

**SPIRITUALITY FOR KIDS
INTERNATIONAL, INC.**

(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

December 31, 2018 and 2017



Gurseley | Schneider LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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Independent Accountant's Review Report

To the Board of Directors
Spirituality for Kids International, Inc.
Los Angeles, California

We have reviewed the accompanying financial statements of Spirituality for Kids International, Inc. (a California nonprofit public benefit corporation), which comprise the statement of financial position as of December 31, 2018 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Report on 2017 Financial Statements

The 2017 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated September 27, 2018. We have not performed any auditing procedures since that date.

Gursey | Schneider LLP

May 31, 2019
Los Angeles, California

SPIRITUALITY FOR KIDS INTERNATIONAL, INC.
(A California Nonprofit Public Benefit Corporation)
Statements of Financial Position
December 31, 2018 and 2017

ASSETS

	2018	2017
Cash and cash equivalents	\$ 597,027	\$ 192,194
Investments	1,670,961	2,508,186
Accounts and pledges receivable	31,357	34,648
Inventories	9,559	10,924
Prepaid expenses and other current assets	20,468	13,851
Property and equipment, net	2,122	577
Intangible assets, net	132,746	145,380
TOTAL ASSETS	\$ 2,464,240	\$ 2,905,760

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 61,785	\$ 53,945
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NET ASSETS

Without donor restrictions	2,324,662	2,725,132
With donor restrictions	77,793	126,683

TOTAL NET ASSETS

	2,402,455	2,851,815
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TOTAL LIABILITIES AND NET ASSETS

	\$ 2,464,240	\$ 2,905,760
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See Independent Accountant's Review Report and Accompanying Notes to Financial Statements

SPIRITUALITY FOR KIDS INTERNATIONAL, INC.
(A California Nonprofit Public Benefit Corporation)
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2018

	2018		
	Without Donor Restriction	With Donor Restriction	Total
REVENUE AND SUPPORT			
Contributions	\$ 54,970	\$ -	\$ 54,970
Realized and unrealized losses, net	(49,780)	-	(49,780)
Interest and dividend income, net of investment fees of \$13,640	41,721	-	41,721
Event revenue	108,498	-	108,498
Sales of education materials	4,617	-	4,617
Licensing and other revenue	53,031	-	53,031
Net assets released from restrictions	48,890	(48,890)	-
Total Revenue and Support	<u>261,947</u>	<u>(48,890)</u>	<u>213,057</u>
FUNCTIONAL EXPENSES			
Program expenses	399,281	-	399,281
General and administrative	141,856	-	141,856
Fundraising	121,280	-	121,280
Total Functional Expenses	<u>662,417</u>	<u>-</u>	<u>662,417</u>
CHANGES IN NET ASSETS	(400,470)	(48,890)	(449,360)
NET ASSETS, Beginning of Year	<u>2,725,132</u>	<u>126,683</u>	<u>2,851,815</u>
NET ASSETS, End of Year	<u>\$ 2,324,662</u>	<u>\$ 77,793</u>	<u>\$ 2,402,455</u>

See Independent Accountant's Review Report and Accompanying Notes to Financial Statements

SPIRITUALITY FOR KIDS INTERNATIONAL, INC.
(A California Nonprofit Public Benefit Corporation)
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2017

	2017		
	Without Donor Restriction	With Donor Restriction	Total
REVENUE AND SUPPORT			
Contributions	\$ 140,514	\$ -	\$ 140,514
Realized and unrealized gains, net	68,104	-	68,104
Interest and dividend income, net of investment fees of \$20,541	68,981	-	68,981
Event revenue	282,984	-	282,984
Sales of education materials	7,654	-	7,654
Licensing and other revenue	28,309	-	28,309
Net assets released from restrictions	80,164	(80,164)	-
Total Revenue and Support	<u>676,710</u>	<u>(80,164)</u>	<u>596,546</u>
FUNCTIONAL EXPENSES			
Program expenses	444,056	-	444,056
General and administrative	102,884	-	102,884
Fundraising	136,537	-	136,537
Total Functional Expenses	<u>683,477</u>	<u>-</u>	<u>683,477</u>
CHANGES IN NET ASSETS	(6,767)	(80,164)	(86,931)
NET ASSETS, Beginning of Year	<u>2,731,899</u>	<u>206,847</u>	<u>2,938,746</u>
NET ASSETS, End of Year	<u>\$ 2,725,132</u>	<u>\$ 126,683</u>	<u>\$ 2,851,815</u>

