

Half the Sky Foundation Annual Report 2014



Half the Sky was created in order to enrich the lives of orphaned children in China. We provide model programs and caregiver training designed to offer loving, family-like care to children of all ages and abilities. It is our goal to ensure that every orphaned child has a caring adult in her life and a chance at a bright future.



Letter from the President

Dear Friends,

I am excited to introduce this year's Annual Report because 2014 was a year when Half the Sky reached so many more children.

The groundbreaking, government-NGO training initiative, the Rainbow Program, has now reached 24 provinces and this year 10 Seed Centers with extremely limited resources who are creating Half the Sky-inspired programs of their own.

In Huazhou, Guangdong Province, one of our most generous supporters, Fossil Foundation, enabled us to transform the lives of 69 children and to create a pilot project for China's economic orphans left behind in impoverished rural villages.

Of course, in 2014, all of Half the Sky's efforts continued to be focused on programs that not only change the lives of individual children but also can be replicated and eventually operated and financed by the Chinese themselves.

Everyone at Half the Sky is always cognizant of the fact that none of our life-saving and life-changing programs would have been possible without our individual, corporate and foundation supporters, which is why I once again take this opportunity to offer my heartfelt thanks.

A handwritten signature in black ink, appearing to read "Guy Russo".

Guy Russo

Letter from the CEO & Founder

Dear Friends,

2014 was a year of new beginnings for Half the Sky.

We were able to provide Seed funds for 10 of China's most needy institutions. We were able to establish programs in Huazhou, an institution where we had tried and failed to establish our programs in 2002. We were able to reach six more provinces through the Rainbow Program.

We were also able to plan a pilot project for China's left behind children living in impoverished villages while their parents chase the Chinese Dream in faraway big cities.

Underlying all these new beginnings is the same mission we set out to accomplish in 1998 when Half the Sky was founded: to transform the lives of China's most vulnerable children by training caregivers to provide the nurturing that children in loving families take for granted.

And underlying all of these new beginnings is our gratitude to every one of our supporters, to every one of our valued global family who has helped us bring the love of family to thousands of China's once forgotten children.

A handwritten signature in black ink, appearing to read "Jenny Bowen".

Jenny Bowen

Sowing Seeds of Love in Lianjiang

In a small corner of Guangdong Province, the officials and caregivers at the Lianjiang Social Welfare Institution knew they needed help. With more than 30 babies and toddlers packed in one room and only two caregivers on each shift, feeding the children one at a time as the caregivers had been trained to do was impossible. Instead, most often the caregivers fastened the babies' hands to their milk bottles so they could feed themselves. Some children kept banging on the steel railings of their cribs over and over because the railings were their only toy. But now, thanks to the Rainbow Program's Seed initiative, everything has changed for the babies and preschoolers in Lianjiang. There are newly trained nannies and preschool teachers, plenty of toys, children's paintings on the walls, and fast-moving goldfish that all the children, especially those with special needs, love to watch.



Lianjiang is one of 10 Seed Centers established in 2014. Tailored for institutions who have enthusiastically completed Rainbow trainings, the new Seed Centers are designed to help small orphanages with limited resources establish Half the Sky-inspired programs. From the outset, our staff stresses that the institutions always consider the programs their own, not Half the Sky's, so that even after our three-year financial grants cease, the programs will endure.

Meanwhile the Rainbow Program reached six new provinces this year, Guangxi, Hainan, Jiangxi, Anhui, Hebei and Heilongjiang for a total of 24 since the Program launched in 2011 (see map p. 5). Whether providing

primary co-trainings with our government partners at Model Centers or five-day secondary trainings at social welfare institutions through each province, our trainers have utilized their extraordinary teaching skills to win over sometimes skeptical welfare officials and caregivers. "Half the Sky's trainer is creative, full of good humor and passionate about improving care for the children. We are looking forward to having secondary training in our institution," wrote Liang Xiumei, a caregiver from the Bozhou Social Welfare Institution in Anhui Province on the evaluation form she and all of our primary, secondary and Seed participants fill out before and after training.

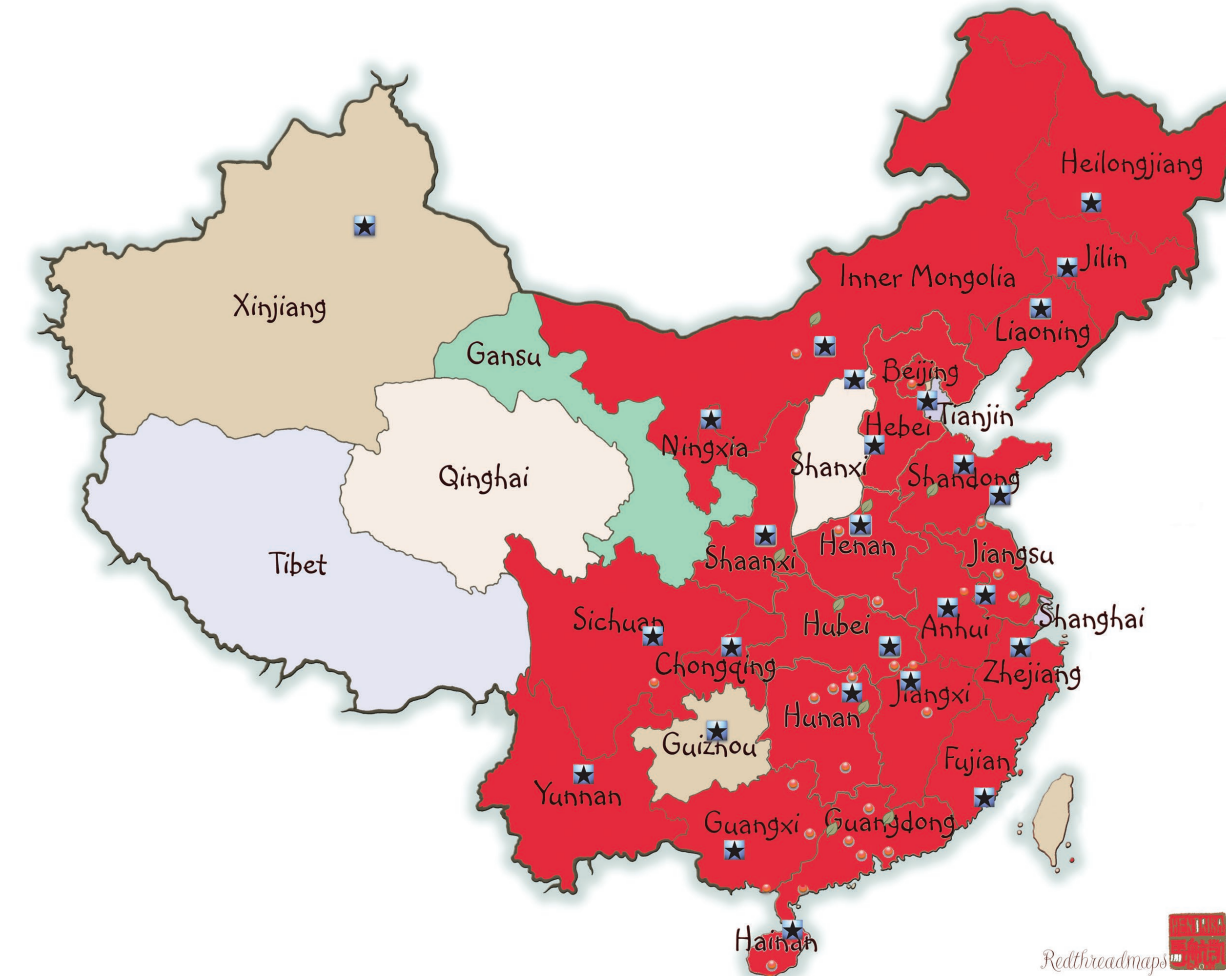
We also follow up closely after secondary trainings through visits, WeChat, and 1jiaren.org, our online learning site where caregivers and administrators posted 3,800 messages on the site's 22 forums. What we've learned is that after institutions receive secondary training, their staff from top to bottom recognize the importance of the family-like, responsive, nurturing care that is at the heart of all of our programs. Some institutions immediately set up activity rooms and even those with the fewest financial resources place mats on the floor so the children can play freely rather than languishing in their cribs and the caregivers, just like in our trainings, can get down on the mat to interact with them.

