

EAST-WEST HEALING ARTS INSTITUTE, INC

AUDITED FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

EAST-WEST HEALING ARTS INSTITUTE, INC

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1 - 2
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS	3
FINANCIAL STATEMENTS	
Balance Sheet Statement	4
Statement of Profit and Loss	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 16

The accompanying notes are an integral part of these financial statements.

INDEPENDENT AUDITORS REPORT

June 28, 2023

Board of Directors
East-West Healing Arts Institute, Inc.
Madison, WI

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of East-West Healing Arts Institute, which comprise the balance sheet as of December 31, 2022 and 2021, and the related statements of income, changes in stockholder's equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of East-West Healing Arts Institute as of December 31, 2022 and 2021, and the results of its operations 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) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. 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 East-West Healing Arts Institute, 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 East-West Healing Arts Institute'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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 East-West Healing Arts Institute'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 East-West Healing Arts Institute'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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Financial Responsibility Supplemental Schedule, as required by 34 C.F.R. Section 668.172 and 34 C.F.R. Appendix A to Subpart L of Part 668, is presented for purposes of additional analysis and is not a required part of the financial statements. The Financial Responsibility Supplemental Schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Financial Responsibility Supplemental Schedule is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2023 on our consideration of East-West Healing Arts Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the East-West Healing Arts Institute's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East-West Healing Arts Institute's internal control over financial reporting and compliance.

Exact Accounting & Financial Services LLC
Madison, Wisconsin - June 28, 2023

The accompanying notes are an integral part of these financial statements.

Independent Auditor's Report

To Board of Directors
East-West Healing Arts Institute

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of East-West Healing Arts Institute, which comprise the balance sheet as of December 31, 2022 and 2021 and the related statements of income, changes in stockholder's equity, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 28, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered East-West Healing Arts Institute's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of East-West Healing Arts Institute's internal control.

Accordingly, we do not express an opinion on the effectiveness of East-West Healing Arts Institute's internal control. A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether East-West Healing Arts Institute's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. Such tests included compliance tests as set forth in the 2016 edition of the *Guide For Audits of Proprietary Schools and For Compliance Attestation Engagements of Third-Party Servicers Administering Title IV Programs*, issued by the U.S. Department of Education, Office of Inspector General (the Guide) including those relating to related parties and percentage of revenue derived from Title IV programs. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the Guide.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Exact Accounting & Financial Services LLC
Madison, Wisconsin
June 28, 2023

EAST-WEST HEALING ARTS INSTITUTE, INC.
BALANCE SHEET
FOR THE YEARS ENDED DECEMBER 31

	2022	2021
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,052,272	\$ 954,838
Accounts Receivable	137,842	192,307
Allowance for Doubtful Accounts	(32,406)	(19,919)
Net Accounts Receivable	105,435	172,387
Total current assets	1,157,708	1,127,225
PROPERTY AND EQUIPMENT:		
Automobile	27,518	27,518
Furniture & Fixture	17,316	17,316
Property: Facility Updates	13,613	-
	58,447	44,834
Accumulated depreciation	(44,834)	(44,834)
Total property and equipment, net	13,613	-
OTHER ASSETS:		
Refundable Taxes	-	9,538
Inventory asset	790	743
Interest Receivable - related party	2,039	2,039
Loan to shareholder	-	-
Loan to related party	201,240	207,573
Prepays	166	166
Total other assets	204,235	220,059
Total assets	1,375,556	1,347,284
LIABILITIES AND OWNER'S EQUITY		
CURRENT LIABILITIES:		
Accounts payable	4,122	1,503
Unearned tuition and fees	276,096	278,642
Accrued Expenses	123	5,029
Loan from related party	-	632
Accrued Payroll and Taxes Payable	21,486	2,784
Total current liabilities	301,827	288,591
LONG TERM LIABILITIES		
Economic assistance loans	-	58,895
Total liabilities	301,827	347,486
OWNER'S EQUITY		
Capital stock	1,000	1,000
Retained earnings	1,072,728	998,798
Total owner's equity	1,073,728	999,798
Total liabilities and owner's equity	\$ 1,375,556	\$ 1,347,284

The accompanying notes are an integral part of these financial statements.