See Independent Accountant's Review Report and Accompanying Notes to Financial Statements

SPIRITUALITY FOR KIDS INTERNATIONAL, INC.
(A California Nonprofit Public Benefit Corporation)
Statement of Functional Expenses
For the Year Ended December 31, 2018

	2018			
	Program Expenses	General and Administrative	Fundraising	Total
PERSONNEL EXPENSES				
Salaries	\$ 226,069	\$ 28,258	\$ 28,259	\$ 282,586
Employee benefits	34,149	5,697	4,788	44,634
<i>Total Personnel Expenses</i>	<u>260,218</u>	<u>33,955</u>	<u>33,047</u>	<u>327,220</u>
OTHER FUNCTIONAL EXPENSES				
Advertising	35,494	218	7,382	43,094
Amortization	44,980	-	-	44,980
Bank fees	-	2,879	6,005	8,884
Cost of education material sold	1,679	1,609	-	3,288
Computer	21,539	3,979	2,244	27,762
Consulting	-	4,990	-	4,990
Depreciation	-	1,093	-	1,093
Dues & Subscriptions	3,090	-	-	3,090
Insurance	-	7,787	-	7,787
Miscellaneous	-	1,009	148	1,157
Office and curriculum expenses	-	1,680	389	2,069
Professional fees	6,635	53,917	5,425	65,977
Outreach	-	-	52,838	52,838
Outside services	25,279	1,344	3,853	30,476
Permits	-	-	6,016	6,016
Postage	-	760	-	760
Rent	-	26,140	-	26,140
Travel	367	496	3,933	4,796
<i>Total Other Functional Expenses</i>	<u>139,063</u>	<u>107,901</u>	<u>88,233</u>	<u>335,197</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 399,281</u>	<u>\$ 141,856</u>	<u>\$ 121,280</u>	<u>\$ 662,417</u>
<i>Percent of Total Expenses</i>	<u>60.3%</u>	<u>21.4%</u>	<u>18.3%</u>	<u>100.0%</u>

See Independent Accountant's Review Report and Accompanying Notes to Financial Statements

SPIRITUALITY FOR KIDS INTERNATIONAL, INC.
(A California Nonprofit Public Benefit Corporation)
Statement of Functional Expenses
For the Year Ended December 31, 2017

	2017			
	Program Expenses	General and Administrative	Fundraising	Total
PERSONNEL EXPENSES				
Salaries	\$ 25,112	\$ 25,112	\$ 33,482	\$ 83,706
Employee benefits	4,977	4,977	6,636	16,590
<i>Total Personnel Expenses</i>	<u>30,089</u>	<u>30,089</u>	<u>40,118</u>	<u>100,296</u>
OTHER FUNCTIONAL EXPENSES				
Advertising	80,904	22,380	3,916	107,200
Amortization	119,687	-	-	119,687
Bank fees	-	23,169	12,457	35,626
Cost of education material sold	712	-	-	712
Computer	17,339	912	600	18,851
Consulting	-	-	13,500	13,500
Decorations	-	-	1,269	1,269
Depreciation	-	802	-	802
Insurance	-	9,548	-	9,548
Miscellaneous	184	1,408	1,425	3,017
Office and curriculum expenses	-	1,480	39	1,519
Professional fees	-	7,425	-	7,425
Outreach	-	-	6,021	6,021
Outside services	169,253	370	47,277	216,900
Permits	-	-	6,399	6,399
Postage	-	733	-	733
Rent	25,888	4,568	-	30,456
Travel	-	-	3,516	3,516
<i>Total Other Functional Expenses</i>	<u>413,967</u>	<u>72,795</u>	<u>96,419</u>	<u>583,181</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 444,056</u>	<u>\$ 102,884</u>	<u>\$ 136,537</u>	<u>\$ 683,477</u>
<i>Percent of Total Expenses</i>	<u>65.0%</u>	<u>15.0%</u>	<u>20.0%</u>	<u>100.0%</u>