When we can provide extra help for those financially strapped institutions through the Seed initiative, the results are magnified, as is clear from the smiles of the babies in Lianjiang, who no longer have to wait. Now when Qingzhen, one of the four children Nanny Wang Yue is caring for, starts to cry, Nanny Wang responds right away. She picks 3-month-old Qingzhen up, holds her in her arms and whispers: "Mama's here. Don't cry."



Nanny Connect

Thanks to 1jiaren.org (1 Big Family), the online caregiver community we created through the Rainbow Program, this year we launched Nanny Connect, a service that enables grateful adoptive families to communicate with our caregivers. Messages from 45 adoptive families were posted on 1jiaren, this one from Valentina's parents, who wrote about the Memory Book our caregivers prepare for every child in our program: "I show my daughter the book you put together for her, sometimes every day. You put so much of your heart into it. We will treasure it always and are forever indebted to you for the care you gave her!" For their part, our caregivers were happy to read about the children who were once in their care. Changchun Nanny Ma received the surprising news that two of the little boys she had cared for were adopted by the same family so they are now brothers. And Chongqing Nanny He was able to see an updated photo of her cherished 'Yaoyao,' who had just returned from a family trip to Disneyland. "Thank you!" she replied. "By reading your message, I know that she is now living happily in your family, and I feel so glad for her."



*Model Centers are in blue ** Rainbow Program provincial trainings are in red *** Seed initiative centers are in green

Anhui - Hefei, Chuzhou

Shenzhen, Shaoguan

Beijing

Guangxi - Beihai, Guilin, Nanning, Wuzhou

Chongqing

Guizhou - Guiyang

Fujian - Xiamen

Hainan - Haikou, Sanya

Guangdong - Guangzhou, Lianjiang, Longgang district of Shenzhen, Maoming, Maonan, Qingyuan,

Hebei - Shijiazhuang

Heilongjiang - Harbin

Henan - Kaifeng, Luoyang, Xinyang, Zhengzhou

Hubei - Huangshi, Shiyan, Wuhan

Inner Mongolia - Baotou, Hohhot, Ulanqab

Hunan - Changsha, Chenzhou, Shaoyang, Xiangtan, Yiyang (2 sites), Yueyang

Jiangsu - Changzhou, Gaoyou, Lianyungang, Nanjing, Wuxi

Jiangxi - Fuzhou, Jiujiang, Nanchang

Jilin - Changchun

Liaoning - Shenyang

Ningxia - Yinchuan

Shaanxi - Xi'an, Shangluo

Shandong - Jinan, Tai'an, Qingdao, Weifang

Shanxi - Datong

Sichuan - Chengdu, Yibin

Tianjin

Xinjiang - Urumqi

Yunnan - Kunming

Zhejiang - Hangzhou

The China Care Home in Beijing:
Serves medically fragile infants and toddlers

The Children - Babies and Their Nannies

EYES FILLED WITH WONDER

The first time I saw Yuanmeng's eyes, they were vacant and expressionless. She was new to our Infant Nurture Program and I tried to hug and hold her as much as possible, but when she looked at me, her eyes were empty.

I used my own eyes to speak to Yuanmeng softly. Gradually, she started smiling at me. Through eye contact, we were slowly connecting.

In the following months, I watched as Yuanmeng started to come out of her shell. By the time she was 13 months old, she was walking independently, and at 19 months, her giggles echoed in the playroom regularly. Each time, she would look for me to share

her joy. We were now communicating without words!

Once, I noticed that Yuanmeng was looking at children playing outside on a swing set. She looked at me and I immediately understood what she was asking me. I went to her and asked: "Yuanmeng, do you want to go give it a try?" She nodded and I put her on the swing and pushed her gently. She had a great time!

I get emotional when I think back to Yuanmeng's vacant eyes. I am happy to see that now Yuanmeng's eyes are filled with wonder.

By Huang Suping, Infant Nurture Program Nanny



Half the Sky's trained nannies pay close attention to their small charges' needs and interests, even during the most routine activities of the day—the daily human interaction that stimulates attachment, growth, curiosity and confidence.



Half the Sky's trained teachers aim to develop the "whole child" - using young children's natural curiosity and zest for learning to foster physical, intellectual, aesthetic, and moral growth, while teaching them how to live in harmony with each other.

The Children - Preschoolers and Their Teachers

LI'S SPECIAL BOOK

At first, 5-year-old Li was difficult to communicate with because he is hearing impaired. I tried using gestures, but most often we couldn't understand each other. As a consequence, Li was prone to tantrums and often played by himself.

I did not want Li to remain so isolated. With all of the other teachers' help, I came up with a solution. We made a special book for him that contained lots of pictures of common objects, daily tasks, different areas of the classroom...anything we could think of that would help him explain what he wanted by simply pointing to the pictures. Li was immediately able to show me, by pointing, where he wanted to go, what he wanted to do...we now had a new method of communication!