EAST-WEST HEALING ARTS INSTITUTE, INC.
STATEMENT OF PROFIT AND LOSS
FOR THE YEARS ENDED DECEMBER 31

	2022	2021
REVENUE:		
Tuition and fees	\$ 313,796	\$ 277,898
Student clinic	80,594	41,904
Sales income	32,604	33,150
Other income	-	12,000
Interest income	-	-
TOTAL INCOME	426,994	364,952
COST OF GOODS SOLD:		
Cost of sales	27,908	30,462
GROSS PROFIT	399,086	334,489
OPERATING EXPENSES:		
Rent expense	120,000	120,000
Salaries & wages	139,717	128,574
Teaching charge	54,287	51,547
Advertising and promotions	610	500
Taxes and Licenses	219	447
Legal and professional expenses	3,281	11,865
Accrediting expenses	31,261	9,145
Repairs & maintenance	1,953	789
Office expenses	10,563	10,427
Payroll tax	10,740	9,096
Telephone	3,058	2,434
Bad Debt Expense	4,732	3,407
Bank charges & interests	1,220	1,391
Insurance	549	350
Guest Lecture	950	860
Total expenses	383,139	350,834
Other Income/(Expense)		
Interest Income	5,200	2,859
Economic Assistance (PPP) Loan Forgiveness	58,895	-
Total other income	64,095	2,859
Earnings Before Income Taxes	80,042	(13,486)
Income Tax Benefit/(Expense)	(6,111)	3,919
NET INCOME	\$ 73,931	\$ (9,567)

The accompanying notes are an integral part of these financial statements.

EAST-WEST HEALING ARTS INSTITUTE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

	2022	2021
Cash flows from operating activities:		
Net income/(loss)	\$ 73,931	\$ (9,567)
net cash from operating activities:		
Refundable and deferred income taxes		(5,145)
Accounts Receivable	54,465	(80,388)
Bad Debt Allowance	12,487	(2,465)
Inventory Asset	(47)	(41)
Other prepaids	-	-
Related party receivable/payable	5,700	(153,923)
Accounts payables	(2,288)	(15,390)
Unearned tuition and fees	(2,546)	81,892
Accrued Payroll and taxes	18,702	290
Accrued Expenses		(10,419)
Income tax receivable/payable	9,538	-
Net cash flows (used) provided by operating activities	169,943	(195,156)
Cash flows from investing activities:		
Fixed Asset Purchases	(13,613)	
Net cash flows (used) provided by investing activities		
Financing Activities		
Proceeds from Economic Assistance Loans	(58,895)	27,695
Net increase/(decrease) in cash	97,435	(167,461)
Cash, beginning of year	954,838	1,101,131
Restatement for beginning retained earnings		
Cash, end of year	1,052,272	\$ 954,838

The accompanying notes are an integral part of these financial statements.

EAST-WEST HEALING ARTS INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Nature of Operation

Organization

East-West Healing Arts Inc. (the Corporation) is a massage school whose mission is to train individuals in the Eastern and Western art of massage practice and have their graduates become massage therapists that will enhance the health of people in the overall community.

East-West is organized as a C corporation. Founders, stockholders and officers of the corporation are Dr. Xi Ping Zhou, and Li Ping Mu. There is a Board of Directors and is made up of medical professionals and educators within the Madison Community.

A summary of the corporation's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared in accordance with generally accepted accounting principles using the accrual basis of accounting. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Actual results could differ from those estimates.

Revenue Recognition

Revenue is recognized when the registration of class takes place. The tuition for courses taken by student is recorded as tuition. The Corporation also records fee income when there is nominal charge at registration.

Property and Equipment

Property and equipment are carried at cost. Depreciation is determined using straight-line methods over the estimated useful lives of the property.

