Government of Bayanzurkh District and The Ministry of Education, Culture, Science and Sports of Mongolia (MECSS). With this MOU, the Foundation launched the Ger Family Center in September 2020 to provide parenting-skills training and a safe play place for local families in the Bayanzurkh district.

NOTE 14 – 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, 2022 and 2021, 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 15 - 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:

	2022	2021
Cash and cash equivalents	$ 3,768,993	$ 4,894,271
Pledges receivable, net	228,286	265,417
Other receivables	3,026	4,085
	$ 4,000,305	$ 5,163,773

The Foundation has $4,000,305 and $5,163,773 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.

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NOTE 16 – PAYCHECK PROTECTION PROGRAM

OneSky borrowed funds through the Paycheck Protection Program (PPP) during the years ended December 31, 2021 and 2020. Under the terms of the PPP, a loan provides for conditional forgiveness if OneSky utilizes the proceeds on allowable expenses, including qualifying payroll, rent, and utility expenses. If the PPP loan is not approved for forgiveness, it will bear interest at a rate of 1% per annum and must be repaid in equal monthly payments over a period of 12 months, commencing one year after the origination of the loan.

During the year ended December 31, 2020, OneSky received a first draw Paycheck Protection Program (PPP) loan totaling $428,200 as authorized by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. OneSky evaluated the uses of the loan proceeds in comparison with the requirements of the Small Business Administration (SBA) and determined that all applicable conditions for forgiveness were met. Therefore, OneSky recognized revenue for the full proceeds of the loan as a conditional contribution, in accordance with Accounting Standard Codification (ASC) Subtopic 958-605, during the year ended December 31, 2020. During the year ended December 31, 2021, OneSky received confirmation forgiveness for the first draw loan, from the SBA.

In March 2021, OneSky received a second-draw PPP loan totaling $307,400 through the CARES act under the terms as described above. OneSky evaluated the uses of the loan proceeds in comparison with the requirements of the SBA and determined that all applicable conditions for forgiveness were met. Therefore, OneSky recognized revenue for the full proceeds of the loan as a conditional contribution during the year ended December 31, 2021. During the year ended December 31, 2022, OneSky received confirmation forgiveness for the second draw loan, from the SBA.