

**SPIRITUALITY FOR KIDS  
INTERNATIONAL, INC.**

**(A California Nonprofit Public Benefit Corporation)**

**FINANCIAL STATEMENTS**

**December 31, 2016**

**(With Comparative Totals for December 31, 2015)**



**Gurseley | Schneider** LLP  
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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CERTIFIED  
PUBLIC ACCOUNTANTS  
& ADVISORS

**Independent Auditor’s Report**

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

We have audited the accompanying financial statements of Spirituality for Kids International, Inc. (a California nonprofit public benefit corporation), which comprises the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows 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 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.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

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## **Opinion**

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the financial position of Spirituality for Kids International, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the Spirituality for Kids International, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 23, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Gursey | Schneider LLP*

August 24, 2017  
Los Angeles, California

**SPIRITUALITY FOR KIDS INTERNATIONAL, INC.**  
(A California Nonprofit Public Benefit Corporation)  
Statements of Financial Position  
December 31, 2016 and 2015

**ASSETS**

	2016	2015
Cash and cash equivalents	\$ 887,947	\$ 565,231
Investments	1,824,614	2,247,473
Accounts and pledges receivable	21,169	12,311
Inventories	12,756	8,735
Prepaid expenses and other current assets	73,961	28,396
Property and equipment, net	1,379	1,062
Intangible assets, net	173,282	256,592
<b>TOTAL ASSETS</b>	<b>\$ 2,995,108</b>	<b>\$ 3,119,800</b>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 56,362	\$ 32,058
<b>NET ASSETS</b>		
Unrestricted	2,731,899	2,843,192
Temporarily restricted	206,847	244,550
<b>TOTAL NET ASSETS</b>	<b>2,938,746</b>	<b>3,087,742</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,995,108</b>	<b>\$ 3,119,800</b>

See Accompanying Notes to Financial Statements

**SPIRITUALITY FOR KIDS INTERNATIONAL, INC.**  
(A California Nonprofit Public Benefit Corporation)  
Statements of Activities  
For the Year Ended December 31, 2016  
(With Comparative Totals for the Year Ended December 31, 2015)

	2016			Total 2015
	Unrestricted	Temporarily Restricted	Total	
<b>REVENUE AND SUPPORT</b>				
Contributions	\$ 189,455	\$ 30,800	\$ 220,255	\$ 222,683
Realized and unrealized losses	(24,753)	-	(24,753)	(126,137)
Interest and dividend income	96,308	-	96,308	84,583
Event revenue	283,233	-	283,233	414,718
Sales of education materials	16,431	-	16,431	32,388
Licensing and other revenue	15,012	-	15,012	22,687
Net assets released from restrictions	68,503	(68,503)	-	-
<b><i>Total Revenue and Support</i></b>	<b>644,189</b>	<b>(37,703)</b>	<b>606,486</b>	<b>650,922</b>
<b>FUNCTIONAL EXPENSES</b>				
Program expenses	482,376	-	482,376	373,671
General and administrative	111,299	-	111,299	86,649
Fundraising	161,807	-	161,807	168,576
<b><i>Total Functional Expenses</i></b>	<b>755,482</b>	<b>-</b>	<b>755,482</b>	<b>628,896</b>
<b>CHANGES IN NET ASSETS</b>	(111,293)	(37,703)	(148,996)	22,026
<b>NET ASSETS, Beginning of Year</b>	<b>2,843,192</b>	<b>244,550</b>	<b>3,087,742</b>	<b>3,065,716</b>
<b>NET ASSETS, End of Year</b>	<b>\$ 2,731,899</b>	<b>\$ 206,847</b>	<b>\$ 2,938,746</b>	<b>\$ 3,087,742</b>

See Accompanying Notes to Financial Statements

**SPIRITUALITY FOR KIDS INTERNATIONAL, INC.**  
(A California Nonprofit Public Benefit Corporation)  
**Statements of Functional Expenses**  
For the Year Ended December 31, 2016  
(With Comparative Totals for December 31, 2015)