Inventories

Inventories are valued at the lower of cost or net realized value, with cost determined on the first-in, first-out method.

Income Taxes

The Corporation pays income taxes at the corporate income tax rate.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Corporation considers bank accounts and short-term money market investments with remaining maturities of three months or less at the date of purchase to be cash equivalents. The balance as of December 31, 2022 and 2021 is \$1,052,272 and \$954,838.

The accompanying notes are an integral part of these financial statements.

EAST-WEST HEALING ARTS INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Sales Tax

Sales tax collected from customers is recorded as a liability, pending remittance to the taxing jurisdiction. Consequently, sales taxes have been excluded from revenues and costs. The sales tax reported and collected have been paid to the State of Wisconsin by 12/31/2022.

Fair Value of Financial Instruments

The Corporation's financial instruments include cash and cash equivalents, prepaid expenses, accounts payables, and deferred income. The carrying amounts of these items are a reasonable estimate of their fair values.

The Corporation measures fair value in accordance with Statement of Financial Accounting Standards No. 157, Fair Value Measurements, (FAS 157) which was subsequently included in the FASB Codification as ASC 820. ASC 820 which applies to all financial instruments that are being measured and reported on a fair value basis.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1- Inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities. Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2- Inputs other than quoted prices within Level 1 that are observable, either directly or indirectly. Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3- Inputs are unobservable. Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discontinued cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions.

The Corporation's financial assets measured at fair value on a recurring basis at December 31, 2021 and 2020 are classified within Level 1 of the fair value hierarchy.

NOTE 2- PROPERTY AND EQUIPMENT

Automobile, furniture and equipment are capitalized at cost. In general, the Corporation has capitalized new purchases over any amount over \$500.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets generally as follows:

Furniture and equipment	5 years
Automobile	5 years

As of December 31, 2022, total depreciation expense for the year is \$0.

The accompanying notes are an integral part of these financial statements.

EAST-WEST HEALING ARTS INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 3-RELATED PARTY TRANSACTIONS – Notes Receivables and Leases

Leases

East-West Healing Arts Institute, Inc. participates in the Student Financial Aid (SFA) under the Title IV programs administered by the U.S. Department of Education pursuant to the Higher Education Act of 1965, as amended (HEA). East-West Healing Arts Institute, Inc. must comply with the regulations promulgated under the HEA. Those regulations require that all related party transactions be disclosed, regardless of their materiality to the financial statements.

Rent Expense – Madison Campus, 6425 Normandy Lane and Milwaukee Campus. The building is owned by Zhou Enterprises, LLC. Members of Zhou Enterprise LLC are Xiping Zhou and LiPing Mu, husband and wife. East-West Healing Arts Institute, Inc. stockholders are Ziping Zhou and LiPing Mu, a closely held Corporation. Rent of \$120,000 was paid from East-West Healing Arts Institute, Inc. to Zhou Enterprises, LLC in 2022, and \$120,000 in 2021. East-West Healing Arts Institute, Inc. expects the rent expense to be same in the next 5 years with an adjustment for inflation. This information is required by the U.S. Department of Education and is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The owners of East West Healing Arts Institute acquired another school in Minneapolis, Minnesota called American Academy of Health and Wellness LLC (AAHW) that provided similar educational programs and also receives Title IV funds from the Department of Education. Part of the initial operating funds were provided from EWHA as an interest-bearing line of credit. This line of credit has a balance as of December 31, 2022 of \$201,240 and December 31, 2021 of \$207,573, and has accrued interest receivable of \$2,039. Management expects this loan to be repaid from operating income with no formal due date.

NOTE 4—ACCOUNTS RECEIVABLE

Accounts receivable of \$137,842 and \$192,307, as of December 31, 2022 and 2021, with an amount recognized for doubtful accounts in the amount of (\$32,406) and (\$19,919).