The book was so effective that we kept adding photos constantly to it, and soon enough, all the children were using it to communicate with Li. Whenever Li had trouble understanding something or expressing his needs, they would run to get his book for him. Li appreciated this. He would smile, nod his head, and give his friends an appreciative thumbs-up.

Now, Li is always surrounded by friends and his tantrums have disappeared. Li's special book has brought our classroom closer together!

By Half the Sky Preschool Teacher Zhao Ying



The Children - Youth and Their Mentors

MY DANCING DREAMS

Though I am an orphan, thanks to the institution's caregivers and to Half the Sky, I have been able to pursue my dancing dreams.

It took me awhile to develop those dreams! When I was nine, I was 'forced' to take dance classes. But gradually, I fell in love with dancing. I still remember one lesson when I couldn't do proper leg presses. My teacher helped me, but still I couldn't do it. She encouraged me: "Come on, Hui! Failure is the mother of success!" Finally, after lots of practice, I was able to do perfect leg presses! I become more confident about myself, and happier.

Because of dance, I have blossomed like a rose in a garden. I am now fifteen years old and in the last six years of dancing, I have experienced tears, sweat, joy and pain. At the same time, I have also tasted the pleasure of compliments, happiness, and success, all of which makes me love dancing more.

Dancing has taught me that no matter what we do, we should do it with perseverance. Dancing has also brought me happiness. I now dream of becoming a dance teacher so that other children like me can act out their happiness through dance.

By Hui



Half the Sky's trained mentors are a constant presence in young people's lives, providing guidance and hugs. With this support, young people growing up in institutions learn that it's all right to have the same big dreams as other children... and to go after them.



Half the Sky-trained foster parents create loving, permanent families for up to 4 children with special needs who otherwise would likely spend their lives in institutions. Finally, these children have a mom and dad of their own.

The Families

WELCOMING A NEW CHILD

My husband and I love children and love having a big family, so we were excited when we learned we would be welcoming a new child into our family, a three-year-old little girl named Yundan.

On the day of Yundan's arrival, I waited anxiously in the yard. A car approached and I caught my first glimpse of her. She was scared and crying and when the caregiver handed her to me, her crying got even louder. I pulled out a toy I had brought for the occasion, placed it in her hand, kissed her face and said: "Let mom take you home."

Then I carried Yundan up to our apartment. The children were waiting

for their new sister. When we walked in and Yundan saw her new siblings, she calmed down. She recognized our son Shunchu and our daughter Xinlan because they are in her preschool class!

In the following days, we took it slowly to give Yundan a chance to bond with us. Now, three months later, when Yundan comes home from preschool, she runs straight to me and says: "Mom, give me a hug!" Yundan knows she is home!

By Yang Meirong, Family Village Foster Mother



The China Care Home

A LESSON IN PATIENCE

When Haixia arrived at our China Care Home, she immediately won my heart. She was full of life and clearly very smart. She could write numbers and characters, read, and draw pictures. But because Haixia suffered from a dislocated hip joint and other orthopedic issues, she was barely three feet tall—she should have had surgery when she was younger. When I told Haixi she was going to have surgery, she promised, “I won’t walk fast. I must be careful not to fall over before my surgery!”

One week after her surgery, Haixia returned to our China Care Home with casts on both legs and strict instructions to stay in bed



for five weeks. To pass the time, I read lots of stories to Haixia and taught her to sing new songs. Though she was in pain, Haixia didn’t cry and was very patient because she understood that after she recovered, she would be able to walk better.

Finally, Haixia’s casts were removed so she could get out of bed! That was especially exciting because Haixia had somewhere very important to go—we learned she was going to be adopted soon. I said goodbye to my little Haixia and wished her well in her new family. I will miss her sweet and outgoing personality, but have no doubt she will thrive in her new home.

By Liu Xiaoli, China Care Home Nanny



Children born too small and weak to survive or with life-threatening birth defects that require specialized treatment are moved from orphanages all over China to Beijing where they receive state-of-the-art medical care in hospital and doting pre- and post-operative care at the China Care Home.



The Volunteers

Emily Chin Aims for the Sky

With the help of her dance troupe, Artists in Motion, high school senior Emily Chin organized an "Aim For The Sky" benefit performance that drew 300 people. She also sold t-shirts featuring the Chinese characters for compassion and gratitude. Emily was following in the footsteps of her big brother Andrew, another stellar Half the Sky volunteer who, as a senior, sold t-shirts that featured the Chinese character for compassion, a fundraising campaign he called "A Gift for Emily." Emily, who was adopted from China as a baby, says her campaign was inspired by her gratitude to her brother, her entire family, and to Half the Sky for providing care for the children left behind. "I was so fortunate to have been placed in a loving and beautiful family, but there are some babies that never find that forever family. It is my wish to help provide a better life for orphaned children in China."



“

We're so grateful for the love our son's HTS nanny showed him for his first year and a half before we became a family. It was so evident.

—Jacqueline DeBoe

”

Corporations, Foundations & Small Business Supporters

We would like to extend a heartfelt thanks to all of our corporate, foundation and small business supporters for providing very significant financial and in-kind contributions. (See story on the next page about just one of those generous supporters, Fossil Foundation.) This support is crucial for our work to bring a loving adult into the daily life of China's once forgotten children. For more information about how to partner with Half the Sky to provide care for the children, please visit www.halfthesky.org/en/content/partners

CORPORATE SUPPORTERS

Actis	DZ Trading	Peter Bennett Foundation	Winston & Strawn, LLP
Asia Alternatives Mgmt. LLC	Fossil Foundation	PricewaterhouseCoopers	World Childhood Foundation
Axiom Consulting Partners	GaveKal Endowment Limited	Qualcomm Foundation	
Baring Private Equity Asia	Grant Thornton, LLP	RGI, Inc.	
Barclays	Hairy Crab Charities	Skoll Foundation	IN KIND
Capital Group Companies Charitable Foundation	Hometex International Co. Ltd	The Tan Family Education Foundation	APL
Capital World Hong Kong	Ho Pui Fun Charitable Trust	Target Corporation	Box of Hope
ChinaFriends	JPMorgan Chase Foundation	TCT Foundation for the Children of China	Freshfields Bruckhaus Deringer
CLSA Chairman's Trust	Liberty Insurance	The Walt Disney Company	Global Sources
China Care Foundation	Linklaters LLP	Underwriters Laboratories	GMR Gymnastics Sales, Inc.
Coach Foundation	Olympic International	United States Liability Insurance Group	Jack Morton Worldwide
Credit Suisse	Operation Santa Claus		PRG Chicago
Deutsche Bank	Orient International Holding		Radio Flyer

Partnerships

THE HALF THE SKY-FOSSIL PARTNERSHIP

When Half the Sky arrived at the Huazhou Social Welfare Institution, staffers quickly began the painstaking work of training and supervising nannies, teachers, mentors and foster parents to create emotional bonds with each child, no matter how scary the child's diagnosis and no matter how many times the child pushed them away. Soon came the "miracles" that veteran Half the Sky staffers never take for granted but have come to expect. Three-year-old "autistic" Juanjuan tasted and eventually swallowed her first solid food, a tiny slice of orange, and then, most remarkable to her caregivers, smiled her first smile.



