

**SPIRITUALITY FOR KIDS
INTERNATIONAL, INC.**

(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

December 31, 2020 and 2019



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, 2020 and 2019 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.



March 26, 2021
Los Angeles, California

SPIRITUALITY FOR KIDS INTERNATIONAL, INC.
(A California Nonprofit Public Benefit Corporation)
Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
<u>ASSETS</u>		
Cash and cash equivalents	\$ 116,398	\$ 125,763
Investments	1,843,037	1,869,123
Pledges receivable	-	10,000
Inventory	-	7,312
Prepaid expenses and other current assets	8,376	12,926
Property and equipment, net	682	1,928
Intangible assets, net	226,309	149,005
TOTAL ASSETS	<u>\$ 2,194,802</u>	<u>\$ 2,176,057</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable and accrued expenses	\$ 114,190	\$ 31,725
Note payable - Paycheck Protection Program	42,918	-
TOTAL LIABILITIES	<u>157,108</u>	<u>31,725</u>
NET ASSETS		
Without donor restrictions	\$ 2,037,694	2,144,332
With donor restrictions	-	-
TOTAL NET ASSETS	<u>2,037,694</u>	<u>2,144,332</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,194,802</u>	<u>\$ 2,176,057</u>

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

SPIRITUALITY FOR KIDS INTERNATIONAL, INC.
(A California Nonprofit Public Benefit Corporation)
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 164,476	\$ -	\$ 164,476
Investment income (loss), net	219,280	-	219,280
Licensing and other revenue	52,603	-	52,603
Net assets released from restrictions	-	-	-
<i>Total Revenue and Support</i>	436,359	-	436,359
FUNCTIONAL EXPENSES			
Program expenses	424,132	-	424,132
General and administrative	74,741	-	74,741
Fundraising	44,124	-	44,124
<i>Total Functional Expenses</i>	542,997	-	542,997
CHANGES IN NET ASSETS	(106,638)	-	(106,638)
NET ASSETS, Beginning of Year	2,144,332	-	2,144,332
NET ASSETS, End of Year	\$ 2,037,694	\$ -	\$ 2,037,694

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	\$ 87,940	\$ -	\$ 87,940
Investment income (loss), net	151,104	-	151,104
Licensing and other revenue	34,710	-	34,710
Net assets released from restrictions	77,793	(77,793)	-
<i>Total Revenue and Support</i>	<u>351,547</u>	<u>(77,793)</u>	<u>273,754</u>
FUNCTIONAL EXPENSES			
Program expenses	394,185	-	394,185
General and administrative	74,347	-	74,347
Fundraising	63,345	-	63,345
<i>Total Functional Expenses</i>	<u>531,877</u>	<u>-</u>	<u>531,877</u>
CHANGES IN NET ASSETS	(180,330)	(77,793)	(258,123)
NET ASSETS, Beginning of Year	<u>2,324,662</u>	<u>77,793</u>	<u>2,851,815</u>
NET ASSETS, End of Year	<u><u>\$ 2,144,332</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,144,332</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, 2020

	2020			
	Program Expenses	General and Administrative	Fundraising	Total
PERSONNEL EXPENSES				
Salaries	\$ 185,694	\$ 23,212	\$ 23,212	\$ 232,118
Employee benefits	29,068	3,633	3,633	36,334
<i>Total Personnel Expenses</i>	214,762	26,845	26,845	268,452
OTHER FUNCTIONAL EXPENSES				
Advertising	13,944	1,852	1,537	17,333
Amortization	160,551	-	-	160,551
Bank fees	-	2,508	3,529	6,037
Bad debt	-	5,680	-	5,680
Cost of education material sold	9	7,303	-	7,312
Computer	10,998	2,556	639	14,193
Depreciation	-	1,247	-	1,247
Insurance	-	7,905	-	7,905
Miscellaneous	-	59	-	59
Office and curriculum expenses	703	890	-	1,593
Professional fees	-	16,493	5,425	21,918
Outreach	10,005	-	2,501	12,506
Outside services	5,100	100	-	5,200
Permits	-	-	2,308	2,308
Postage	-	184	-	184
Rent	8,060	1,007	1,007	10,074
Travel	-	112	333	445
<i>Total Other Functional Expenses</i>	209,370	47,896	17,279	274,545
TOTAL FUNCTIONAL EXPENSES	\$ 424,132	\$ 74,741	\$ 44,124	\$ 542,997
<i>Percent of Total Expenses</i>	78.1%	13.8%	8.1%	100.0%

