

SHIN SHIN EDUCATIONAL FOUNDATION

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2021

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SHIN SHIN EDUCATIONAL FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Shin Shin Educational Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Shin Shin Educational Foundation (the "Foundation"), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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 audit. We conducted our audit 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 representation 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shin Shin Educational Foundation as of December 31, 2021, and the statements of activities and changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

May 12, 2022
Fremont, California

SHIN SHIN EDUCATIONAL FOUNDATION

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

ASSETS

	Without Donor Restrictions	With Donor Restrictions	Total
Current Assets:			
Cash and cash equivalents	\$ 170,991	\$ 2,893,924	\$ 3,064,915
Investment in mutual funds	2,329,742		2,329,742
Cash value of life insurance policy		51,772	51,772
TOTAL ASSETS	\$ 2,500,733	\$ 2,945,696	\$ 5,446,429

LIABILITIES AND NET ASSETS

Current Liabilities			
Accrued expenses	\$ 14,730	\$ -	\$ 14,730
Total Current Liabilities	<u>14,730</u>	<u>-</u>	<u>14,730</u>
TOTAL LIABILITIES	14,730	-	14,730
Net Assets	<u>2,486,003</u>	<u>2,945,696</u>	<u>5,431,699</u>
TOTAL LIABILITIES AND NET ASSETS	\$ 2,500,733	\$ 2,945,696	\$ 5,446,429

The accompanying notes are an integral part of this statement

SHIN SHIN EDUCATIONAL FOUNDATION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORTS AND REVENUES			
Supports:			
Individuals and private foundations	\$ 75,820	\$ 1,273,281	\$ 1,349,101
Total Supports	<u>75,820</u>	<u>1,273,281</u>	<u>1,349,101</u>
Revenues:			
Investment income net of investment expenses		-	-
Realized gain on investments, net	140,413	-	140,413
Unrealized loss on investments, net	(44,899)	-	(44,899)
Interest and dividends, net	42,206	-	42,206
Total Revenues	<u>137,720</u>	<u>-</u>	<u>137,720</u>
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of program restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total Supports and Revenues	<u>213,540</u>	<u>1,273,281</u>	<u>1,486,821</u>
EXPENSES			
Program services		747,378	747,378
Management and general	23,667	-	23,667
Fundraising	400	-	400
Total Expenses	<u>24,067</u>	<u>747,378</u>	<u>771,445</u>
CHANGE IN NET ASSETS	189,473	525,903	715,376
NET ASSETS - BEGINNING OF THE YEAR	<u>2,296,530</u>	<u>2,419,793</u>	<u>4,716,323</u>
NET ASSETS - END OF THE YEAR	<u>\$ 2,486,003</u>	<u>\$ 2,945,696</u>	<u>\$ 5,431,699</u>

The accompanying notes are an integral part of this statement

SHIN SHIN EDUCATIONAL FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Program Services</u>		<u>Supporting Activities</u>		<u>Totals</u>
	School related excluding construction	School Construction	Management and General	Fundraising	
Educational programs in schools	\$ 406,516	\$ -	\$ -	\$ -	\$ 406,516
School construction projects	-	340,862	-	-	340,862
Salaries and wages	-	-	34,437	-	34,437
Promotion	-	-	782	-	782
Professional services	-	-	12,724	-	12,724
Insurance	-	-	2,752	-	2,752
Volunteer costs	-	-	298	-	298
Annual Event Expense	-	-	-	400	400
Bank service charges	-	-	1,751	-	1,751
Office Expenses	-	-	5,546	-	5,546
Postage and delivery	-	-	1,116	-	1,116
Foreign exchange loss	-	-	(35,739)	-	(35,739)
	<u>\$ 406,516</u>	<u>\$ 340,862</u>	<u>\$ 23,667</u>	<u>\$ 400</u>	<u>\$ 771,445</u>