	2016			Total 2015
	Program Expenses	General and Administrative	Fundraising	
<b>PERSONNEL EXPENSES</b>				
Salaries	\$ 185,218	\$ 39,689	\$ 39,690	\$ 264,597
Employee benefits	10,242	2,194	2,195	14,631
<i>Total Personnel Expenses</i>	<u>195,460</u>	<u>41,883</u>	<u>41,885</u>	<u>279,228</u>
<b>OTHER FUNCTIONAL EXPENSES</b>				
Advertising	8,268	-	2,347	10,615
Amortization of intangible assets	152,112	-	-	152,112
Bank fees	2,924	19,140	10,994	33,058
Cost of education material sold	5,347	-	-	5,347
Computer	21,521	1,133	1,880	24,534
Consulting	-	-	43,501	43,501
Decorations	-	-	1,509	1,509
Depreciation and amortization	1,179	295	-	1,474
Insurance	-	9,722	-	9,722
Miscellaneous	-	1,484	102	1,586
Office and curriculum expenses	102	2,639	3,956	6,697
Professional fees	12,000	25,605	10,850	48,455
Outreach	-	-	25,897	25,897
Outside services	62,102	3,227	4,173	69,502
Permits	-	-	6,825	6,825
Postage	411	392	-	803
Rent	20,358	3,592	1,123	25,073
Repairs and maintenance	-	391	-	391
Travel	592	1,796	6,765	9,153
<i>Total Other Functional Expenses</i>	<u>286,916</u>	<u>69,416</u>	<u>119,922</u>	<u>476,254</u>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>\$ 482,376</u>	<u>\$ 111,299</u>	<u>\$ 161,807</u>	<u>\$ 755,482</u>

See 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, 2016 and 2015

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (148,996)	\$ 22,026
Adjustment to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	1,474	19,362
Amortization of intangible assets	152,112	69,258
Realized and unrealized losses on investments	24,753	126,137
Decrease in operating assets		
Accounts and pledges receivable	(8,858)	(841)
Inventories	(4,021)	(3,469)
Prepaid expenses and other current assets	(45,565)	(11,781)
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	24,304	(7,213)
	<u>(4,797)</u>	<u>213,479</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash received from the sale of investments	2,818,992	1,811,751
Cash used for the purchase of investments	(2,420,886)	(1,623,318)
Purchases of property and equipment	(1,791)	(1,366)
Purchases of intangible assets	(68,802)	(23,544)
	<u>327,513</u>	<u>163,523</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>		
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	322,716	377,002
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>565,231</u>	<u>188,229</u>
<b>END OF YEAR</b>	<u>\$ 887,947</u>	<u>\$ 565,231</u>

See Accompanying Notes to Financial Statements



**SPIRITUALITY FOR KIDS INTERNATIONAL, INC.**  
(A California Nonprofit Public Benefit Corporation)  
Notes to Financial Statements  
December 31, 2016 and 2015

**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.

**Classes of Net Assets** – To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the Organization are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

- *Unrestricted* - These generally result from revenues generated by receiving unrestricted contributions, providing services and receiving interest from investments less expenses incurred in providing program-related services, raising contributions and performing administrative functions.

**SPIRITUALITY FOR KIDS INTERNATIONAL, INC.**  
(A California Nonprofit Public Benefit Corporation)  
Notes to Financial Statements  
December 31, 2016 and 2015

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

- *Temporarily Restricted* - The Organization reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets to a specific time a purpose. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. At December 31, 2016 and 2015, the Organization had temporarily restricted net assets reserved for various programs and content development.
- *Permanently Restricted* - These net assets are received by donors who stipulate that resources are to be maintained permanently, but permit the Organization to expend all of the income (or other economic benefits) derived from the donated assets. At December 31, 2016 and 2015, the Organization had no permanently restricted net assets.

**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.

**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 and amortization is computed on the straight-line basis over the estimated useful lives of the related assets as follows:

Computer equipment	3 years
Furniture and fixtures	5 years
Office equipment	3 years
Leasehold improvements	Lesser of useful life or lease term

**Intangible Assets** – The Organization's intangible assets include trademarks, its website and internally developed software. The website and software are being amortized using the straight-line method over their estimated useful lives of one to five years.