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	1,798	1,057	21,148
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	-	858	-	858
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	-	101	-	101
Rent	17,277	2,159	2,160	21,596
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)
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (106,638)	\$ (258,123)
Adjustment to reconcile changes in net assets to net cash used in operating activities		
Non-cash contribution of software license	(100,000)	-
Depreciation	1,247	1,295
Amortization of intangible assets	160,551	57,059
Realized and unrealized (gains) on investments	(191,048)	(103,528)
Decrease (increase) in operating assets:		
Pledges receivable	10,000	14,827
Inventories	7,312	2,247
Prepaid expenses and other current assets	4,550	14,072
Other assets		
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	82,465	(30,060)
	<u>(131,561)</u>	<u>(302,211)</u>
NET CASH (USED IN) OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from the sale of investments	2,060,019	1,847,538
Cash used for the purchase of investments	(1,842,886)	(1,942,172)
Purchases of property and equipment	-	(1,101)
Purchases of intangible assets	(137,855)	(73,318)
	<u>79,278</u>	<u>(169,053)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
CASH FLOWS USED IN FINANCING ACTIVITY		
Proceeds from Paycheck Protection Program loan	42,918	-
	<u>42,918</u>	<u>-</u>
NET CASH USED IN FINANCING ACTIVITIES		
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,365)	(471,264)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>125,763</u>	<u>597,027</u>
END OF YEAR	<u>\$ 116,398</u>	<u>\$ 125,763</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, 2020 and 2019

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.

See Independent Accountant’s Review Report

SPIRITUALITY FOR KIDS INTERNATIONAL, INC.
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2020 and 2019

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, 2020 or 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, 2020 and 2019 is presented net of related investment fees of \$13,502 and \$15,548, 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.

SPIRITUALITY FOR KIDS INTERNATIONAL, INC.
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2020 and 2019

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, 2020 and 2019, the Organization did not recognize any amount in potential interest and penalties associated with uncertain tax positions. At December 31, 2020, the open tax years for the Organization were 2017 to 2020.

Contributions and Revenue – Contributions received are recorded at fair value and are recognized 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, 2020 and 2019, there was no allowance for doubtful accounts.

Two donors comprised 11% of total contributions during the year ended December 31, 2020. Four donors comprised 48% of total contributions during the year ended December 31, 2019.

Donated Goods and 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, 2020 and 2019, respectively.

During the year ended December 31, 2020, the Organization received software developed as curriculum materials worth estimated value of \$100,000. This amount is reflected contribution revenues in the accompanying statement of activities and non-cash contribution of software on the accompanying statement of cash flows. See Note 10, related party transaction.

SPIRITUALITY FOR KIDS INTERNATIONAL, INC.
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2020 and 2019

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, 2020 and 2019. 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.

Impact of Recently Issued Accounting Pronouncements – Effective January 1, 2020, the Organization adopted ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguishes a donor-imposed restriction. The was no material effect on the Organization's financial statements as the adoption of ASU No. 2018-08 did not result in a change to how it accounts for revenue from contributions.

SPIRITUALITY FOR KIDS INTERNATIONAL, INC.
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2020 and 2019

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:

	2020	2019
Cash and cash equivalents	\$ 116,398	\$ 125,763
Investments without liquidity restrictions	1,843,037	1,869,123
Pledges receivable	-	10,000
	\$ 1,959,435	\$ 2,004,886

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 2021.

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, corporate bonds, and publicly traded equity securities on December 31, 2020.

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.

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.

SPIRITUALITY FOR KIDS INTERNATIONAL, INC.
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2020 and 2019

NOTE 5 – INVESTMENTS

Investments consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Corporate bonds	\$ 408,937	\$ 198,301
Equity securities / mutual funds	<u>1,434,100</u>	<u>1,670,822</u>
	<u>\$ 1,843,037</u>	<u>\$ 1,869,123</u>

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

	December 31, 2020			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate bonds	\$ -	\$ 408,937	\$ -	\$ 408,937
Equity securities / mutual funds	<u>1,434,100</u>	<u>-</u>	<u>-</u>	<u>1,434,100</u>
	<u>\$ 1,434,100</u>	<u>\$ 408,937</u>	<u>\$ -</u>	<u>\$ 1,843,037</u>
	December 31, 2019			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate bonds	\$ -	\$ 198,301	\$ -	\$ 198,301
Equity securities / mutual funds	<u>1,670,822</u>	<u>-</u>	<u>-</u>	<u>1,670,822</u>
	<u>\$ 1,670,822</u>	<u>\$ 198,301</u>	<u>\$ -</u>	<u>\$ 1,869,123</u>