The story of Huazhou is the story of Half the Sky and Fossil Foundation's shared conviction that programs for China's children must, in addition to transforming individual children like Juanjuan's lives, serve as catalysts for systemic reform. The training caregivers and administrators received in Huazhou and at hundreds of other institutions all over China has created a professional network of caregivers dedicated to permanently raising standards of care for the children.

In addition to training caregivers for model programs in government-run social welfare institutions, Fossil is also supporting the OneSky Project for China's "economic orphans," who live in impoverished villages while their parents work in big cities. The goal of this pilot project for the country's 23 million "left behind" children, 0-7 years

old, is to provide nurturing and an enriched learning environment, trained caregivers, and a curriculum that can be replicated in villages all over the country.

Meanwhile, in Huazhou, 9-year-old Zhiling explains why she has transformed from an angry bully into a leader who encourages children to share toys and treats: "There is a person who cares about me and likes to pat me gently when I take a nap in the afternoon. Sometimes my mentor is strict with me, but I still like her." With wisdom beyond her years, Zhiling has described the essence of the programs that the Half the Sky-Fossil partnership make possible, programs that ensure that every child knows that someone loves them.

Half the Sky Board of Directors and Advisors

Board of Directors

Guy Russo
President

Managing Director of the Kmart retail chain owned by Wesfarmers Ltd in Australia and New Zealand; former Managing Director & CEO in Australia and President in Greater China of McDonald's Corporation.

Jenny Bowen
Founder and CEO of Half the Sky Foundation

A former screenwriter and film director who wrote screenplays for major Hollywood producers and was writer-director on several independent films.

Randy C. Belcher

Hong Kong-based executive Vice President — Asia Pacific for the Fossil Group; serves on the boards of the Fossil Foundation (Chairman) and Helen Keller International.

Peter Bennett

After a successful career in the

financial industry, established the Peter Bennett Foundation to support charitable and social impact development in Hong Kong, China, and Southeast Asia.

Stephen Chipman

CEO of Grant Thornton LLP, the US member firm of Grant Thornton International Ltd. Launched his career with Grant Thornton in 1981 in the UK.

Matt Dalio

Founder, CEO and Chief of Product at Endless Mobile; president of the board of directors of the China Care Foundation, Inc. that he founded in 2000 at age 16; BA Harvard University; MBA, Stanford Graduate School of Business.

Tim Huxley

CEO of Wah Kwong Maritime Transport Holdings Ltd., a leading independent ship owner based in Hong Kong; served as Vice Chairman of the Hong Kong Shipowners Association together with several other industry bodies

and is a regular commentator on shipping issues in the press and on television.

Dana Johnson, MD, PhD

Professor of Pediatrics and Director of the Division of Neonatology; and Co-Founder of the International Adoption Medical Program at the University of Minnesota. Also serves as Medical Consultant on international adoptions to multiple agencies across the United States.

Joe Longo

Hong Kong-based General Counsel, Asia, Deutsche Bank AG; responsible for the direction and coordination of legal support for the Bank's businesses throughout Asia (ex-Japan).

Melissa Ma

Co-Founder and Managing Partner of Asia Alternatives; co-leads the firm's investments in buyout and special situations funds and oversees investor relations, market research and back office functions.

F. Chapman Taylor

Senior Vice President of Capital International Research, Inc., a global investment management firm that is part of the Capital Group of Companies. Serves on the boards of For Love of Children, L'Arche Greater Washington DC and Karya Salemba Empat.

Wang Zhenyao

Director of the new Beijing Normal University's One Foundation Philanthropy Research Institute & China Institute for Social Policy

Advisors

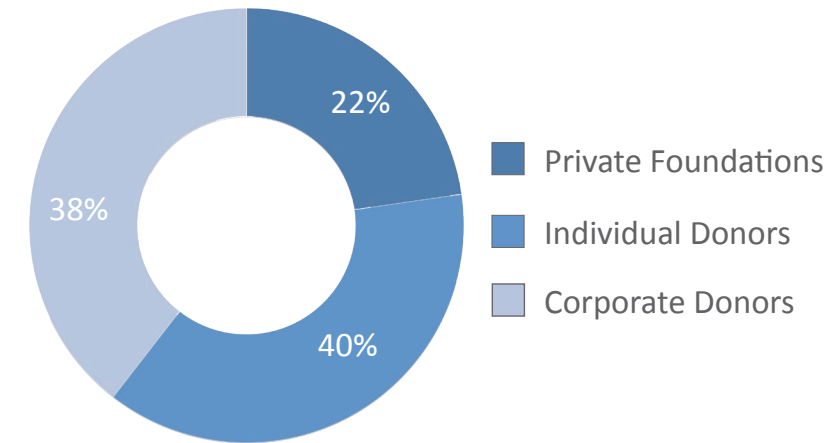
Zhang Zhirong

Senior Executive Consultant for Half the Sky

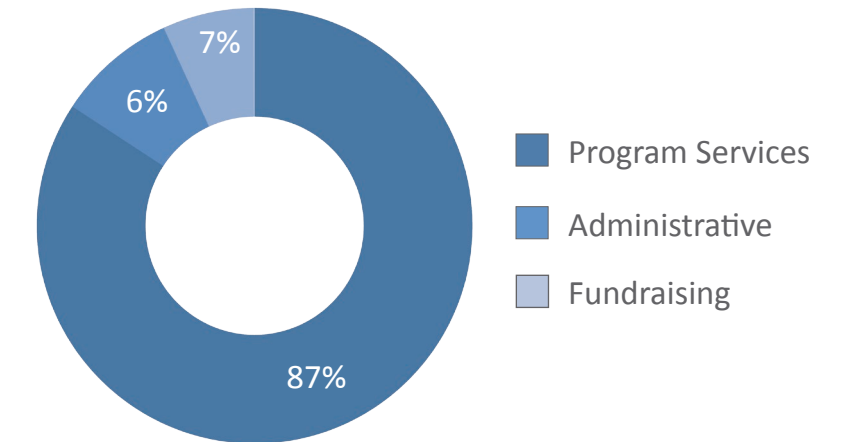
Half the Sky has been recognized for its exceptional fiscal responsibility and transparency by a number of charity evaluation organizations, including Wise Giving, Guidestar and Charity Navigator.

