

SHIN SHIN EDUCATIONAL FOUNDATION

FINANCIAL STATEMENTS AS OF
DECEMBER 31, 2008

(WITH SUMMARIZED FINANCIAL INFORMATION
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2007)

TOGETHER WITH
INDEPENDENT AUDITORS' REPORT



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 (the Foundation) as of December 31, 2008, 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 2007 financial statements and, in our report dated May 8, 2008, 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, 2008, 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

May 12, 2009

SHIN SHIN EDUCATIONAL FOUNDATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2008

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2007)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>	
				<u>2008</u>	<u>2007</u>
SUPPORT AND REVENUES:					
Support -					
Individuals and foundations	\$ 102,047	\$ 826,276	\$ -	\$ 928,323	\$ 861,648
Revenues -					
Interest	28,485	-	-	28,485	31,261
Dividends	14,629	-	-	14,629	19,760
Total revenues	<u>43,114</u>	<u>-</u>	<u>-</u>	<u>43,114</u>	<u>51,021</u>
NET ASSETS RELEASED FROM RESTRICTIONS:					
Satisfaction of program restrictions	711,993	(711,993)	-	-	-
Total support and revenues	<u>857,154</u>	<u>114,283</u>	<u>-</u>	<u>971,437</u>	<u>912,669</u>
EXPENSES:					
Program services	714,174	-	-	714,174	581,567
Supporting services	16,506	-	-	16,506	28,473
Total expenses	<u>730,680</u>	<u>-</u>	<u>-</u>	<u>730,680</u>	<u>610,040</u>
CHANGE IN NET ASSETS	126,474	114,283	-	240,757	302,629
NET ASSETS - BEGINNING OF YEAR	<u>107,144</u>	<u>1,107,323</u>	<u>-</u>	<u>1,214,467</u>	<u>911,838</u>
NET ASSETS - END OF YEAR	<u>\$ 233,618</u>	<u>\$ 1,221,606</u>	<u>\$ -</u>	<u>\$ 1,455,224</u>	<u>\$ 1,214,467</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 FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2008

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2007)

	Program Services	Supporting Services	Totals	
			2008	2007
School follow-up	\$ 441,993	\$ -	\$ 441,993	\$ 353,609
School projects and development	270,000	-	270,000	210,000
Professional services	-	15,013	15,013	26,102
Promotion	1,060	118	1,178	16,896
Postage and delivery	1,032	115	1,147	1,171
Printing and copying	-	1,088	1,088	268
Office supplies	89	-	89	1,887
Other	-	172	172	107
	<u>\$ 714,174</u>	<u>\$ 16,506</u>	<u>\$ 730,680</u>	<u>\$ 610,040</u>

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should be read in conjunction with this statement.

SHIN SHIN EDUCATIONAL FOUNDATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2008

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2007)

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 240,757	\$ 302,629
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Changes in assets and liabilities -		
Contributions receivable	(105,100)	132,000
Other	(4,803)	335
Accrued liabilities	500	(11,500)
Total adjustments	<u>(109,403)</u>	<u>120,835</u>
Net cash provided by operating activities	<u>131,354</u>	<u>423,464</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from short-term investments	-	375,000
Purchase of short-term investments	<u>(377,326)</u>	<u>(1,025,000)</u>
Net cash used in investing activities	<u>(377,326)</u>	<u>(650,000)</u>
 NET DECREASE IN CASH	(245,972)	(226,536)
 CASH - BEGINNING OF YEAR	<u>389,918</u>	<u>616,454</u>
 CASH - END OF YEAR	<u>\$ 143,946</u>	<u>\$ 389,918</u>

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SHIN SHIN EDUCATIONAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

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.

Short-Term Investments -- Short-term investments represent investments in money market funds with original maturities of three months or more from dates of acquisition, but not more than one year. These investments are carried at cost, 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, 2008.

In addition, the volunteer service hours provided during the year ended December 31, 2008 totaled approximately 16,950 hours, which was valued at the California minimum wage rate, at approximately \$169,500. However, since these services do not require specialized skills and did not meet the recognition criteria set forth under the Statement of Financial Accounting Standards No. 116 - Accounting for Contributions Received and Contributions Made, they 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 contribution receivables 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, 2007 from which the summarized information was derived.

2. Fair Value Measurements

In September, 2006, the Financial Accounting Standards Board (FASB) issued Statements of Financial Accounting Standards (SFAS) No. 157 - Fair Value Measurement which is effective for fiscal years beginning after November 15, 2007. SFAS No. 157, defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about

fair value measurements. The Foundation adopted the provisions of SFAS No. 157 on January 1, 2008.

SFAS No. 157 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.

Short-Term Investments -- are valued at the closing price reported on the active market on which the individual securities are traded.

Asset measured at fair value on a recurring basis were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Short-term investment	\$ 1,152,326	-	-	\$ 1,152,326
Asset at fair value	<u>\$ 1,152,326</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,152,326</u>

3. Description of Net Assets

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

Temporarily Restricted -- 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, 2008:

School construction fund	\$	293,500
Follow-up fund		574,892
Earthquake fund		<u>353,214</u>
	\$	<u>1,221,606</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, 2008.

4. Contributions Receivable

Statement of Financial Accounting Standards (SFAS) No. 116 - Accounting for Contributions Received and Contributions Made, 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.

The contributions receivable were \$161,100 as of December 31, 2008. There were no contributions receivable that extend beyond one year as of December 31, 2008.