

SHIN SHIN EDUCATIONAL FOUNDATION

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED DECEMBER 31, 2022

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SHIN SHIN EDUCATIONAL FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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C. G. UHLENBERG LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Shin Shin Educational Foundation

Opinion

We have audited the accompanying financial statements of Shin Shin Educational Foundation (The Foundation), which comprise the statements of financial position as of December 31, 2022, and the related statements of activities, and cash flows for the year then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Shin Shin Educational Foundation as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Foundation's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that

includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

C. G. Uhlenberg LLP

Fremont, California

August 8, 2023

SHIN SHIN EDUCATIONAL FOUNDATION

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS	
	Total
Current Assets:	
Cash and cash equivalents	\$ 3,118,066
Short term investments	2,678,557
Other investment	52,940
TOTAL ASSETS	\$ 5,849,563
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accrued expenses	\$ 11,000
TOTAL LIABILITIES	11,000
Net Assets:	
Without donor restrictions	1,990,389
With donor restrictions	3,848,174
TOTAL NET ASSETS	5,838,563
TOTAL LIABILITIES AND NET ASSETS	\$ 5,849,563

The accompanying notes are an integral part of this statement.

SHIN SHIN EDUCATIONAL FOUNDATION

STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Contributions	\$ 19,432	\$ 1,369,942	\$ 1,389,374
Realized gain on investments, net	23,858	-	23,858
Unrealized loss on investments, net	(438,429)	-	(438,429)
Interest and dividends, net	37,644	-	37,644
Net assets released resulting from satisfaction of donor and program restrictions	467,463	(467,463)	-
Total Revenues and Support	109,968	902,479	1,012,447
EXPENSES			
Program services	467,463	-	467,463
Management and general	126,361	-	126,361
Fundraising	11,758	-	11,758
Total Expenses	605,582	-	605,582
INCREASE (DECREASE) IN NET ASSETS	(495,614)	902,479	406,865
NET ASSETS - BEGINNING OF YEAR	2,486,003	2,945,695	5,431,698
NET ASSETS - END OF YEAR	<u>\$ 1,990,389</u>	<u>\$ 3,848,174</u>	<u>\$ 5,838,563</u>

The accompanying notes are an integral part of this statement.

SHIN SHIN EDUCATIONAL FOUNDATION

STATEMENT OF CASH FLOWS
FOR THR YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 406,865
Adjustments to reconcile increase in net asset to net cash (used for) provided by operating activities:	
Unrealized loss on investments	438,429
Realized gain on investments	(23,858)
Changes in assets and liabilities:	
Increase in other investment	(1,168)
Decrease in accrued expenses	(3,730)
	<hr/>
Net cash provided by operating activities	<hr/> 816,538 <hr/>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of short term investments	(1,041,443)
Proceeds from sale of mutual funds	278,056
	<hr/>
Net cash used for investing activities	<hr/> (763,387) <hr/>

Net Increase in Cash and Cash Equivalents	53,151
Cash and Cash Equivalents - Beginning of Year	<hr/> 3,064,915 <hr/>
Cash and Cash Equivalents - End of Year	<hr/> \$ 3,118,066 <hr/>

The accompanying notes are an integral part of this statement.

SHIN SHIN EDUCATIONAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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 areas 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 environments. The Foundation provides resources to schools in China to expand and enhance teacher training, library 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 the quality of education.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The 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). The Financial Accounting Standards Board (FASB) has established the Accounting Standards Codification (ASC) as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with GAAP. The financial statements 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.

SHIN SHIN EDUCATIONAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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.
- 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, 2022.

Recent Accounting Pronouncements

In September 2020, The FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU changes the presentation and disclosure requirements for not-for-profit entities to increase transparency about contributed nonfinancial assets. The foundation adopted ASU 2020-07 on January 1, 2022, which, had no impact on the financial statements.

In February 2016, the FASB issued Accounting Standards Update No. (ASU) 2016-02, *Leases (Topic 842)*. This ASU requires lessees to recognize assets and liabilities on the balance sheet for leases with lease terms greater than 12 months. The recognition, measurement, and presentation of expenses and cash flows from a lease by a lessee primarily depend on its classification as a finance or an operating lease. ASU 2016-02 requires additional disclosures on the amount, timing, and uncertainty of cash flows arising from leases. The Foundation adopted ASU 2016-02 on January 1, 2022, which had no impact on the financial statements.

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.

Short-Term Investments

Short-term investments held by the Foundation include mutual funds with maturities of one year or less. Short-term investments in mutual funds are stated at fair values, determined based on quoted market prices as of the balance sheet date. Unrealized gains and losses resulting from market fluctuations are recognized in the period such fluctuations occur. For the purpose of

SHIN SHIN EDUCATIONAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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.

Interest and dividends are recognized when earned.

Endowment

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 a 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.

Support

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 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.