We work very hard to spend each and every dollar our generous donors give wisely and to keep our administrative costs as low as possible without compromising the efficient operations of our programs and our trainings that are transforming the lives of institutionalized children all over China.

Income Resources



Expenses



We have over 30 new caregivers at our institution who have not received any systematic training. Rainbow training is necessary for them if they want to take good care of the children.

— Ren Shaoying, Children's Department Head, Yingdong SWI, Fuyang, Anhui



Half the Sky Financial Statements

Independent Auditor's Report

May 20, 2015

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

Crowe Horwath

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Half the Sky Foundation and Subsidiaries ("Foundation"), which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit

procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Half the Sky Foundation and Subsidiaries as of December 31, 2014 and 2013 and the changes in their net assets, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Crowe Horwath LLP
Sacramento, California
May 20, 2015

Consolidated Statements of Financial Position

Half the Sky Foundation and Subsidiaries, December 31, 2014 and 2013

	2014	2013
Assets:		
Cash and cash equivalents	\$3,914,518	\$2,386,305
Pledges receivable, net (Note 3)	24,811	162,532
Other receivables	38,452	1,878
Prepaid program expenses	127,078	53,960
Inventory	62,065	65,527
Property and equipment, net (Note 4)	14,873	10,395
Deposits	40,469	23,209
Total assets	<u>\$4,222,266</u>	<u>\$2,703,806</u>
Liabilities:		
Accounts payable	94,091	135,591
Accrued expenses	110,825	75,680
Deferred rent liability	-	4,990
Total liabilities	<u>204,916</u>	<u>216,261</u>
Commitments and contingencies (Note 8)		
Net assets:		
Unrestricted	858,911	49,525
Designated by the Board (Note 7)	4,445	-
Total unrestricted net assets	<u>863,356</u>	<u>49,525</u>
Temporarily restricted (Note 5)	3,153,994	2,438,020
Total net assets	<u>4,017,350</u>	<u>2,487,545</u>
Total liabilities and net assets	<u>\$4,222,266</u>	<u>\$2,703,806</u>

See accompanying notes to consolidated financial statements.

Consolidated Statements of Activities and Changes in Net Assets

Half the Sky Foundation and Subsidiaries, Years Ended December 31, 2014 and 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support:						
Contributions (Note 10, 11 and 12)	\$3,722,534	\$6,116,770	\$9,839,304	\$3,710,469	\$5,726,974	\$9,437,443
Contributed services and materials	312,120	-	312,120	523,881	-	523,881
Merchandise sales	15,574	-	15,574	13,562	-	13,562
Interest and dividend income on investments	-	-	-	165	-	165
Other income	63,663	-	63,663	97,100	-	97,100
Net assets released from restriction (Note 6)	5,400,796	(5,400,796)	-	5,194,520	(5,194,520)	-
Total revenues, gains and other support	<u>9,514,687</u>	<u>715,974</u>	<u>10,230,661</u>	<u>9,539,697</u>	<u>532,454</u>	<u>10,072,151</u>
Expenses:						
Program services:						
Donated goods and services	63,890	-	63,890	50,664	-	50,664
Other program services	7,079,417	-	7,079,417	7,794,577	-	7,794,577
Total program services	<u>7,143,307</u>	<u>-</u>	<u>7,143,307</u>	<u>7,845,241</u>	<u>-</u>	<u>7,845,241</u>
Fundraising:						
Donated goods and services	9,906	-	9,906	7,043	-	7,043
Other fundraising	755,809	-	755,809	820,342	-	820,342
Total fundraising	<u>765,715</u>	<u>-</u>	<u>765,715</u>	<u>827,385</u>	<u>-</u>	<u>827,385</u>
Merchandise costs	3,966	-	3,966	5,836	-	5,836
Management and general (Notes 8 and 9):						
Donated goods and services	131,983	-	131,983	356,633	-	356,633
Other management	655,885	-	655,885	628,856	-	628,856
Total management and general	<u>787,868</u>	<u>-</u>	<u>787,868</u>	<u>985,489</u>	<u>-</u>	<u>985,489</u>
Total expenses	<u>8,700,856</u>	<u>-</u>	<u>8,700,856</u>	<u>9,663,951</u>	<u>-</u>	<u>9,663,951</u>
Change in net assets	813,831	715,974	1,529,805	(124,254)	532,454	408,200
Net assets, beginning of year	49,525	2,438,020	2,487,545	173,779	1,905,566	2,079,345
Net assets, end of year	<u>\$863,356</u>	<u>\$3,153,994</u>	<u>\$4,017,350</u>	<u>\$49,525</u>	<u>\$2,438,020</u>	<u>\$2,487,545</u>

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Half the Sky Foundation and Subsidiaries, Years Ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	\$1,529,805	\$408,200
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	7,269	8,551
Deferred rent liability	(4,990)	(4,458)
Net Change in assets and liabilities:		
Pledges receivable, net	137,721	55,450
Other receivables	(36,574)	2,904
Prepaid program expenses	(73,118)	110,591
Inventory	3,462	2,563
Deposits	(17,260)	6,374
Accounts payable	(41,500)	(184,130)
Accrued expenses	35,145	(22,953)
Net cash provided by operating activities	1,539,960	383,092
Cash flows used in investing activities:		
Acquisition of property and equipment	(11,747)	(1,216)
Increase in cash and cash equivalents	1,528,213	381,876
Cash and cash equivalents, beginning of the year	2,386,305	2,004,429
Cash and cash equivalents, end of year	\$3,914,518	\$2,386,305
Supplemental disclosures of cash flow information		
Contributed services and materials	\$312,120	\$523,881

See accompanying notes to consolidated financial statements.