See Independent Accountant's Review Report and Accompanying Notes to Financial Statements

SPIRITUALITY FOR KIDS INTERNATIONAL, INC.
(A California Nonprofit Public Benefit Corporation)
Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (449,360)	\$ (86,931)
Adjustment to reconcile changes in net assets to net cash provided by (used in) operating activities		
Non-cash contribution of investments	-	(10,057)
Depreciation	1,093	802
Amortization of intangible assets	44,980	119,458
Realized and unrealized losses (gains) on investments	49,780	(68,104)
Decrease (increase) in operating assets		
Accounts and pledges receivable	3,291	(13,479)
Inventories	1,365	1,832
Prepaid expenses and other current assets	(6,617)	60,110
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	7,840	(2,417)
	<u>7,840</u>	<u>(2,417)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(347,628)</u>	<u>1,214</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from the sale of investments	2,163,438	1,475,134
Cash used for the purchase of investments	(1,375,993)	(2,080,545)
Purchases of property and equipment	(2,638)	-
Purchases of intangible assets	(32,346)	(91,556)
	<u>752,461</u>	<u>(696,967)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>752,461</u>	<u>(696,967)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>404,833</u>	<u>(695,753)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>192,194</u>	<u>887,947</u>
END OF YEAR	<u>\$ 597,027</u>	<u>\$ 192,194</u>

See Independent Accountant's Review Report and Accompanying Notes to Financial Statements

SPIRITUALITY FOR KIDS INTERNATIONAL, INC.
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2018 and 2017

NOTE 1 – ORGANIZATION

Spirituality for Kids (“SFK” or “the Organization”) is a 501(c)(3) educational non-profit organization founded in 2001, that provides parents and children, teachers, counselors and caregivers, a comprehensive stepped program to teach children how to recognize their potential and deepen their sense of purpose in life.

The mission of SFK is to encourage children to:

- Develop self-awareness;
- Reflect on their purpose in life;
- Make wise decisions and understand the impact of their choices;
- Build resilience and treat challenges as opportunities;
- Learn behavioral tools to bring more fulfillment into their lives;
- Tap into their inner strengths and develop self-esteem; and
- Awaken their desire to make a difference in the world around them.

The SFK program is taught in schools and community-based organizations in major cities in the US. In 2007, after an outcome study by RAND Corporation confirmed that SFK programs were having a positive impact on children’s behavior, the program expanded to seven countries in eight different languages.

Since 2012, SFK has been expanding into a multimedia model, offering online programs for home use and classroom settings.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Net Asset Accounting — To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of SFK are maintained in accordance with the principles of net assets accounting. Net assets, revenues and releases from restriction are classified based on the existence or absence of donor- or board-imposed restrictions. Accordingly, the net assets of SFK and the changes therein are classified and reported in two categories of net assets.

- **Without Donor Restrictions** — Net assets that are not subject to donor-imposed restrictions, including the net investment in fixed assets, gifts with no donor restriction and current funds without donor restriction.

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SPIRITUALITY FOR KIDS INTERNATIONAL, INC.
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Notes to Financial Statements
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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

- **With Donor Restrictions** — Net assets that are subject to donor-imposed restrictions that limit the use of their contributions. Donor restrictions may result in temporarily restricted net assets, where the use of contributions is limited by donor-imposed stipulations that either expire by the passage of time or when used for specified purposes. Donor restrictions may also result in permanently restricted net assets, where the donor stipulations neither expire by the passage of time nor can be fulfilled or otherwise removed by SFK's actions. SFK had no permanently restricted net assets at December 31, 2018.

Cash and Cash Equivalents – The Organization considers highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

Investments – Investments are stated at fair value with unrealized gains and losses on investments resulting from fair value fluctuations recorded in the statements of activities in the period that such fluctuations occur. Purchases and sales of investments are recorded on the trade date. Dividend income is recorded based on the record date. Interest income is recorded as earned on an accrual basis. Realized gains and losses are recorded upon disposition of securities. Investment income and realized and unrealized gains and losses are recognized as unrestricted net assets, unless their use is temporarily or permanently restricted by donors to a specified purpose or future period.

