

**SHIN SHIN EDUCATIONAL FOUNDATION**

FINANCIAL STATEMENTS AS OF  
DECEMBER 31, 2009

(WITH SUMMARIZED FINANCIAL INFORMATION  
AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2008)

TOGETHER WITH  
INDEPENDENT AUDITORS' REPORT

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Shin Shin Educational Foundation:

We have audited the accompanying statement of financial position of Shin Shin Educational Foundation as of December 31, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Shin Shin Educational Foundation's 2008 financial statements and, in our report dated May 12, 2009, we expressed an unqualified opinion on these financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Louie + Wong LLP

San Francisco, California  
June 30, 2010

**SHIN SHIN EDUCATIONAL FOUNDATION**

**STATEMENT OF FINANCIAL POSITION -- DECEMBER 31, 2009**

**(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2008)**

**ASSETS**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>	
				<u>2009</u>	<u>2008</u>
<b>CURRENT ASSETS:</b>					
Cash	\$ 129,043	\$ 672,225	\$ -	\$ 801,268	\$ 143,946
Short-term investments	-	199,987	-	199,987	1,152,326
Contributions receivable	73,000	-	-	73,000	161,100
Interest receivable	68	-	-	68	5,352
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	<u>\$ 202,111</u>	<u>\$ 872,212</u>	<u>\$ -</u>	<u>\$ 1,074,323</u>	<u>\$ 1,462,724</u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES:</b>					
Accrued liabilities	\$ 8,000	\$ -	\$ -	\$ 8,000	\$ 7,500
 <b>COMMITMENTS AND CONTINGENCIES</b>					
 <b>NET ASSETS</b>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	194,111	872,212	-	1,066,323	1,455,224
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	<u>\$ 202,111</u>	<u>\$ 872,212</u>	<u>\$ -</u>	<u>\$ 1,074,323</u>	<u>\$ 1,462,724</u>

The accompanying independent auditors' report and notes to financial statements  
should be read in conjunction with this statement.

**SHIN SHIN EDUCATIONAL FOUNDATION**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED DECEMBER 31, 2009**

**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2008)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>	
				<u>2009</u>	<u>2008</u>
<b>SUPPORT AND REVENUES:</b>					
Support -					
Individuals and foundations	\$ 73,000	\$ 248,395	\$ -	\$ 321,395	\$ 928,323
Donated materials and services	-	-	-	-	-
Total support	<u>73,000</u>	<u>248,395</u>	<u>-</u>	<u>321,395</u>	<u>928,323</u>
Revenues -					
Interest	6,873	-	-	6,873	28,485
Dividends	1,008	-	-	1,008	14,629
Total revenues	<u>7,881</u>	<u>-</u>	<u>-</u>	<u>7,881</u>	<u>43,114</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS:</b>					
Satisfaction of program restrictions	597,789	(597,789)	-	-	-
Total support and revenues	<u>678,670</u>	<u>(349,394)</u>	<u>-</u>	<u>329,276</u>	<u>971,437</u>
<b>EXPENSES:</b>					
Program services	704,699	-	-	704,699	714,174
Supporting services	13,478	-	-	13,478	16,506
Total expenses	<u>718,177</u>	<u>-</u>	<u>-</u>	<u>718,177</u>	<u>730,680</u>
<b>CHANGE IN NET ASSETS</b>	(39,507)	(349,394)	-	(388,901)	240,757
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>233,618</u>	<u>1,221,606</u>	<u>-</u>	<u>1,455,224</u>	<u>1,214,467</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 194,111</u>	<u>\$ 872,212</u>	<u>\$ -</u>	<u>\$ 1,066,323</u>	<u>\$ 1,455,224</u>

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**SHIN SHIN EDUCATIONAL FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED DECEMBER 31, 2009**

**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2008)**

	Program Services	Supporting Services	Totals	
			2009	2008
School follow-up	\$ 310,802	\$ -	\$ 310,802	\$ 441,993
Earthquake rebuilding	212,087	-	212,087	-
School projects and development	180,000	-	180,000	270,000
Professional services	-	8,538	8,538	15,013
Printing and copying	-	3,550	3,550	1,088
Promotion	1,810	-	1,810	1,178
Postage and delivery	-	546	546	1,147
Office supplies	-	386	386	89
Other	-	458	458	172
	<u>\$ 704,699</u>	<u>\$ 13,478</u>	<u>\$ 718,177</u>	<u>\$ 730,680</u>

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**SHIN SHIN EDUCATIONAL FOUNDATION**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2009**

**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2008)**

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (388,901)	\$ 240,757
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Changes in assets and liabilities -		
Contributions receivable	88,100	(105,100)
Interest receivable	5,284	(4,803)
Accrued liabilities	500	500
Total adjustments	<u>93,884</u>	<u>(109,403)</u>
Net cash provided by (used in) operating activities	<u>(295,017)</u>	<u>131,354</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of short-term investments	952,339	-
Purchase of short-term investments	<u>-</u>	<u>(377,326)</u>
Net cash provided by (used in) investing activities	<u>952,339</u>	<u>(377,326)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	657,322	(245,972)
<b>CASH - BEGINNING OF YEAR</b>	<u>143,946</u>	<u>389,918</u>
<b>CASH - END OF YEAR</b>	<u>\$ 801,268</u>	<u>\$ 143,946</u>

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should be read in conjunction with this statement.