Statement of Functional Expenses

Half the Sky Foundation and Subsidiaries, Years Ended December 31, 2014 and 2013

Expenses (Notes 7, 8 and 9):	2014					2013				
	Program Service	Fundraising	Merchandise Cost	Management and General	Total	Program Service	Fundraising	Merchandise Cost	Management and General	Total
Compensation and benefits for non-field staff	\$1,899,782	\$435,533	\$ -	\$413,185	\$2,748,500	\$1,822,224	\$483,342	\$ -	\$396,876	\$2,702,442
Consulting and professional services	71,763	-	-	89,237	161,000	70,047	-	-	93,734	163,781
Office expenses	32,785	18,365	-	18,593	69,743	32,391	20,157	-	21,544	74,092
Information technology	247,352	10,471	-	-	257,823	233,988	9,879	-	-	243,867
Occupancy	76,367	-	-	82,066	158,433	95,417	-	-	81,706	177,123
Travel	162,384	119,353	-	38,615	320,352	128,091	47,126	-	24,715	199,932
Conferences and meetings	10,003	-	-	-	10,003	41,856	-	-	-	41,856
Depreciation and amortization	7,269	-	-	-	7,269	8,551	-	-	-	8,551
Insurance	-	-	-	14,189	14,189	-	-	-	10,281	10,281
Compensation and benefits for field staff	3,358,115	-	-	-	3,358,115	3,650,938	-	-	-	3,650,938
Earthquake relief	-	-	-	-	-	7,684	-	-	-	7,684
Donated goods & services	63,890	9,906	-	131,983	205,779	50,664	7,043	-	356,633	414,340
Stipends and tuition	169,879	-	-	-	169,879	231,566	-	-	-	231,566
Orphanage center construction, equipment & furnishings	49,695	-	-	-	49,695	22,831	-	-	-	22,831
Surgery and nurturing care in connection with China Care Program	390,688	-	-	-	390,688	823,743	-	-	-	823,743
Family Village	8,756	-	-	-	8,756	40,408	-	-	-	40,408
Training programs and materials	553,917	-	-	-	553,917	439,288	-	-	-	439,288
Event expenses	-	106,274	-	-	106,274	-	192,343	-	-	192,343
All other expenses	40,662	65,813	3,966	-	110,441	145,554	67,495	5,836	-	218,885
Total functional expenses	\$7,143,307	\$765,715	\$3,966	\$787,868	\$8,700,856	\$7,845,241	\$ 827,385	\$ 5,836	\$ 985,489	\$9,663,951

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Half the Sky Foundation and Subsidiaries, Years Ended December 31, 2014 and 2013

NOTE 1 – ORGANIZATION AND OPERATIONS

Half the Sky Foundation (the "Foundation" or "HTS"), a non-profit public benefit corporation, was incorporated in November 1998 with its corporate office located in Berkeley, California.

The Foundation formed a Beijing Representative Office in June 2008. Effective since January 1, 2008 the Foundation also qualifies in the Netherlands as a charitable fund ("ANBI").

Half the Sky Foundation (Asia) Limited ("Asia Ltd."), a supporting organization of the Foundation, was incorporated in Hong Kong in March 2006. Half the Sky Foundation United Kingdom Limited ("UK Ltd."), another supporting organization of the Foundation, was incorporated in England and Wales in April 2008.

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

The Foundation was created in order to enrich the lives of China's most vulnerable children. The Foundation provides model programs and caregiver training designed to offer loving, family-like care to children of all ages and abilities. It is the Foundation's goal to ensure that every at-risk child has a caring adult in her life and a chance at a bright future. The Foundation works in 54 state-run welfare institutions in 26 provinces and municipalities in China and offers three primary programs:

Model Children's Centers Program that includes: Infant Nurture (IN) designed to give infants aged 0-3 years a healthy start in life. The Foundation employs "nannies"- retired or laid-off workers from the local community - to cuddle, love and provide orphaned infants (0-3 years) the physical and emotional stimulation essential to normal development. The Foundation renovates rooms in the welfare institutions and provides training, salaries, other program expenses and supervision of staff.

Preschools (PS) in which Foundation-trained teachers use a unique and progressive curriculum that blends principles of the Reggio Emilia approach to

early childhood education with contemporary Chinese teaching methods. PS are designed not only to prepare the children (4-7 years) to succeed in Chinese schools, but also to help develop the "whole child", facilitating healthy emotional, physical and cognitive development. The Foundation renovates rooms in the welfare institution and provides training, salaries, other program expenses and supervision of staff.

Youth Services (YS) in which the Foundation provides individualized learning opportunities for older children (8-21 years) who remain in the institutions. The Foundation tailors these opportunities to the specific child, offering such services as tutoring prior to entrance exams, tuition to vocational schools, funds for music, dance, computer or art classes, and tutors for learning a second language. The Foundation also provides school fees for a growing number of orphans to attend universities throughout China.

Family Village (FV) in which children whose disabilities or special needs preclude adoption, live in permanent foster families in comfortable apartments in or nearby the welfare institutions. FV enables children who are unlikely to be adopted to grow up knowing the love of family while also receiving the support services that the welfare institution and the Foundation provide. The children attend the Foundation preschools and then go on to enjoy the enrichment opportunities of YS. The Foundation partners with local governments to renovate apartments, provide furnishings, a small stipend for foster parents, ongoing training and miscellaneous fees.

The China Care Program: In this program, medically fragile orphaned infants and toddlers are provided with specialized medical treatment and nurturing after-care. Whether receiving 24-hour loving attention the Foundation's China Care Home's Special Care Nursery or adjacent Medical Family Care Unit or in a nearby Beijing hospital, these tiny children not only receive life-saving medical treatment, they also learn that they are not alone in this world.

Rainbow Program: Beginning in October 2011, the Foundation began its Rainbow Program Implementation Plan that will enable the Foundation to eventually train every caregiver in the country and thereby help the Chinese raise the standards of care for its entire children's welfare system. By the end of December 31, 2013,

18 provinces had completed 52 sessions of primary and 110 secondary Rainbow trainings. By the end of December 31, 2014, 24 provinces had completed 23 sessions of primary and 67 sessions of secondary training. The Foundation has trained 8480 caregivers from 636 welfare centers. The Foundation is also working to transition support and operations of the Children's Centers it has established in government-run social welfare institutions over to the Chinese, except for its Model Centers. After that transition is complete, the Foundation will be a training and mentoring organization that continues to conduct effective joint provincial trainings with China Center for Child Welfare and Adoption, helps welfare institutions create Half the Sky-inspired programs of their own, and runs Model programs that serve as examples of best-practice childcare.

Beginning in October 2014, the Foundation started to evaluate the feasibility of expanding its work beyond orphanages by creating model programs for disadvantaged, "left behind" children living in rural China through a pilot project called OneSky.

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, 2014 and 2013. 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 permanently restricted, temporarily restricted, and unrestricted 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.

Unrestricted Net Assets - Unrestricted net assets have no donor-imposed restrictions and include those revenues and expenses associated with program and supporting services.

Temporarily Restricted Net Assets - Temporarily restricted net assets 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 temporarily restricted net assets and recognized as unrestricted net assets.