The accompanying notes are an integral part of this statement

SHIN SHIN EDUCATIONAL FOUNDATION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 715,376
Unrealized loss on investments	44,899
Gain on sale of investments	(140,413)
Adjustments to reconcile net asset to net cash provided by operating activities:	
Changes in assets and liabilities:	
Increase in other asset	(8,996)
Increase in accrued expenses	4,580
	<hr/>
Net cash provided by operating activities	615,446
	<hr/>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of mutual funds	(1,129,203)
Proceeds from sale of mutual funds	784,157
	<hr/>
Net cash used for investing activities	(345,046)
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Net Increase in Cash and Cash Equivalents 270,400

Cash and Cash Equivalents - Beginning of Year

2,794,515

Cash and Cash Equivalents - End of Year

\$ 3,064,915

The accompanying notes are an integral part of this statement

SHIN SHIN EDUCATIONAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Shin Shin Educational Foundation (the Foundation) is a not-for-profit organization, established on October 1, 1999 in California, for the purpose of promoting education and improving learning environment for under privileged areas in the People's Republic of China. The Foundation is approved as a tax-exempt public charity under U.S. federal IRC Section 501(c)(3) and California R&TC Section 23701(d).

On January 29, 2013, the Chinese government approved the Shin Shin China Representative Office to operate as a not-for-profit organization in the People's Republic of China. The Representative Office manages the financial flow of funds, foreign exchange currency translation of wired funds from the United States of America and disbursement of funds to the various school programs in China in promoting the Foundation's purpose and mission.

The foundation has two major types of programs described below:

- School Construction – The Foundation aims to provide funds to rebuild, refurbish or construct new primary schools in under privileged area in China. Since the establishment of the Foundation in 1999, 350 Shin Shin schools and reading rooms in 25 provinces and autonomous regions have been completed and constructed in China.
- Educational Programs – The Foundation strives to avail all children to quality education and healthy learning environment. The Foundation provides resources to schools in China to expand and enhance teacher training, libraries contents and capacity, e-learning and other education programs, allowing children access to a wide range of books, use of computers and the internet and teachers receiving professional training to improve quality of education.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements, presented on the accrual basis of accounting, have been prepared to focus on the Foundation as a whole and to present net assets, revenues, and expenses based on the existence or absence of donor-impaired restrictions. This has been accomplished by the classification of assets, liabilities, and net assets into two groups – with donor restrictions and without donor restrictions.

These two groups are defined as follows:

- Net assets without donor restrictions – the portion of the Foundation's net assets that is not subject to donor-imposed restrictions.

SHIN SHIN EDUCATIONAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

- Net assets with donor restrictions – the portion of the Foundation’s net assets that is subject to donor-imposed restrictions on the usage of the funds.

A donor-imposed restriction is a stipulation that specifies a use for a contributed asset that is more specific than broad limits resulting from the nature of the organization, the environment in which it operates, or its mission. A donor-imposed restriction may be temporary or permanent. Temporary restrictions may be fulfilled by actions of the organization to meet the stipulations or be fulfilled by the passage of time. Permanent restrictions stipulate that the resources must be maintained in perpetuity. The Foundation had no permanently restricted net assets as of December 31, 2021.

The Foundation follows the provisions of the Financial Accounting Standard Board Accounting Standards Codification (“FASB ASC”)

FASB ASC 958-205 establishes standards for general purpose external financial statements of not-for-profit organization that require a statement of financial position, a statement of activities and changes in net assets, and a statement of cash flows.

Change in Accounting Policies

In the beginning of 2019, the Foundation adopted ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes in ASU 2016-14 include:

- Requiring the presentation of only two classes of net assets now titled “net assets without donor restrictions” and “net assets with donor restrictions”.
- Modifying the presentation of underwater endowment funds and related disclosures.
- Requiring the use of the placed in-service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise.
- Requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate functional expense statement, or in the notes and disclose a summary of the allocation methods used to allocate costs.
- Requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources.
- Presenting investment return net of external and direct internal investment expenses, and
- Modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

SHIN SHIN EDUCATIONAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in bank accounts, undeposited checks, money market accounts held by brokerage firm, and cash in PayPal accounts. The Foundation considers all short-term and highly liquid investments with original maturities of three months or less from the date of acquisition as cash equivalents unless the investments are held for meeting restrictions of a capital or endowment nature.

