

**EAST-WEST HEALING ARTS INSTITUTE, INC**

AUDITED FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

EAST-WEST HEALING ARTS INSTITUTE, INC

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## INDEPENDENT AUDITORS REPORT

June 28, 2024

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, 2023 and 2022, 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, 2023 and 2022, 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 28, 2024 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.

Atwood Accounting Services LLC  
Madison, Wisconsin – June 28, 2024

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, 2023 and 2022 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, 2024.

**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 March 2023 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.

Atwood Accounting Services LLC  
Madison, Wisconsin  
June 28, 2024

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

		2023	2022
<b>ASSETS</b>			
CURRENT ASSETS:			
1	Cash and cash equivalents	\$ 1,072,518	\$ 1,052,272
2	Accounts Receivable	104,780	137,842
3	Allowance for Doubtful Accounts	(32,204)	(32,406)
4	Net Accounts Receivable	72,576	105,435
5	Total current assets	1,145,093	1,157,708
PROPERTY AND EQUIPMENT:			
6	Auto	21,826	27,518
7	Furniture, Fix & Equip	39,816	17,316
	Property: Facility Updates	-	13,613
8		61,642	58,447
9	Accumulated depreciation	(40,969)	(44,834)
10	Total property and equipment, net	20,673	13,613
OTHER ASSETS:			
11	Refundable Taxes		-
12	Inventory asset	840	790
13	Interest Receivable - related party	2,039	2,039
14	Loan to shareholder	38,454	-
15	Loan to related party	206,455	201,240
16	Prepays	5,631	166
17	Total other assets	253,419	204,235
<b>18</b>	<b>Total assets</b>	<b>1,419,186</b>	<b>1,375,556</b>
<b>LIABILITIES AND OWNER'S EQUITY</b>			
CURRENT LIABILITIES:			
19	Accounts payable	8,829	4,122
20	Unearned tuition and fees	243,873	276,096
21	Accrued Expenses	123	123
22	Loan from related party	9,772	-
23	Accrued Payroll and Taxes Payable	47,042	21,486
24	Total current liabilities	309,639	301,827
LONG TERM LIABILITIES			
25	Economic assistance loans	-	-
26	Total liabilities	309,639	301,827
OWNER'S EQUITY			
27	Capital stock	1,000	1,000
28	Retained earnings	1,108,547	1,072,728
29	Total owner's equity	1,109,547	1,073,728
<b>30</b>	<b>Total liabilities and owner's equity</b>	<b>\$ 1,419,186</b>	<b>\$ 1,375,556</b>

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

	2023		2022
REVENUE:			
31	Tuition and fees	\$405,396	\$ 313,796
32	Student clinic	95,089	80,594
33	Sales income	33,600	32,604
34	Other income	-	-
35	Interest income	-	-
36	<b>TOTAL OPERATING INCOME</b>	<b>534,085</b>	<b>426,994</b>
COST OF GOODS SOLD:			
37	Cost of sales	27,746	27,908
38	<b>GROSS PROFIT</b>	506,339	399,086
OPERATING EXPENSES:			
39	Rent expense	120,000	120,000
40	Salaries & wages	251,537	139,717
41	Teaching charge	56,617	54,287
42	Advertising and promotions	45	610
43	Taxes and Licenses	(14,901)	219
44	Legal and professional expenses	2,824	3,281
45	Accrediting expenses	24,167	31,261
46	Repairs & maintenance	3,608	1,953
47	Office expenses	10,384	10,563
48	Payroll tax	19,978	10,740
49	Telephone	4,144	3,058
50	Bad Debt Expense	2,542	4,732
51	Bank charges & interests	1,167	1,220
52	Insurance	350	549
53	Guest Lecture	100	950
54	Miscellaneous Exp	680	-
55	Depreciation	5,168	-
56	Total expenses	488,410	383,139
57	<b>Net Income (Loss) from Operations</b>	<b>17,929</b>	
Other Income/(Expense)			
57	Interest Income	17,976	5,200
58	Economic Assistance (PPP) Loan Forgiveness	-	58,895
59	Other Misc. Income	-	-
60	<b>Total other income</b>	<b>17,976</b>	<b>64,095</b>
61	<b>Earnings Before Income Taxes</b>	<b>35,905</b>	<b>80,042</b>
	Income Tax Benefit/(Expense)	-	(6,111)
<b>62</b>	<b>NET INCOME</b>	<b>\$35,905</b>	<b>\$ 73,931</b>