Permanently Restricted Net Assets - Permanently restricted net assets are restricted by the donor for investment in perpetuity, such as endowments. The income from such invested assets is available to support the activities of the Foundation. As of December 31, 2014 and 2013, the Foundation held no permanently restricted 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. The Foundation was unable to maintain a Chinese bank account under its name before the Beijing Representative Office registered. Accordingly, the Foundation set up two accounts maintained by the managing director of programs. The balance in these accounts was \$13,830 and \$29,400 at December 31, 2014 and 2013, respectively. Overseas program operations, such as employee salaries, are funded through wire transfers from the Foundation's U.S. office.

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, 2014 and 2013, the Foundation had deposits at two financial institutions eligible for FDIC insurance coverage with carrying amounts of \$1,885,394 and \$807,021, and bank balances of \$1,885,414 and \$807,021, respectively. Of the total bank balances, \$271,445 and \$268,978 were insured at December 31, 2014 and 2013, respectively. The credit risk in pledges receivable is addressed as the Foundation evaluates the collectability of pledges based on knowledge and available information about the donors. Additionally, any pledges that are expected to be collected after one year have been discounted and are reflected in the consolidated financial statements at their net present value.

Pledges Receivable: The Foundation evaluates the collectability of its pledges receivable on an ongoing basis and records a reserve for potential uncollectible pledges receivable.

Property and Equipment, Net: Acquisitions of property and equipment in excess of \$500 are capitalized. Purchased property and equipment are stated at cost. Significant donated property and equipment are recorded at their estimated fair value on the date of receipt. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to ten years.

Impairment of Long-Lived Assets and For Long-Lived Assets to be Disposed Of: Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted future net cash flows, excluding interest, expected to be generated by the asset. If such assets are considered to be impaired, the impairment is recognized on an asset-by-asset basis. The impairment is measured as the amount by which the carrying amount of the asset exceeds the fair value of the asset (fair value determined by discounted cash flows, market comparison, or replacement cost). Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. No assets have been determined to be impaired as of December 31, 2014 and 2013.

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 market value.

Revenue Recognition: Contributions are recognized as revenue when they are received or unconditionally promised as prescribed by ASC 958 – 605, Not-

for-Profit Entities – Revenue Recognition ("ASC 958 – 605"). The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Conditional promises to give are not recorded as contributions until the conditions on which they depend are substantially met.

Donor-restricted contributions whose restrictions are met in the same reporting period as the contribution is recorded are reported as temporarily restricted contributions and net assets released from restrictions 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 ASC 958 – 605. The Foundation received and recorded contributed pro-bono legal services for the years ended December 31, 2014 and 2013, with estimated fair values of \$195,873 and \$395,332, respectively.

Contributed goods are recorded at estimated fair value at the date of receipt and amounted to \$116,247 and \$128,549 for the years ended December 31, 2014 and 2013, respectively.

Income Tax Status: The Foundation has been recognized as an organization exempt from tax pursuant to Internal Revenue Code Section 501(c)(3) and classified by the Internal Revenue Service as other than a private foundation, and has been recognized by the California Franchise Tax Board as exempt from California franchise taxes under Revenue and Taxation Code Section 23701(d). Asia Ltd. has been granted tax exempt status by the Hong Kong Inland Revenue Department. UK Ltd. has been granted tax exempt status by UK HM Revenue & Customs. The Foundation is also qualified as a charitable fund ("ANBI") in the Netherlands for tax purposes.

Generally accepted accounting principles require that a tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than

50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The Foundation does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months. The Foundation recognizes interest and/or penalties related to income tax matters in income tax expense. The Foundation did not have any amounts accrued for interest and penalties at December 31, 2014 and 2013.

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 activities and changes in net assets. Accordingly, certain expenses have been allocated among program services and supporting services based on estimates made by management.

Subsequent Events: The Foundation has evaluated subsequent events for recognition and disclosure through May 20, 2015, which is the date the financial statements were available to be issued.

NOTE 3 – PLEDGES RECEIVABLE, NET

Pledges receivable represent unconditional promises to give by donors and are recorded at net realizable value. Pledges receivable of \$24,811 and \$162,532 at December 31, 2014 and 2013, respectively, were expected to be collected within one year. There were no long-term pledge receivables at December 31, 2014 and 2013.

The Foundation has received notification of various conditional pledges. These pledges for which the conditions have not yet been substantially met are not included as revenues and are not included in total revenue on the accompanying consolidated statements of activities and changes in net assets for the years ended December 31, 2014 and 2013. There were conditional promises to give of \$74,752 and \$197,706 as of the years ended December 31, 2014 and 2013, respectively.

NOTE 4 – PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following at December 31:

	2014	2013
Equipment	\$ 163,270	\$ 151,523
Furniture and fixtures	26,219	26,219
Total	189,489	177,742
Less: accumulated depreciation	(174,616)	(167,347)
Property and equipment, net	\$ 14,873	\$10,395

Depreciation expense for the years ended December 31, 2014 and 2013 amounted to \$7,269 and \$8,551, respectively.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purpose-restricted programs or locations at December 31, 2014 and 2013:

	2014	2013
Henan	\$ 3,990	\$ 2,428
Baotou 2014	3,036	5,125
Beihai, Sanya and Wuhan	29,283	107,087
Changchun	134,229	-
Changsha	74,837	14,145
Changzhou	99,498	34,242
Chenzhou	45,379	44,047
Chengdu FV	30,214	-
China Care Club	21,026	9,648
The China Care Project (TCCP)	5,029	325,473
Digital publishing and news media training	93,277	69,129
Fuzhou	531	6,897
Funds to cover "walk" events	-	6,219
Guangzhou	14,184	108,101
Guilin and Shaoguan	-	2,799
Guiyang	6,983	40,914

Hefei	-	5,563
Huangshi, Luoyang, Qingyuan Infant Nurture Program	33,823	-
Huazhou	156,518	101,990
Huazhou, Kunming, Yinchuan's Start up cost	13,057	-
JPMC National training	168,588	399,249
Kunming	94,685	-
Chengdu and 9 additional Little Sister Programs	320,027	279,464
Lianyungang	13,001	-
Maonan	42,345	-
Nanchang and Datong	192,638	123,246
Nanjing	63,021	92,172
Nanning, IN, YS & FV	153,000	-
Qingyuan, Wuhan, Qingdao and Urumqi LSP	27,501	75,164
Shaoguan	20,459	22,000
Shaoyang	4,539	11,241
Shenyang	30,255	-
Shenzhen	118,930	118,152
Tianjin	18,125	87,495
Tai'an Seed Program	11,298	-
Lianjiang Seed Program 2015	30,000	-
Wuzhou	1,208	-
Xi'an	259	-
Yueyang	2,576	1,561
Ya'an Earthquake	13,043	23,293
YSP	100,147	-
Child Development Expert (CDE)	-	7,067
Development Evaluation Project	17,034	126,400
Other support for operations	87,710	187,709
OneSky Project	858,711	-
Total temporarily restricted net assets	<u>\$3,153,994</u>	<u>\$2,438,020</u>