**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.

**SPIRITUALITY FOR KIDS INTERNATIONAL, INC.**  
(A California Nonprofit Public Benefit Corporation)  
Notes to Financial Statements  
December 31, 2016 and 2015

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

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, 2016 and 2015, the Organization did not recognize any amount in potential interest and penalties associated with uncertain tax positions. At December 31, 2016, the open tax years for the Organization were 2012 to 2016.

**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, 2016 and 2015, there was no allowance for doubtful accounts.

**Donated Services** – Donated services are recognized if the services received create or enhance long-lived assets, require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Organization did not receive any donated services during the years ended December 31, 2016 and 2015, respectively.

**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.

**SPIRITUALITY FOR KIDS INTERNATIONAL, INC.**  
(A California Nonprofit Public Benefit Corporation)  
Notes to Financial Statements  
December 31, 2016 and 2015

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

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, 2016 and 2015. 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 Issued Accounting Standards** – In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, “Leases” (Topic 842). This ASU requires a lessee to recognize a right-of-use asset and a lease liability under most operating leases in its balance sheet. For non-public companies, the standard is effective for fiscal years beginning after December 15, 2019 and interim periods beginning the following year. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition, and provides for certain practical expedients during the period of adoption. Transition will require application of the new guidance at the beginning of the earliest comparative period presented. Management is currently evaluating the impact this change in accounting standards will have on the Organization's financial statements and related disclosures.

In May 2014, FASB issued ASU 2014-09, “Revenue from Contracts with Customers,” which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in GAAP when it becomes effective. In July 2015, the FASB approved a one-year deferral of this standard, with a revised effective date for fiscal years beginning after December 15, 2017. Early adoption is permitted, although not prior to fiscal years beginning after December 15, 2016. The standard permits the use of either the retrospective or modified retrospective (cumulative effect) transition method. Management is currently evaluating the impact this change in accounting standards will have on the Organization's financial statements and related disclosures.

Finally, on August 18, 2016, FASB issued new rules for nonprofit organizations under ASU 2016-14 “Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities” (“NFP”). This ASU changes the financial reporting format for nonprofit organization financial statements to simplify the way in which NFPs quantify and qualify their financial performance, their liquidity and cash flows, and their classification of net assets.

**SPIRITUALITY FOR KIDS INTERNATIONAL, INC.**  
(A California Nonprofit Public Benefit Corporation)  
Notes to Financial Statements  
December 31, 2016 and 2015

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

Five changes included in ASU 2016-14 are:

- (1) The existing three-class system of classifying net assets as unrestricted, temporarily restricted and permanently restricted, will be replaced with a simpler two-class structure. Going forward, NFPs will differentiate net assets solely between those net assets with donor restriction and net assets without donor restrictions. NFPs will still be required to disclose the nature and amounts of donor-imposed restrictions.
- (2) The presentation of required disclosure of underwater endowment funds will change. When the fair market value of a donor-restricted endowment is less than the original gift amount or the amount the NFP is required to maintain by the donor or by law, NFPs will be required to also report the amount of the deficiency and their governing boards' policies or decisions to reduce or spend from these funds.
- (3) NFPs will be required to disclose in financial statement notes qualitative information regarding how they will manage available liquid resources to meet cash needs for general expenses for the year following the balance sheet date. In addition, NFPs will be required to provide on the face of financial statements or in disclosure notes detailed quantitative information regarding their availability of financial assets at the balance sheet date to meet cash needs for the next year.
- (4) Expenses by both their natural classification and their functional classification will be presented either on the face of the statement of activities, as a separate statement or in the notes to the financial statements. In addition to this change in the presentation of expenses, the method used to allocate costs among program and supporting activities functions is required to be disclosed.
- (5) Finally, NFP's may continue to present the statement of cash flows using either the direct or indirect method of reporting. However, under the new reporting standard, NFPs employing the direct method to report cash flow will no longer be required to provide a reconciliation of net income to the cash amounts presented under the indirect method.

The effective date ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Application to interim financial statements is permitted but not required in the initial year of application. Early application of the amendments in this ASU is permitted. Management is currently evaluating the impact this change in accounting standards will have on the Organization's financial statements and related disclosures.