Interest and dividend income for the year ended December 31, 2018 and 2017 is presented net of related investment fees of \$13,640 and \$20,541, respectively.

Investment Risks and Uncertainties — Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term. Such changes could materially affect the amounts reported in the statements of financial position and statements of activities.

Inventories – Inventories consist of teaching materials (workbooks and DVDs), and are valued at the lower of cost or market, with cost being determined by first-in, first-out (FIFO) method.

Property and Equipment – Property and equipment are stated at cost or, for those assets acquired by gift or bequest, the estimated fair value at the date of contribution. Depreciation of computer equipment is computed on the straight-line basis over the estimated useful lives of 3 years.

Intangible Assets – The Organization's intangible assets include trademarks, its website and internally developed software. The website and software are being amortized using the straight-line method over their estimated useful lives of one to three years. Trademarks are not amortized but evaluated for impairment annually.

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SPIRITUALITY FOR KIDS INTERNATIONAL, INC.
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2018 and 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Long-Lived Assets – Long-lived assets, such as property and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require that a long-lived asset be tested for possible impairment, the Organization first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment loss is recognized to the extent that the carrying value exceeds its fair value.

Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

Income Taxes – The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code of the State of California. In addition, the Organization does not have any revenue which it believes would subject it to unrelated business income taxes.

The Organization recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. To date, the Organization has not recorded any uncertain tax positions. The Organization recognizes potential accrued interest and penalties related to uncertain tax positions in income tax expense. During the years ended December 31, 2018 and 2017, the Organization did not recognize any amount in potential interest and penalties associated with uncertain tax positions. At December 31, 2018, the open tax years for the Organization were 2014 to 2018.

Contributions and Revenue – Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions. Conditional contributions are recorded as support in the period the condition is met. All gifts and other public support are included in unrestricted net assets unless they are specifically restricted by the terms of the gift or grant instrument or require the passage of time.

The Organization records contributions receivable, net of allowances for uncollectible amounts, whenever there is sufficient evidence in the form of verifiable documentation that an unconditional promise was made and received. At December 31, 2018 and 2017, there was no allowance for doubtful accounts.

Donated Services – Donated services are recognized if the services received create or enhance long-lived assets, require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Organization did not receive any donated services during the years ended December 31, 2018 and 2017, respectively.

Donated Investments – Donations of investments are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless donor has restricted the donated asset to a specific purpose. The Organization received donations of public traded stock with fair value of \$0 and \$10,057 during the years ended December 31, 2018 and 2017, respectively.

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SPIRITUALITY FOR KIDS INTERNATIONAL, INC.
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2018 and 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Functional Allocation of Expenses – Expenses that can be identified with a specific program or supporting service are charged directly to that related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on an evaluation by management.

Fair Value of Financial Instruments – The Organization has adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic No. 820, "Fair Value Measurements and Disclosures" ("ASC 820"), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. ASC 820 does not require any new fair value measurements, but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information.

ASC 820 establishes a three-level valuation hierarchy of valuation techniques that is based on observable and unobservable inputs. Classification within the hierarchy is determined based on the lowest level of input that is significant to the fair value measurement. The first two inputs that may be used to measure fair value are considered observable and the last unobservable; they include the following:

- | | |
|---------|---|
| Level 1 | Quoted prices in active markets for identical assets or liabilities |
| Level 2 | Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities |
| Level 3 | Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities |

In accordance with ASC 820, the Organization has classified all of its cash and cash equivalents and investments in the Level 1 fair value hierarchy measured at fair value on a recurring basis at December 31, 2018 and 2017. The carrying amounts of the Organization's other financial instruments included in the statements of financial position such as accounts receivable, accounts payable, and accrued expenses represent a reasonable estimate of fair values due to their short-term maturity.

For the level 3 investment, the SFK followed equity method of accounting. The investment is accounted for at cost, plus or minus their share of gains and losses.