Investments

Investments held by the Foundation include mutual funds. Investments in mutual funds are stated at fair values, determined based on quoted market prices as of balance sheet date. Unrealized gains and losses resulting from market fluctuations are recognized in the period such fluctuations occur. For purpose of determining realized gains or losses, the cost of securities sold was computed based on the weighted average method.

The Foundation invests in high quality mutual funds in order to achieve the maximum yield consistent with safety of principal and maintenance of liquidity. The primary objective is the preservation of capital and assurance of appropriate liquidity, by limiting default risk and market risk, to meet the needs of the Foundation. The secondary objective is to maximize the current and expected yield on the fund assets, so as to provide additional income for operating purposes. The investment policy also requires management to maintain a reasonable relationship between short-term and long-term investment.

Endowment investments consist of investments purchased with the resources from Board-designated endowments, which are resources set aside by the Board of Directors for an indeterminate period to operate in manner similar to a donor-restricted permanent endowment. Because a board-designated endowment results from an internal designation, it can be spent upon action of the Board of Directors. Endowment investments also include investments purchased with unspent investment income and net gains on these resources. Endowment investments are reported at fair values.

Contribution Receivable

Contribution receivables are recognized when an unconditional promise to give is made by the donor. Accordingly, an unconditional promise to give that extends beyond one year should be discounted to reflect its net present value using risk-free interest rates applicable to the years in which the premises are received.

Support and Revenue

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless use of the contributed assets

SHIN SHIN EDUCATIONAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in either temporarily restricted or permanently restricted net assets, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as temporarily restricted until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Interest and dividends are recognized when earned.

Contributed Services

Contributed services are recognized if the services received create or enhance non-financial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

The volunteer service hours provided during the year ended December 31, 2021, totaled approximately 18,436 hours, which was valued at the California minimum wage rate, at approximately \$258,104. However, since these services do not require specialized skills and did not meet the recognition criteria set forth under the guidance on not-for-profit entities; these were not recorded as support and expenses.

Functional Expenses

The expenses of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist of cash and cash equivalents. The Foundation manages this risk through the use of high credit worthy financial institutions. Interest-bearing accounts and noninterest-bearing accounts

SHIN SHIN EDUCATIONAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 with each financial institution. As of December 31, 2021, approximately \$2,800,000 of cash and cash equivalents are not insured. The Foundation has not experienced any losses from its deposits.

Income taxes

The Foundation has received a determination of tax-exempt status from the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code and from California Franchise Tax Board under R&T Code 23701(d), as a public charity. Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

Management is not aware of any activities or tax positions taken that would jeopardize the Foundation's tax-exempt status. The tax returns of the Foundation are subject to examination by federal and state taxing authorities, generally for three to four years, respectively, after they are filed.

NOTE 3 – CASH AND CASH EQUIVALENTS

The cash balances as of December 31, 2021, consisted of the following:

Wells Fargo - Checking	\$ 2,046,777
Wells Fargo - Saving	715,506
Beijing Bank Account	187,508
Undeposited Funds	14,500
Money Market Accounts	<u>100,624</u>
Total Cash and Cash Equivalents	<u>\$ 3,064,915</u>

NOTE 4 – INVESTMENTS

Investments are carried at fair value as follows on December 31, 2021:

Mutual Funds	\$ <u>2,329,742</u>
Total Investments	<u>\$ 2,329,742</u>

NOTE 5 – CASH VALUE OF LIFE INSURANCE POLICY

The Foundation received a donation from one of its board members for a life insurance policy with the Foundation being the owner and beneficiary of the policy and the donor being the insured. The face value of the policy is \$240,615 with a cash value of \$51,772 as of December 31, 2021.

