

**SPIRITUALITY FOR KIDS
INTERNATIONAL, INC.**

(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

December 31, 2019 and 2018



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 statements of financial position as of December 31, 2019 and 2018 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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.

Subsequent Event and Uncertainty

As discussed in Note 8 to the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measurements worldwide. The ultimate financial impact and duration of those events cannot be reasonably estimated at this time. Our review is not modified with respect to the that matter.

Gursey | Schneider LLP

May 18, 2020
Los Angeles, California

SPIRITUALITY FOR KIDS INTERNATIONAL, INC.
(A California Nonprofit Public Benefit Corporation)
Statements of Financial Position
December 31, 2019 and 2018

ASSETS

	2019	2018
Cash and cash equivalents	\$ 125,763	\$ 597,027
Investments	1,869,123	1,670,961
Accounts and pledges receivable	16,530	31,357
Inventory	7,312	9,559
Prepaid expenses and other current assets	6,396	20,468
Property and equipment, net	1,928	2,122
Intangible assets, net	149,005	132,746
TOTAL ASSETS	\$ 2,176,057	\$ 2,464,240

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 31,725	\$ 61,785
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NET ASSETS

Without donor restrictions	2,144,332	2,324,662
With donor restrictions	-	77,793
	2,144,332	2,402,455

TOTAL NET ASSETS

	2,144,332	2,402,455
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TOTAL LIABILITIES AND NET ASSETS

	\$ 2,176,057	\$ 2,464,240
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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, 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 83,882	\$ -	\$ 83,882
Investment income (loss), net	151,104	-	151,104
Sales of education materials	1,449	-	1,449
Licensing and other revenue	37,319	-	37,319
Net assets released from restrictions	77,793	(77,793)	-
Total Revenue and Support	351,547	(77,793)	273,754
FUNCTIONAL EXPENSES			
Program expenses	394,185	-	394,185
General and administrative	74,347	-	74,347
Fundraising	63,345	-	63,345
Total Functional Expenses	531,877	-	531,877
CHANGES IN NET ASSETS	(180,330)	(77,793)	(258,123)
NET ASSETS, Beginning of Year	2,324,662	77,793	2,851,815
NET ASSETS, End of Year	\$ 2,144,332	\$ -	\$ 2,144,332

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 Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 54,970	\$ -	\$ 54,970
Investment income (loss), net	(8,059)	-	(8,059)
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><u>\$ 2,324,662</u></u>	<u><u>\$ 77,793</u></u>	<u><u>\$ 2,402,455</u></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, 2019

	2019			
	Program Expenses	General and Administrative	Fundraising	Total
PERSONNEL EXPENSES				
Salaries	\$ 195,245	\$ 24,406	\$ 24,406	\$ 244,057
Employee benefits	36,540	4,568	4,568	45,676
<i>Total Personnel Expenses</i>	<u>231,785</u>	<u>28,974</u>	<u>28,974</u>	<u>289,733</u>
OTHER FUNCTIONAL EXPENSES				
Advertising	18,293	1,799	1,057	21,149
Amortization	57,059	-	-	57,059
Bank fees	-	2,404	3,980	6,384
Bad Debt	-	4,000	-	4,000
Cost of education material sold	480	1,618	-	2,098
Computer	18,794	3,834	958	23,586
Depreciation	-	1,295	-	1,295
Dues & Subscriptions	1,489	-	-	1,489
Insurance	-	7,174	-	7,174
Miscellaneous	-	855	-	855
Office and curriculum expenses	-	1,082	-	1,082
Professional fees	1,000	17,127	5,425	23,552
Outreach	47,154	-	11,789	58,943
Outside services	-	1,774	187	1,961
Permits	-	-	5,654	5,654
Postage	-	102	-	102
Rent	17,277	2,160	2,160	21,597
Travel	854	149	3,161	4,164
<i>Total Other Functional Expenses</i>	<u>162,400</u>	<u>45,373</u>	<u>34,371</u>	<u>242,144</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 394,185</u>	<u>\$ 74,347</u>	<u>\$ 63,345</u>	<u>\$ 531,877</u>
<i>Percent of Total Expenses</i>	<u>74.1%</u>	<u>14.0%</u>	<u>11.9%</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, 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>	260,218	33,955	33,047	327,220
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 and 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>	139,063	107,901	88,233	335,197
TOTAL FUNCTIONAL EXPENSES	\$ 399,281	\$ 141,856	\$ 121,280	\$ 662,417
<i>Percent of Total Expenses</i>	<i>60.3%</i>	<i>21.4%</i>	<i>18.3%</i>	<i>100.0%</i>