**SHIN SHIN EDUCATIONAL FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2009**

**1. Summary of Significant Accounting Policies**

**General** -- Shin Shin Educational Foundation (the Foundation) is a California not-for-profit organization, formed for the purpose of promoting education for poor and isolated areas in the People's Republic of China through rebuilding of used educational facilities, developing positive studying for children, and fulfilling basic civic duties through constructing libraries and purchasing books.

**Basis of Accounting** -- The financial statements of the Foundation are prepared on the accrual basis of accounting.

**Basis of Presentation** -- The Financial Accounting Standards Board (FASB) is the authoritative body for financial accounting and reporting in the United States. Effective for periods ending after September 15, 2009, the FASB Accounting Standards Codification becomes the single official source of authoritative accounting principles generally accepted in the United States for non-governmental entities. The Foundation has applied this guidance in the preparation of the Foundation's financial statements as of December 31, 2009.

**Short-Term Investments** -- Short-term investments represent investments in certificates of deposits with original maturities of three months or more from dates of acquisition, but not more than one year. These investments are carried at maturity value, which approximate market value.



**Support** -- Unconditional contributions are recognized as support when received and are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "Net assets released from restrictions."

**Revenues** -- Interest and dividends are recognized when earned.

**Donated Services** -- Donated services are recognized if the services received (a) create or enhance non-financial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. There were no donated services for the year ended December 31, 2009.

In addition, the volunteer service hours provided during the year ended December 31, 2009, totaled approximately 15,950 hours, which was valued at the California minimum wage rate, at approximately \$127,600. 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.

**Allocation of Functional Expenses** -- The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated, based on management's best estimates, among the programs and other activities benefited.

**Fair Value of Financial Instruments** -- Financial instruments include contributions receivable and accrued liabilities. The carrying value of contribution receivables and accrued liabilities approximates fair value due to the short-term nature of these balances.

**Income Tax Status** -- The Foundation has been granted tax-exempt status by the Internal Revenue Service under Section 501(c)(3) and by the California Franchise Tax Board under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income tax has been made in the accompanying financial statements.

**Concentration of Credit Risk** -- Financial instruments, which potentially subject the Foundation to concentrations of credit risk, consist principally of short-term investments greater than \$250,000 with each financial institution. The Foundation periodically reviews its cash or investment policies and believes that any potential accounting loss is minimal.

**Estimates Included in the Financial Statements** -- 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 amounts of revenues and expenses during the reporting period. These estimates are based on historical experience and information that is available to management about current events and actions the Foundation may take in the future. Actual results could differ from those estimates.

**Comparative Financial Statements** -- The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2008, from which the summarized information was derived.

**Subsequent Events** -- The Foundation has evaluated subsequent events through June 30, 2010, the date the financial statements were available to be issued.

**New Accounting Pronouncement** -- In January, 2010, the Financial Accounting Standards Board (FASB) issued authoritative guidance intended to improve disclosures about fair value measurements. The guidance requires entities to disclose significant transfers in and out of fair value hierarchy levels and the reasons for the transfers and to present information about purchases, sales, issuances and settlements separately in the reconciliation of fair value measurements using significant unobservable inputs, Level 3. Additionally, the guidance clarifies that a reporting entity should provide fair value measurements for each class of assets and liabilities and disclose the inputs and valuation techniques used for fair value measurements using significant other observable inputs, Level 2, and significant unobservable inputs, Level 3. This guidance is effective for interim and annual periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the Level 3 reconciliation, which will be effective for interim and annual periods beginning after December 15, 2010. As this guidance provides only disclosure requirements, the adoption of this guidance will not impact the Foundation's statement of financial position or statement of activities.

**2. Description of Net Assets**

**Unrestricted Fund** -- This is used to account for unrestricted public support and other unrestricted income and expenses.

**Temporarily Restricted Fund** -- This is used to account for contributions that are temporarily restricted for a specific purpose by the donor or are available for use in a later period.

The temporarily restricted net assets consist of the following as of December 31, 2009:

School construction fund	\$	170,000
Follow-up fund		544,724
Earthquake fund		<u>157,488</u>
	\$	<u>872,212</u>

**Permanently Restricted** -- This is used to account for contributions that are permanently restricted by the donor. The Foundation had no permanently restricted net assets as of December 31, 2009.

**3. Fair Value Measurements**

The pronouncement on Fair Value Measurement and Disclosures establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 – Inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are

observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy. There has been no change in the methodology used at December 31, 2009.

**Certificates of Deposits** -- Are carried at maturity value which approximates market value. These are classified within Level 1 of the valuation hierarchy.

Assets measured at fair value as of December 31, 2009 and 2008, are as follows:

	2009			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposits	<u>\$ 199,987</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 199,987</u>
	2008			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposits	<u>\$ 1,152,326</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,152,326</u>

**4. Contributions Receivable**

The guidance on Not-for-Profit Entities, provides that a contribution receivable should be recognized when an unconditional promise to give is made by a 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 promises are received.

There were no contributions receivable as of December 31, 2009.