**Subsequent Events** – Subsequent events have been evaluated through August 24, 2017, the date the financial statements were available to be issued.

**SPIRITUALITY FOR KIDS INTERNATIONAL, INC.**  
(A California Nonprofit Public Benefit Corporation)  
Notes to Financial Statements  
December 31, 2016 and 2015

**NOTE 3 – CONCENTRATION OF CREDIT RISK**

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

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

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

**NOTE 4 – INVESTMENTS**

Investments consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Equity securities	\$ 233,519	\$ 812,933
Mutual fund	<u>1,591,095</u>	<u>1,434,540</u>
Total	<u>\$ 1,824,614</u>	<u>\$ 2,247,473</u>

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

	December 31, 2016			Total
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Equity securities	\$ 233,519	\$ -	\$ -	\$ 233,519
Mutual fund	<u>1,591,095</u>	<u>-</u>	<u>-</u>	<u>1,591,095</u>
	<u>\$ 1,824,614</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,824,614</u>
	December 31, 2015			Total
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Equity securities	\$ 812,933	\$ -	\$ -	\$ 812,933
Mutual fund	<u>1,434,540</u>	<u>-</u>	<u>-</u>	<u>1,434,540</u>
	<u>\$ 2,247,473</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,247,473</u>

**SPIRITUALITY FOR KIDS INTERNATIONAL, INC.**  
(A California Nonprofit Public Benefit Corporation)  
Notes to Financial Statements  
December 31, 2016 and 2015

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Computer equipment	\$ 54,400	\$ 52,610
Furniture and fixtures	-	32,781
Office equipment	-	67,270
Leasehold improvements	-	<u>133,609</u>
	54,400	286,270
Less: Accumulated Depreciation	<u>(53,021)</u>	<u>(285,208)</u>
Total	<u>\$ 1,379</u>	<u>\$ 1,062</u>

Depreciation and amortization expense for the years ended December 31, 2016 and 2015 amounted to \$1,474 and \$19,362, respectively, and is and is shown in the accompanying statements of functional expenses. During the year ending December 31, 2016, management disposed of \$233,660 fully depreciated property and equipment as the Organization moved offices and abandoned most of its furniture, equipment and leasehold improvements.

**NOTE 6 – INTANGIBLE ASSETS**

Intangible assets consist of the following at December 31,

	<u>2016</u>	<u>2015</u>
Trademarks	\$ 5,658	\$ 77,341
Website	365,106	353,861
Software	-	<u>20,874</u>
	370,764	452,076
Less: Accumulated Amortization	<u>(197,482)</u>	<u>(195,484)</u>
Net Intangible Assets	<u>\$ 173,282</u>	<u>\$ 256,592</u>

Amortization expense for the years ended December 31, 2016 and 2015 amounted to \$152,112 and \$69,258, respectively, and is included in the accompanying statements of functional expenses. Impairment loss for the years ended December 31, 2016 and 2015 amounted to \$81,334 and \$0, and is included in the amortization expense due to discontinued software and trademarks. During the year ending December 31, 2016, management also decided to remove software that has been fully depreciated.

**SPIRITUALITY FOR KIDS INTERNATIONAL, INC.**  
(A California Nonprofit Public Benefit Corporation)  
Notes to Financial Statements  
December 31, 2016 and 2015

**NOTE 6 – INTANGIBLE ASSETS – (CONTINUED)**

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

<u>Years Ending December 31,</u>	
2016	\$ 58,318
2017	43,169
2018	21,362
2019	14,708
2020	13,299
Thereafter	16,768

**NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS**

Changes in temporarily restricted net assets were as follows:

	<u>Available at December 31, 2015</u>	<u>New Revenue</u>	<u>Expenditures / Released from Restriction</u>	<u>Available at December 31, 2016</u>
Technology / Website	\$ 244,550	\$ -	\$ (68,503)	\$ 176,047
Spirituality for Teens	-	30,000	-	30,000
Translation	-	800	-	800
	<u>\$ 244,550</u>	<u>\$ 30,800</u>	<u>\$ (68,503)</u>	<u>\$ 206,847</u>