Recently Issued Accounting Standards – In February 2016, the FASB issued ASU 2016-02, "Leases" (Topic 842). This ASU requires a lessee to recognize a right-of-use asset and a lease liability under most operating leases in its balance sheet. For non-public entities, the standard is effective for fiscal years beginning after December 15, 2019 and interim periods beginning the following year. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition, and provides for certain practical expedients during the period of adoption. Transition will require application of the new guidance at the beginning of the earliest comparative period presented. Management is currently evaluating the impact this change in accounting standards will have on SFK's financial statements and related disclosures.

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SPIRITUALITY FOR KIDS INTERNATIONAL, INC.
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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, “Revenue from Contracts with Customers,” which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in GAAP when it becomes effective. In July 2015, the FASB approved a one-year deferral of this standard, with a revised effective date for fiscal years beginning after December 15, 2018. The standard permits the use of either the retrospective or modified retrospective (cumulative effect) transition method. Management is currently evaluating the impact this change in accounting standards will have on SFK’s financial statements and related disclosures and has not yet selected a transition method.

Finally, on June 21, 2018, the FASB completed its project on revenue recognition of grants and contracts by not-for-profit entities by issuing ASU 2018-08, “Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.” The amendments provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction.

Specifically, the amendments provide:

- (1) Clarify how a not-for-profit entity determines whether a resource provider is participating in an exchange transaction or a contribution
- (2) Help an entity to evaluate whether contributions are considered conditional or unconditional by stating that a conditional contribution must have (1) a barrier that must be overcome and (2) a right of return or release of obligation
- (3) Modify the simultaneous release option currently in generally accepted accounting principles (GAAP), which allows a not-for-profit entity to recognize a restricted contribution directly in unrestricted net assets / net assets without donor restrictions if the restriction is met in the same period that revenue is recognized.

ASU 2018-08 is effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods beginning after December 15, 2019. Early adoption of the amendments in the update is permitted. Management is currently evaluating the impact these changes in accounting standards will have on the SFK’s financial statements and related disclosures).

Subsequent Events – Subsequent events have been evaluated through May 31, 2019, the date the financial statements were available to be issued.

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SPIRITUALITY FOR KIDS INTERNATIONAL, INC.
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2018 and 2017

NOTE 3 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is without donor or other restrictions limiting their use, within one year of statement of financial position sheet date, comprise the following:

Financial Assets	
Cash and cash equivalents	\$ 597,027
Investments without liquidity restrictions	1,277,431
Accounts and pledges receivable	<u>31,357</u>
	1,905,815
Less: Amounts required to meet program purposes	<u>(77,793)</u>
Total Unrestricted Financial Assets Available	<u><u>\$ 1,828,022</u></u>

The Organization's financial assets available to meet cash needs for general expenditures within one year represent funding for ongoing operational requirements and planned increase in program expenditure in 2019.

The Organization has an investment policy authorized by the board of directors that provides guidance and oversight for the management of cash and cash equivalents. The policy provides that the Organization maintain an adequate level of cash to meet on-going operational and liquidity requirements. Substantially all liquid assets are invested in cash and cash equivalents, exchange-traded funds, and publicly traded mutual funds at December 31, 2018.

NOTE 4 – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially expose the Organization to a concentration of credit risk consist primarily of cash and cash equivalents, investments and contributions.

The Organization maintains its cash accounts at high-credit, quality financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At times, cash in these accounts may exceed the insured amounts. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Investments are subject to certain risks such as market fluctuation and changes in interest rates, which could result in losses in the event of adverse economic circumstances. The Organization attempts to limit its credit risks associated with its investments through diversification and by utilizing the expertise and processes of an outside investment manager.