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, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (258,123)	\$ (449,360)
Adjustment to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	1,295	1,093
Amortization of intangible assets	57,059	44,980
Realized and unrealized losses (gains) on investments	(103,528)	49,780
Decrease (increase) in operating assets:		
Accounts and pledges receivable	14,827	3,291
Inventories	2,247	1,365
Prepaid expenses and other current assets	14,072	(6,617)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(30,060)	7,840
	<u>(302,211)</u>	<u>(347,628)</u>
NET CASH (USED IN) OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from the sale of investments	1,847,538	2,163,438
Cash used for the purchase of investments	(1,942,172)	(1,375,993)
Purchases of property and equipment	(1,101)	(2,638)
Purchases of intangible assets	(73,318)	(32,346)
	<u>(169,053)</u>	<u>752,461</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(471,264)</u>	<u>404,833</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>597,027</u>	<u>192,194</u>
END OF YEAR	<u>\$ 125,763</u>	<u>\$ 597,027</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, 2019 and 2018

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-imposed 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.
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2019 and 2018

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 temporarily restricted or permanently restricted net assets at December 31, 2019.

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, 2019 and 2018 is presented net of related investment fees of \$15,548 and \$13,640, 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 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, 2019 and 2018

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, 2019 and 2018, the Organization did not recognize any amount in potential interest and penalties associated with uncertain tax positions. At December 31, 2019, the open tax years for the Organization were 2015 to 2019.

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, 2019 and 2018, there was no allowance for doubtful accounts.

Four donors comprised 48% of total contributions during the year ended December 31, 2019 and one donor comprised 60% of contributions receivable at December 31, 2019.

Two donors comprised 20% of total contributions during the year ended December 31, 2018 and one donor comprised 32% of contributions receivable at December 31, 2018.

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, 2019 and 2018, respectively.

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SPIRITUALITY FOR KIDS INTERNATIONAL, INC.
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2019 and 2018

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, 2019 and 2018. 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.

Recently Adopted Accounting Standards – Effective January 1, 2019, the Organization adopted Financial Accounting Standards Board ("FASB") ASU 2014-09, "*Revenue from Contracts with Customers*." ASU 2014-09 was codified into the accounting standards as Accounting Standards Codification ("ASC") No. 606 ("ASC 606"). ASC 606 replaced most existing revenue recognition guidance in GAAP. The standard permitted the use of either the retrospective or modified retrospective (cumulative effect) transition method. SFK evaluated the adoption under the modified retrospective method.

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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)

ASC 606 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. ASC 606 creates a five-step model that requires entities to exercise judgment when considering the terms of contracts, which includes (1) identifying the contracts or agreements with a customer, (2) identifying performance obligations in the contract or agreement, (3) determining the transaction price, (4) allocating the transaction price to the separate performance obligations, and (5) recognizing revenue as each performance obligation is satisfied. Management concluded their previous revenue recognition guidance conformed to the new standards under ASC 606 and therefore, the new revenue recognition requirement had no material impact on the financial statements.

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:

Cash and cash equivalents	\$ 125,763
Investments without liquidity restrictions	1,869,123
Accounts and pledges receivable	<u>16,530</u>
Total Unrestricted Financial Assets Available	<u><u>\$ 2,011,416</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 2020.

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, 2019.

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, and investments.

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.

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SPIRITUALITY FOR KIDS INTERNATIONAL, INC.
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Notes to Financial Statements
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NOTE 4 – CONCENTRATION OF CREDIT RISK

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.