NOTE 5- CONCENTRATION OF RISK

The market is stable as more people become interested in Asian massage therapy. Management believes that the risk for operations of the Corporation is low at this moment. Plus, some insurance policies started covering medical massage charges. In 2014, East West Healing Arts began offering Financial Aid to students, as a result, the school has been able to provide financial aid which resulted in higher enrollment.

NOTE 6 – UNEARNED TUITION AND FEES

Unearned tuition and fees result from student prepayments of tuition, credential fee and graduation fees applicable to period covered beginning after the end of each fiscal year. The Corporation recognizes revenue over the period in which the related educational instructions are performed. As of December 31, 2022 and 2021, total unearned tuition is \$236,600 and \$239,125 unearned graduation fees and credential fees are \$39,496 and \$39,517.

NOTE 7 - ATTESTATION OF REVENUE SOURCES

East-West Healing Arts Institute, Inc derives a substantial portion of its revenues from financial aid received by its students under programs authorized by Title IV of the HEA, which are administered by the U.S. Department of Education. To continue to participate in the programs, the Company must comply with the regulations promulgated under the HEA. The regulations restrict the proportion of cash receipts for tuition, fees, and other institutional charges from eligible programs to not be more than 90% from Title IV programs. The failure of the Company to meet the 90% limitation for two consecutive years will result in the loss of the Company's ability to participate in Title IV programs. If a school receives more than 90% of its revenue from Title IV programs during its fiscal year, the school becomes provisionally certified for the next two fiscal years.

For the fiscal year ended December 31, 2021, the Company's cash basis calculation is:

Adjusted Student Title IV Revenue

Subsidized loans	\$ 57,752
Unsubsidized loans	104,305
Federal Pell grants	56,586
FSEOG (subject to matching reduction)	<u>0</u>

The accompanying notes are an integral part of these financial statements.

EAST-WEST HEALING ARTS INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 7 - ATTESTATION OF REVENUE SOURCES (CONT.)

Student Title IV Revenue	218,643
Revenue adjustment	0
Title IV funds returned for students under 34 C.F.R. §668.22	<u>0</u>
Adjusted Student Title IV Revenue	\$ 218,643
<u>Student Non-Title IV Revenue</u>	
Grant funds for the student from nonfederal public agencies or private sources independent of the school	0
Funds provided for the student under a contractual arrangement with federal, state, or local government agencies for the purpose of providing job training to low income individuals	0
Funds used by student from savings plans for educational expenses established by or on behalf of the student that qualify for special treatment under the Internal Revenue Code	0
School scholarships disbursed to the students	0
Student repayments on current charges	127,757
Student Non-Title IV Revenue	127,757
Revenue from Other Sources	
Activities conducted by the school that are necessary for education and training (34 C.F.R. §668.28(a)(3)(ii))	\$ 80,594
Funds paid by a student, or on behalf of a student by a party other than the school for an education or training program that is not eligible (34 C.F.R. §668.28(a)(3)(iii))	0
Allowable student payments plus allowable amounts from account receivable or institutional loan sales less any required payments under a recourse agreement	0
Revenue from Other Sources	<u>80,594</u>
Total Non-Title IV Revenue	<u>208,351</u>
Total Revenue	<u>426,994</u>
Numerator	218,643
Denominator	426,994
% of Title IV Funds	51.21%

NOTE 8 – SUBSEQUENT EVENTS

The management of the Corporation have reviewed the results of operations and evaluated subsequent events for the period of time from its year end December 31, 2022 through June 28, 2023, the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements, the nature of which would require disclosure in accordance to FASB ASC 855-10-20.

The accompanying notes are an integral part of these financial statements.