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SPIRITUALITY FOR KIDS INTERNATIONAL, INC.
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2018 and 2017

NOTE 5 – INVESTMENTS

Investments consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Bond funds	\$ 1,111,088	\$ 1,267,377
Exchange traded funds	166,343	654,042
Private equity funds	<u>393,530</u>	<u>586,767</u>
Total	<u>\$ 1,670,961</u>	<u>\$ 2,508,186</u>

The following table represents the levels of the fair value hierarchy for the Organization's investments:

	December 31, 2018			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Bond funds	\$ 1,111,088	\$ -	\$ -	\$ 1,111,088
Exchange-traded funds	166,343	-	-	166,343
Private equity funds	<u>-</u>	<u>-</u>	<u>393,530</u>	<u>393,530</u>
Total	<u>\$ 1,277,431</u>	<u>\$ -</u>	<u>\$ 393,530</u>	<u>\$ 1,670,961</u>

	December 31, 2017			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Bond funds	\$ 1,267,377	\$ -	\$ -	\$ 1,267,377
Exchange traded funds	654,042	-	-	654,042
Private equity funds	<u>-</u>	<u>-</u>	<u>586,767</u>	<u>586,767</u>
Total	<u>\$ 1,921,419</u>	<u>\$ -</u>	<u>\$ 586,767</u>	<u>\$ 2,508,186</u>

The following is a reconciliation of the changed in assets classified as Level 3 in the fair value hierarchy for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 586,767	\$ -
Purchases, sales, and other transactions	(245,070)	600,000
Unrealized gain, net	<u>51,833</u>	<u>(13,233)</u>
Ending balance	<u>\$ 393,530</u>	<u>\$ 586,767</u>

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NOTE 5 – INVESTMENTS – (CONTINUED)

As of December 31, 2018 and 2017, the SFK held investments in two private investment companies. Management made the decision, based upon the recommendation of the SFK's investment advisors, to allocate a portion of the investment portfolio to alternative investments, specifically private equity funds. The committed funds are drawn down over time as the private equity fund managers are in the process of building their portfolios. These funds' values are not available as quoted prices within the major markets. The values may fluctuate greatly and may not be indicative of the funds' ultimate performance. The Organization has no more remaining unfunded commitments to invest in private equity funds.

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Computer equipment	\$ 5,044	\$ 2,405
Less: Accumulated depreciation	<u>(2,922)</u>	<u>(1,828)</u>
Total	<u>\$ 2,122</u>	<u>\$ 577</u>

Depreciation expense for the years ended December 31, 2018 and 2017 amounted to \$1,093 and \$802, respectively, and is and is shown in the accompanying statements of functional expenses. During the years ending December 31, 2018 and 2017, management disposed of \$0 and \$51,995 respectively, fully depreciated property and equipment as the Organization moved offices and abandoned most of its furniture, equipment and leasehold improvements.

NOTE 7 – INTANGIBLE ASSETS

Intangible assets consist of the following at December 31,

	<u>2018</u>	<u>2017</u>
Trademarks	\$ 19,888	\$ 16,500
Website	<u>474,778</u>	<u>445,820</u>
	494,666	462,320
Less: Accumulated Amortization	<u>(361,920)</u>	<u>(316,940)</u>
Net Intangible Assets	<u>\$ 132,746</u>	<u>\$ 145,380</u>

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NOTE 7 – INTANGIBLE ASSETS – (CONTINUED)

During the year ended December 31, 2017, the Organization changed the estimated useful life for website from 5 years to 3 years to show a more accurate reflection on the life of the assets. Amortization expense for the years ended December 31, 2018 and 2017 amounted to \$44,980 and \$119,458, respectively, and is included in the accompanying statements of functional expenses. The Organization did not have any impairment loss for the years ended December 31, 2018 and 2017.

The estimated amortization expense for the Organization's website for the next five years is expected to be as follows:

<u>Years Ending December 31,</u>	
2019	\$ 57,060
2020	38,421
2021	<u>17,377</u>
Total	<u>\$ 112,858</u>

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Changes in temporarily restricted net assets were as follows:

	<u>Available at December 31, 2017</u>	<u>New Revenue</u>	<u>Expenditures / Released from Restriction</u>	<u>Available at December 31, 2018</u>
Technology / Website	<u>\$ 126,683</u>	<u>\$ -</u>	<u>\$ (48,890)</u>	<u>\$ 77,793</u>
	<u>Available at December 31, 2016</u>	<u>New Revenue</u>	<u>Expenditures / Released from Restriction</u>	<u>Available at December 31, 2017</u>
Technology / Website	<u>\$ 206,847</u>	<u>\$ -</u>	<u>\$ (80,164)</u>	<u>\$ 126,683</u>

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