SPIRITUALITY FOR KIDS INTERNATIONAL, INC.
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2020 and 2019

NOTE 5 – INVESTMENTS – (CONTINUED)

The following is a summary of net investment income for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 41,734	\$ 63,124
Realized gains (losses), net	45,040	78,070
Unrealized gains (losses), net	<u>146,008</u>	<u>25,458</u>
	232,782	166,652
Investment fees	<u>(13,502)</u>	<u>(15,548)</u>
Investment income (loss), net	<u>\$ 219,280</u>	<u>\$ 151,104</u>

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Computer equipment	\$ 6,145	\$ 6,145
Less: accumulated depreciation	<u>(5,463)</u>	<u>(4,217)</u>
	<u>\$ 682</u>	<u>\$ 1,928</u>

Depreciation expense for the years ended December 31, 2020 and 2019 amounted to \$1,247 and \$1,295, 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>2020</u>	<u>2019</u>
Trademarks	\$ 25,545	\$ 23,545
Website and program content	<u>667,933</u>	<u>544,438</u>
	693,478	567,983
Less: Accumulated amortization	<u>(467,169)</u>	<u>(418,978)</u>
	<u>\$ 226,309</u>	<u>\$ 149,005</u>

SPIRITUALITY FOR KIDS INTERNATIONAL, INC.
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2020 and 2019

NOTE 7 – INTANGIBLE ASSETS – (CONTINUED)

Amortization expense for the years ended December 31, 2020 and 2019 amounted to \$160,551 and \$57,059, respectively, and is included in the accompanying statements of functional expenses. During the year ended December 31, 2020, the Organization disposed of \$112,360 of software development costs and recognized a loss of \$102,127. This amount is included as a component of amortization expense.

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

<u>Years Ending</u> <u>December 31,</u>	
2021	\$ 54,355
2022	47,952
2023	47,717
2024	40,740
2025	<u>10,000</u>
	<u>\$ 200,764</u>

NOTE 8 – NOTE PAYABLE – PAYCHECK PROTECTION PROGRAM LOAN

On May 1, 2020, the Organization was able to borrow \$42,918 loan under the Paycheck Protection Program (“PPP”) of the U.S. Small Business Administration (“SBA”). The interest rate on the loan is 1.0% per annum. The loan matures on May 1, 2022 (“Maturity Date”).

According to the loan agreement, the first six months of interest were to be deferred to and payable on the Maturity Date and monthly interest payments were to commence on October 30, 2020. However, on June 5, 2020, the President signed into law the Paycheck Protection Program Flexibility Act of 2020 (“Flexibility Act”) which statutorily extended the covered period of the loan from 8 weeks to 24 weeks from the date of loan origination. The Flexibility Act also extended the deferral period of principal and interest for up to ten months after this 24-week covered period, or the date that the SBA forgives the loan. All principal and accrued interest payments are otherwise due on the Maturity Date.

The Foundation intends to satisfy all PPP loan forgiveness requirements and obtain loan forgiveness for the entire loan and accrued interest amount.

SPIRITUALITY FOR KIDS INTERNATIONAL, INC.
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2020 and 2019

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

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

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

NOTE 10 – RELATED PARTY TRANSACTION

On July 8, 2020, the Organization entered into an Intellectual Property Purchase and Transfer Agreement to purchase the rights to educational course content from a related party. The course content was valued at \$200,000 and is included as a component of intangible assets in the accompanying statement of net assets. The purchase price was reduced to \$100,000, payable in quarterly installments, and a \$100,000 donation in-kind for the balance. Included in accounts payable is \$83,400 due in quarterly installments.

The following is a schedule of future minimum payments due under this purchase agreement:

Years Ending December 31,	
2021	\$ 33,200
2022	33,200
2023	<u>17,000</u>
	<u>\$ 83,400</u>

NOTE 11 – SUBSEQUENT EVENTS – CORONAVIRUS PANDEMIC – CONTINGENCY

Subsequent events have been evaluated through March 26, 2021, the date the financial statements were available to be issued.

COVID-19 Global Pandemic – On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. The global economy and financial markets have been impacted by the global outbreak as of the date of this report and management continues to monitor conditions. The Foundation is following local, state, and federal pandemic guidance.

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.