EAST-WEST HEALING ARTS INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 9 – FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE

The school is required to provide additional information to the Department of Education regarding various financial metrics that measure a composite score between -1.0 and 3.0. The school composite score for 2022 is 2.61 and is calculated based on the following factors:

BALANCE SHEET		STATEMENT OF INCOME	
		2022	2022
ASSETS			
CURRENT ASSETS:			
1	Cash and cash equivalents	\$ 1,052,272	
2	Accounts Receivable	137,842	
3	Allowance for Doubtful Accounts	<u>(32,406)</u>	
4	Net Accounts Receivable	105,435	
5	Total current assets	1,157,708	
PROPERTY AND EQUIPMENT:			
6	Automobile	27,518	
7	Furniture & Fixture	17,316	
	Property: Facility Updates	<u>13,613</u>	
8		58,447	
9	Accumulated depreciation	<u>(44,834)</u>	
10	Total property and equipment, net	13,613	
OTHER ASSETS:			
11	Refundable Taxes	-	
12	Inventory asset	790	
13	Interest Receivable - related party	2,039	
14	Loan to shareholder	-	
15	Loan to related party	201,240	
16	Prepays	<u>166</u>	
17	Total other assets	<u>204,235</u>	
18	Total assets	<u>1,375,556</u>	
LIABILITIES AND OWNER'S EQUITY			
CURRENT LIABILITIES:			
19	Accounts payable	4,122	
20	Unearned tuition and fees	276,096	
21	Accrued Expenses	123	
22	Loan from related party	-	
23	Accrued Payroll and Taxes Payable	<u>21,486</u>	
24	Total current liabilities	301,827	
LONG TERM LIABILITIES			
25	Economic assistance loans	<u>-</u>	
26	Total liabilities	<u>301,827</u>	
OWNER'S EQUITY			
27	Capital stock	1,000	
28	Retained earnings	<u>1,072,728</u>	
29	Total owner's equity	<u>1,073,728</u>	
30	Total liabilities and owner's equity	<u>\$ 1,375,556</u>	
	REVENUE:		
31	Tuition and fees	\$ 313,796	
32	Student clinic	80,594	
33	Sales income	32,604	
34	Other income	-	
35	Interest income	<u>-</u>	
36	TOTAL INCOME	426,994	
	COST OF GOODS SOLD:		
37	Cost of sales	<u>27,908</u>	
38	GROSS PROFIT	399,086	
	OPERATING EXPENSES:		
39	Rent expense	120,000	
40	Salaries & wages	139,717	
41	Teaching charge	54,287	
42	Advertising and promotions	610	
43	Taxes and Licenses	219	
44	Legal and professional expenses	3,281	
45	Accrediting expenses	31,261	
46	Repairs & maintenance	1,953	
47	Office expenses	10,563	
48	Payroll tax	10,740	
49	Telephone	3,058	
50	Bad Debt Expense	4,732	
51	Bank charges & interests	1,220	
52	Insurance	549	
53	Guest Lecture	<u>950</u>	
54	Total expenses	383,139	
	Other Income/(Expense)		
55	Interest Income	5,200	
56	Economic Assistance (PPP) Loan Forgiveness	<u>58,895</u>	
57	Total other income	64,095	
58	Earnings Before Income Taxes	<u>80,042</u>	
59	Income Tax Benefit/(Expense)	<u>(6,111)</u>	
60	NET INCOME	<u>\$ 73,931</u>	

The accompanying notes are an integral part of these financial statements.

EAST-WEST HEALING ARTS INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 9 – FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE (Cont.)

Lines	Primary Reserve Ratio:		
		Adjusted Equity:	
29	Balance Sheet - Total Owner's Equity	Total Equity	1,073,728
13, 15	Loan to shareholder, Loan to related party	Secure and Unsecured related party receivables and/or other related party assets	203,279
13, 15	Loan to shareholder, Loan to related party	Unsecured related party receivables and/or other related party assets	203,279
10	Balance Sheet - Total Property, Plant and Equipment, net	Property, plant and equipment, net - including construction in progress	13,613
		Property, plant and equipment, net - pre-implementation less any construction in progress	0
		Property, plant and equipment, net - post-implementation less any construction in progress with outstanding debt for original purchase with debt	0
		Property, plant and equipment, net - post-implementation less any construction in progress with outstanding debt for original purchase without debt	0
		Construction in progress	0
		Lease right-of use asset	0
		Lease right-of use asset - pre implementation	0
		Lease right-of use asset - post implementation	0
		Intangible asset	0
		Post-employment and defined pension plan liabilities	0
		Long-term debt - for long-term purposes and Construction in process debt	0
		Long-term debt - for long-term purposes pre-implementation	0
		Qualified Long-Term debt for long-term purposes post-implementation for purchase of Property, Plant and Equipment	0
		Line of Credit for Construction in process	0
		Lease right-of-use asset liability	0
		Pre-Implementation right-of-use leases	0
		Post-Implementation right-of-use leases	0
37, 54	Statement of Income - Cost of sales, Total Expenses	Total Expenses and Losses:	411,047