SHIN SHIN EDUCATIONAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 6 – FAIR VALUE MEASUREMENTS

The fair value of investments is measured according to the Fair Value Measurements and Disclosures (Topic 820) of the FASB Accounting Standards Codification. There are three levels within the fair value hierarchy of fair value measurement:

Level 1 - Quoted price in active markets for identical assets or liabilities.

Level 2 - Significant observable inputs other than quoted price for the assets or liabilities, including quoted price in active markets for similar assets or liabilities; or quoted price of identical assets or liabilities in less-active markets.

Level 3 - Significant unobservable inputs.

The following is a description of the valuation methodology used for assets measured at fair value.

Mutual Funds – These investments are valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and transaction prices. The mutual funds held by the Foundation are deemed to be actively traded and are classified within Level 1 of the valuation hierarchy.

NOTE 7 - ACCRUED EXPENSES

Accrued expenses consisted of the following as of December 31, 2021:

Auditing fees	\$ 11,000
School General Follow-Up Expense	<u>3,730</u>
Total Accrued Expenses	<u>\$ 14,730</u>

NOTE 8 – NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction contain donor-imposed restrictions that expire upon the passage of time or once specific actions are undertaken by the Foundation. The net assets are then released and reclassified to net assets without donor restrictions when these restrictions are satisfied.

SHIN SHIN EDUCATIONAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Net assets with donor restrictions consist of the following as of December 31, 2021:

School Construction Fund	\$ 530,205
School Related General Fund	<u>2,415,491</u>
Total Net Assets with Donor Restrictions	<u>\$ 2,945,696</u>

NOTE 9 – BOARD - DESIGNATED NET ASSETS

Board-designated net assets are endowment funds without donor restrictions that are subject to self-imposed limits by action of the governing board. The Foundation established the Board-Designated endowment funds to support the mission of the Foundation for current and future use. The funds shall be used to support the annual board approved education related programs.

The Foundation has an investment policy specific to its endowment investments, which is monitored by the Board of Directors. The investment policy describes the objective for the fund and sets ranges for asset allocation. The objective of the endowment investments is to earn the highest possible total return consistent with a level of risk suitable for these assets. At a minimum, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the endowment investment assets, to provide necessary capital to fund the spending policy, and to cover the costs of managing the endowment investment assets. The portfolio is constructed using a total return approach with a significant portion of the funds invested to seek growth of principal over time. The assets are invested for the long-term, and higher short-term volatility in these assets is to be expected and accepted. The guideline of investment returns is 5.5% net of fees per annum which is subject to annual Board of Directors' review and approval.

The guideline of withdrawing policy is 4% per year which is subject to annual board of director's review and approval. The withdrawal amount cannot exceed the income allocation projection each year.

The following is a summary of the asset allocation guidelines, with allowable ranges and Board preferred allocation for each asset type:

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Preferred</u>
Cash	0%	15%	8%
Fixed Income	20%	50%	35%
Equities	35%	75%	57%

SHIN SHIN EDUCATIONAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Changes in the endowment's net assets are as follows for the year ended December 31, 2021:

	Without Donor Restrictions
Endowment net assets at December 31, 2020	\$ 2,009,841
Donations Received	282,804
Interest and dividend income - net	42,206
Realized gain on investments - net	140,413
Unrealized loss on investments – net	<u>(44,899)</u>
Endowment net assets at December 31, 2021	<u>\$ 2,430,365</u>

NOTE 10 - FUNDRAISING

The Foundation held a number of fundraising events, resulting in total revenue generated of \$156,782 and direct fundraising expense of \$400 during the year ended December 31, 2021.

NOTE 11 - SUBSEQUENT EVENT

The Foundation has evaluated subsequent events through May 12, 2022, the date which the financial statements were available to be issued.

Since the U.S. is progressing to a post-pandemic stage, SSEF is expecting increase in future contributions and program expenses as more events will be held in 2022 compared to 2021. The board of directors of SSEF is planning a golf tournament to outreach more supporters from different communities, and this will most likely affect the financial statements with higher revenue and higher expenditures.