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, 2022, totaled approximately 12,732 hours, which was valued at the California minimum wage rate, at approximately \$190,980. However, since these services do not require specialized skills and did not

SHIN SHIN EDUCATIONAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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 that 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 and investments. As a matter of policy, The Foundation only maintains cash balances with financial institutions having a high credit quality. Concentration of credit risk for investments is mitigated by both the distribution of investment funds among asset managers and the overall diversification of managed investment portfolios.

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.

SHIN SHIN EDUCATIONAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 3 – CASH AND CASH EQUIVALENTS

The cash balances as of December 31, 2022, consisted of the following:

Wells Fargo - Checking	\$ 1,681,819
Wells Fargo - Saving	745,702
Morgan Stanley - Money Market	108,875
Merrill - Cash	88,177
Merrill - Certificate of Deposit	246,904
Beijing Bank Account	227,189
Paypal Account	<u>19,400</u>
Total Cash and Cash Equivalents	<u>\$ 3,118,066</u>

NOTE 4 – SHORT-TERM INVESTMENTS

Short-term investments are carried at fair value as follows on December 31, 2022:

Certificate of Deposit	
with maturities greater than 3 months	\$ 732,757
Mutual Funds	<u>1,945,800</u>
Total Short Investments	<u>\$ 2,678,557</u>

The primary investment objectives of short-term investments are liquidity and preservation of principal, with a secondary objective of earning a competitive market rate of return.

NOTE 5 – OTHER INVESTMENT

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 \$238,445 with a cash value of \$52,940 as of December 31, 2022.

NOTE 6 – FAIR VALUE MEASUREMENTS

The fair value of investments is measured according to the *Fair Value Measurements* (ASC 820) of the FASB Accounting Standards Codification. ASC 820 establishes a fair value hierarchy that distinguishes between market participant assumptions developed based on market data obtained from sources independent of the reporting entity, observable inputs, and the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances and unobservable inputs. The fair value hierarchy gives the

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3):

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, 2022:

Auditing fees	\$ 11,000
Total Accrued Expenses	\$ 11,000

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.

Net assets with donor restrictions consist of the following as of December 31, 2022:

School Construction Fund	\$ 527,201
School Related General Fund	<u>3,320,973</u>
Total Net Assets with Donor Restrictions	\$ <u>3,848,174</u>

SHIN SHIN EDUCATIONAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 9 - BOARD - DESIGNATED ENDOWMENT FUNDS

Board-designated endowment funds are endowment funds without donor restrictions that are subject to self-imposed limits by the 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 endowment assets 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, provide necessary capital to fund the spending policy, and 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 for withdrawing policy is 4% per year which is subject to the annual board of directors' 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%

Changes in the endowment's net assets are as follows for the year ended December 31, 2022:

	<u>Total</u>
Endowment net assets on December 31, 2021	\$ 2,430,365
Investment return:	
Net investment income	83,565
Net depreciation (realized and unrealized)	(439,607)
Total investment return	\$ 2,074,323
Grant distributions and expenses	(19,649)
Endowment net assets on December 31, 2022	<u>\$ 2,054,674</u>

SHIN SHIN EDUCATIONAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 10 - FUNDRAISING

The Foundation held a number of fundraising events, resulting in total revenue generated of \$194,319 and direct fundraising expenses of \$11,758 during the year ended December 31, 2022.

NOTE 11 – FUNCTIONAL ALLOCATION OF EXPENSES

The following tables represent expenses by both their nature and function for the year ended December 31, 2022:

	Program Services		Supporting Activities		Totals
	School related excluding construction	School Construction	Management and General	Fundraising	
Educational programs in schools	\$ 334,699	\$ -	\$ -	\$ -	\$ 334,699
School construction projects	-	132,764	-	-	132,764
Salaries and wages	-	-	55,019	-	55,019
Promotion	-	-	200	-	200
Professional services	-	-	21,709	-	21,709
Insurance	-	-	2,907	-	2,907
Volunteer costs	-	-	792	-	792
Annual event expense	-	-	-	11,758	11,758
Bank service charges	-	-	1,651	-	1,651
Office expenses	-	-	8,419	-	8,419
Foreign exchange gain	-	-	35,136	-	35,136
Other	-	-	528	-	528
Total	<u>\$ 334,699</u>	<u>\$ 132,764</u>	<u>\$ 126,361</u>	<u>\$ 11,758</u>	<u>\$ 605,582</u>

The financial statements report expenses that are attributed to more than one program or supporting activities. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Certain expenses, are allocated on a reasonable basis.

NOTE 12 - SUBSEQUENT EVENT

In preparing these financial statements, The Foundation evaluated subsequent events through the time the financial statements were available to be issued on August 8, 2023, in compliance with applicable accounting standards. All material subsequent events have been either recognized in the financial statements or disclosed in the notes to the financial statements.