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS RELEASED FROM RESTRICTIONS

Temporarily restricted net assets were released from donor restrictions by incurring expense satisfying the purpose of the restriction or by the passage of time during the year ended December 31, 2014:

JPMC National Training	\$ 911,604
Child Development Expert (CDE)	587,805
The China Care Project (TCCP)	390,687
Chengdu and 9 additional Little Sister Programs	374,230
Beihai, Sanya (LSP), Wuhan (INP) & Hefei (FVP)	201,948
Changsha	181,983
Nanchang and Datong	177,215
Guangzhou	150,280
Youth Services Program (YSP)	146,075
Changchun	130,618
One Sky Project	128,799
Maoming	124,049
LSP in Qingyuan Wuhan, Qingdao, and Urumqi	122,663
Shenzhen	116,016
Tianjin and Chongqing (INP)	112,305
China Care Clubs	111,952
Development Evaluation Project	109,366
Kunming	105,815
Huazhou	102,347
Haikou	94,836
Harbin, Heilongjiang CDE and Project Office	80,456
Nanjing (LSP and YSP)	78,615
INP in Guiyang and Chengdu	73,661
Wuzhou	70,267
Henan	68,438
INP in Huangshi, Luoyang and Qingyuan	65,151
Book Launch	63,274
Digital Publishing and New Media Training	56,044
Nanjing (FVP)	38,557
Huazhou, Kunming & Yinchuan's start-up cost	36,570
Changzhou INP, LSP and YSP	34,242
Tianjin FVP	32,065
INP in Yueyang, Yiyang and Chuzhou	23,587
Fuzhou	21,521

Chenzhou	20,703
Shaoguan	20,067
Chengdu (FVP) and General Little Sister Program	19,786
Tai'an Seed Program	18,702
Baotou	17,464
Lianyungang	17,148
Ya'an	10,250
Jinan IN and FV	8,627
Yueyang (LSP)	8,627
Wuhan (YSP and FVP)	8,236
Shaoyang (LSP)	6,702
Infant Nurture Program (INP)	5,959
Little Sisters Program (LSP)	5,000
YSP in Hefei and Huangshi	4,206
Guilin	3,019
Other	<u>103,259</u>
Total net assets released from restrictions	<u>\$ 5,400,796</u>

Total net assets released from restrictions for program services totaled \$5,194,520 for the year ended December 31, 2013.

NOTE 7 – BOARD DESIGNATED NET ASSETS

There were \$4,445 contributions towards the board designated net assets at December 31, 2014. There were no board designated net assets outstanding at December 31, 2013. During the year ended December 31, 2013, changes in the board designated net assets composition, were as follows:

	<u>Unrestricted</u>
Board designated net assets, beginning of year	\$ 52,802
Investment income including foreign currency exchange gains	6,246
Contributions	10,092
Appropriation of assets for expenditure	(6,246)
Transfers to remove assets from board-designated funds	<u>(62,894)</u>
	<u>\$ -</u>

For the purposes of assisting the Foundation in funding operating expenses as the Foundation transitions to becoming a training and mentoring organization, the Foundation transferred board-designated funds of \$0 and \$62,894 to unrestricted undesignated net assets during the years ended December 31, 2014 and 2013, respectively.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Lease Obligation: The Foundation leases office facilities in the United States, an apartment unit and an office facility in Beijing and an apartment unit in Shanghai, People's Republic of China, and an apartment unit and office facility in Hong Kong. The operating leases expire at various dates through January 2017. Rent paid under these leases was approximately \$237,400, of which \$157,856 is recorded in rent expenses and \$79,544 as a benefit to an employee for the year ended December 31, 2014. Rent paid under these leases was approximately \$177,123 for the year ended December 31, 2013.

As of December 31, 2014, the Foundation's future minimum lease payments are as follows:

	Years Ending	
	<u>December 31,</u>	<u>Amount</u>
	2015	\$ 382,915
	2016	249,074
	2017	<u>5,645</u>
		<u>\$ 637,634</u>

Contingencies: The Foundation is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to such actions will not materially affect the financial position or results of operations of the Foundation

NOTE 9 – EMPLOYEE BENEFIT PLANS

In 2008, the Foundation had a 403(b) retirement plan for its employees. In January 1, 2009, the Foundation transferred all assets to a 401(k) plan, covering all employees who have met certain eligibility requirements. Under the 401(k)

plan, employees may elect to contribute a certain percent of their eligible compensation to the 401(k) plan, subject to IRS limitations. The Foundation may make matching contributions during the year equal to a discretionary percentage, as determined by the Foundation, of the participant's salary reductions. Employer contributions vest at the rate of 20% per year with full vesting after 6 years of service with the Foundation. Total contributions made to the retirement plans by the Foundation for the years ended December 31, 2014 and 2013 were \$41,260 and \$40,160, respectively.

NOTE 10 – RELATED PARTY TRANSACTIONS

For the years ended December 31, 2014 and 2013, recorded contribution revenue from members of the Board of Directors of Half the Sky Foundation or companies or individuals with which the Board of Directors are affiliated were \$2,165,381 and \$1,554,517, respectively.

NOTE 11 – AFFILIATED PARTIES

Half the Sky 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 HTS since 2011. Australia Ltd contributed \$448,025 and \$2,237 to the Foundation in the years ended December 31, 2014 and 2013, respectively. Half the Sky Foundation ("Canada") Inc., another affiliate of the Foundation was incorporated in Canada in June 2009. Half the Sky Foundation ("Canada") Inc. contributed \$19,325 and \$37,903 to the Foundation in the years ended December 31, 2014 and 2013, respectively.

NOTE 12 – MAJOR CONTRIBUTIONS

The Foundation had two donors with more than 19% and 18% of total contributions for the years ended December 31, 2014 and 2013, respectively.

NOTE 13 – COOPERATION AGREEMENT

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.

NOTE 14 – COOPERATION with CHBAF

In September 2012, a Chinese fund-raising organization called ChunHui Bo' Ai Children's Foundation (CHBAF) was established with objectives similar to those of the Foundation. Currently, the Foundation provides support and assistance to CHBAF on an interim basis, to help CHBAF operate programs for disadvantaged children throughout China to similar standards as programs operated by the Foundation.



*"All the children who are held and loved will know how to love others...
spread these virtues in the world. Nothing more need be done."*

Meng Zi c. 300 B.C.



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