NOTE 5 – INVESTMENTS

Investments consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Equity securities	\$ 198,301	\$ -
Mutual funds and ETF's	1,670,822	1,277,431
Private equity funds	-	393,530
	<u>\$ 1,869,123</u>	<u>\$ 1,670,961</u>

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

	<u>December 31, 2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities	\$ 198,301	\$ -	\$ -	\$ 198,301
Mutual funds and ETF's	1,670,822	-	-	1,670,822
	<u>\$ 1,869,123</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,869,123</u>
	<u>December 31, 2018</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds and ETF's	\$ 1,277,431	\$ -	\$ -	\$ 1,277,431
Private equity funds	-	-	393,530	393,530
	<u>\$ 1,277,431</u>	<u>\$ -</u>	<u>\$ 393,530</u>	<u>\$ 1,670,961</u>

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SPIRITUALITY FOR KIDS INTERNATIONAL, INC.
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2019 and 2018

NOTE 5 – INVESTMENTS – (CONTINUED)

The following is a reconciliation of the change in assets classified as Level 3 in the fair value hierarchy for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 393,530	\$ 586,767
Purchases, sales, and other transactions	(427,765)	(245,070)
Realized and unrealized gain, net	<u>34,235</u>	<u>51,833</u>
Ending balance	<u>\$ -</u>	<u>\$ 393,530</u>

As of December 31, 2018, the SFK held investments in two private investment companies. The funds were sold during the year ended December 31, 2019. The Organization has no more remaining unfunded commitments to invest in private equity funds. The funds were sold during the year ended December 31, 2019.

The following is a summary of net investment income (loss) for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 63,124	\$ 55,361
Realized gains (losses), net	78,070	18,168
Unrealized gains (losses), net	<u>25,458</u>	<u>(67,948)</u>
	166,652	5,581
Investment fees	<u>(15,548)</u>	<u>(13,640)</u>
Investment income (loss), net	<u>\$ 151,104</u>	<u>\$ (8,059)</u>

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SPIRITUALITY FOR KIDS INTERNATIONAL, INC.
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2019 and 2018

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Computer equipment	\$ 6,145	\$ 5,044
Less: accumulated depreciation	<u>(4,217)</u>	<u>(2,922)</u>
	<u>\$ 1,928</u>	<u>\$ 2,122</u>

Depreciation expense for the years ended December 31, 2019 and 2018 amounted to \$1,295 and \$1,093, respectively, and is shown in the accompanying statements of functional expenses.

NOTE 7 – INTANGIBLE ASSETS

Intangible assets consist of the following at December 31,

	<u>2019</u>	<u>2018</u>
Trademarks	\$ 23,545	\$ 19,888
Website	<u>544,438</u>	<u>474,778</u>
	567,983	494,666
Less: Accumulated amortization	<u>(418,978)</u>	<u>(361,920)</u>
	<u>\$ 149,005</u>	<u>\$ 132,746</u>

Amortization expense for the years ended December 31, 2019 and 2018 amounted to \$57,059 and \$44,980, respectively, and is included in the accompanying statements of functional expenses.

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NOTE 7 – INTANGIBLE ASSETS – (CONTINUED)

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

<u>Years Ending December 31,</u>	
2020	\$ 44,226
2021	40,597
2022	23,220
2023	<u>17,417</u>
	<u>\$ 125,460</u>

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Changes in net assets with donor restrictions that are temporarily restricted were as follows:

	<u>Available at December 31, 2018</u>	<u>New Revenue</u>	<u>Expenditures / Released from Restriction</u>	<u>Available at December 31, 2019</u>
Technology / Website	<u>\$ 77,793</u>	<u>\$ -</u>	<u>\$ (77,793)</u>	<u>\$ -</u>
	<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>

NOTE 9 – SUBSEQUENT EVENTS – CORONAVIRUS PANDEMIC – CONTINGENCY

Subsequent events have been evaluated through May 18, 2020, the date the financial statements were available to be issued.

The 2019–20 coronavirus pandemic is an ongoing global pandemic of coronavirus disease (COVID-19). On March 11, 2020, the World Health Organization declared the outbreak a pandemic and over 3 million cases have been confirmed in more than 185 countries and territories, with major outbreaks in mainland China, Spain, Italy, Germany, France, United Kingdom, Iran, and the United States of America. More than 177,000 people have died from the disease. As a result, public health responses around the world have included travel restrictions, quarantines, curfews, event cancellations, and school closures. The global pandemic has also caused significant declines in most financial assets and caused significant market volatility.

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NOTE 9 – SUBSEQUENT EVENTS – CORONAVIRUS PANDEMIC – CONTINGENCY – (CONTINUED)

The Organization is closely monitoring its investment portfolio and cash position with the goal to retain sufficient cash on hand to fund ongoing operations. Despite market volatility, management believes the Organization will have sufficient liquidity in the near term to meet all planned operating needs. Further assessment on any near and longer term impact this might have on the Organization is ongoing.

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