The accompanying notes are an integral part of these financial statements.

EAST-WEST HEALING ARTS INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 9 – FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE (Cont.)

		Equity Ratio:		
		Modified Equity:		
29	Balance Sheet - Total Owner's Equity	Total Equity		1,073,728
		Pre-Implementation right-of-use leases		0
		Lease right-of-use asset - pre-implementation		0
		Intangible assets	0	
13, 15	Loan to shareholder, Loan to related party	Secure and Unsecured related party receivables and/or other related party assets		203,279
13, 15	Loan to shareholder, Loan to related party	Unsecured related party receivables and/or other related party assets		
		Modified Assets:		
18	Balance Sheet - Total Assets	Total Assets		1,375,556
		Lease right-of-use asset - pre-implementation		0
		Intangible assets		0
13, 15	Loan to shareholder, Loan to related party	Secure and Unsecured related party receivables and/or other related party assets		203,279
13, 15	Loan to shareholder, Loan to related party	Unsecured related party receivables and/or other related party assets	0	

		Net Income Ratio:		
55	Statement of Income - Earnings before Income Taxes	Income Before Taxes		80,042
36	Statement of Income - Total Income	Total Revenue and Gains		432,194

The accompanying notes are an integral part of these financial statements.

EAST-WEST HEALING ARTS INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 9 – FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE (Cont.)

Lines

*Primary Reserve Ratio = Adjusted Equity	29-13-15-10	870,449	
/Total Expenses and Losses	37+54	411,047	2.1176
*Equity Ratio = Modified Equity	29-13-15	1,073,728	
/Modified Assets	18-13-15	1,375,556	0.7806
Net Income Ratio = Income Before Taxes	55	80,042	
/Total Revenues and Gains	36	432,194	0.1852

*All pre-implementation right-of-use assets and liabilities are removed from total assets and total liabilities

M# - Modified for right-of-use liabilities pre-implementation and post-implementation debt not directly related to purchase of assets.

Setp 1: Calculate the strength factor score for each ratio by using the following algorithms:

Primary Reserve strength factor score = 20 x the primary reserve ratio result

Equity strength factor score = 6 x the equity ratio result

Net Income strength factor score = 1+(33.3 x net income ratio result)

If the strength factor score for any ratio is greater than or equal to 3, the strength factor score for that ratio is 3.

If the strength factor score for any ratio is less than or equal to -1, the strength factor score for that ratio is -1.

Step 2: Calculate the weighted score for each ratio and calculate the composite score by adding the three weighted scores

Primary Reserve weighted score = 30% x the primary reserve strength factor score

Equity weighted score = 40% x the equity strength factor score

Net Income weighted score = 30% x the net income strength factor score

Composite Score is the sum of all weighted scores

Round the composite score one digit after the decimal point to determine the final score

RATIO	Ratio	Strength Factor	Weight	Composite Scores
Primary Reserve Ratio	2.1176	3.0000	30%	0.9000
Equity Ratio	0.7806	3.0000	40%	1.2000
Net Income Ratio	0.1852	3.0000	30%	0.9000
				3.0000
TOTAL Composite Score - Rounded				3.00

The accompanying notes are an integral part of these financial statements.