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**

	<b>2023</b>	<b>2022</b>
Cash flows from operating activities:		
Net income/(loss)	\$ 35,905	\$ 73,931
net cash from operating activities:		
Refundable and deferred income taxes		
Accounts Receivable	33,061	54,465
Bad Debt Allowance	(202)	12,487
Inventory Asset	(50)	(47)
Other prepaids	-	-
Related party receivable/payable	(33,898)	5,700
Accounts payables	4,707	(2,288)
Unearned tuition and fees	(32,223)	(2,546)
Accrued Payroll and taxes	25,556	18,702
Accrued Expenses		
Income tax receivable/payable	(5,465)	9,538
	27,391	169,943
Cash flows from investing activities:		
Fixed Assets	(12,228)	(13,613)
Accumulated Depreciation	5,168	
	(7,060)	
Financing Activities		
Proceeds from Economic Assistance Loans	-	(58,895)
Net increase/(decrease) in cash	20,331	97,435
Cash, beginning of year	1,052,272	954,838
Restatement for beginning retained earnings		
Cash, end of year	1,072,518	\$ 1,052,272



**EAST-WEST HEALING ARTS INSTITUTE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

**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, 2023 and 2022 is \$1,072,518 and \$1,052,272 respectively.

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, 2023 AND 2022**

**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 12/31/2023.

**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 for any amount over \$500.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets.

As of December 31, 2023, total depreciation expense for the year is \$5,168.

**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.

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**EAST-WEST HEALING ARTS INSTITUTE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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 2023, and \$120,000 in 2022. 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.

**NOTE 4—ACCOUNTS RECEIVABLE**

Accounts receivable had a balance of \$104,780 and \$137,842 as of December 31, 2023 and 2022 respectively.

**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, 2023 and 2022, total unearned tuition and fees were \$243,873 and \$276,096 respectively.

**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, 2023, the Company's proportion calculation is:

**Adjusted Student Title IV Revenue**

Subsidized loans	\$ 59,343
Unsubsidized loans	106,376
Federal Pell grants	92,530
FSEOG (subject to matching reduction)	<u>0</u>

**NOTE 7 - ATTESTATION OF REVENUE SOURCES (CONT.)**

Student Title IV Revenue	258,249
Revenue adjustment	0
Title IV funds returned for students under 34 C.F.R. §668.22	<u>(2,020)</u>
<b>Adjusted Student Title IV Revenue</b>	<b>\$ 256,229</b>

**Student Non-Title IV Revenue**

Grant funds for the student from nonfederal public agencies or private sources independent of the school	0
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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, 2023 AND 2022**

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	149,167
Student Non-Title IV Revenue	149,167
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))	\$ 128,689
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>128,689</u>
Total Non-Title IV Revenue	<u>277,856</u>
<b>Total Revenue</b>	<b><u>534,085</u></b>
Numerator	277,856
Denominator	534,085
<b>% of Title IV Funds</b>	<b>52.02%</b>

**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.

**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 202 is 2.61 and is calculated based on the following factors:

**EAST-WEST HEALING ARTS INSTITUTE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023		2023
<b>ASSETS</b>			
CURRENT ASSETS:		REVENUE:	
1 Cash and cash equivalents	\$ 1,072,518	31 Tuition and fees	\$405,396
2 Accounts Receivable	104,780	32 Student clinic	95,089
3 Allowance for Doubtful Accounts	(32,204)	33 Sales income	33,600
4 Net Accounts Receivable	72,576	34 Other income	-
5 Total current assets	1,145,093	35 Interest income	-
		36 TOTAL OPERATING INCOME	534,085
PROPERTY AND EQUIPMENT:		COST OF GOODS SOLD:	
6 Auto	21,826	37 Cost of sales	27,746
7 Furniture, Fix & Equip	39,816	38 GROSS PROFIT	506,339
Property: Facility Updates	-		
8	61,642	OPERATING EXPENSES:	
9 Accumulated depreciation	(40,969)	39 Rent expense	120,000
10 Total property and equipment, net	20,673	40 Salaries & wages	251,537
OTHER ASSETS:		41 Teaching charge	56,617
11 Refundable Taxes		42 Advertising and promotions	45
12 Inventory asset	840	43 Taxes and Licenses	(14,901)
13 Interest Receivable - related party	2,039	44 Legal and professional expenses	2,824
14 Loan to shareholder	38,454	45 Accrediting expenses	24,167
15 Loan to related party	206,455	46 Repairs & maintenance	3,608
16 Prepaids	5,631	47 Office expenses	10,384
17 Total other assets	253,419	48 Payroll tax	19,978
<b>18 Total assets</b>	<b>1,419,186</b>	49 Telephone	4,144
		50 Bad Debt Expense	2,542
<b>LIABILITIES AND OWNER'S EQUITY</b>		51 Bank charges & interests	1,167
CURRENT LIABILITIES:		52 Insurance	350
19 Accounts payable	8,829	53 Guest Lecture	100
20 Unearned tuition and fees	243,873	54 Miscellaneous Exp	680
21 Accrued Expenses	123	55 Depreciation	5,168
22 Loan from related party	9,772	56 Total expenses	488,410
23 Accrued Payroll and Taxes Payable	47,042	57 Net Income (Loss) from Operations	17,929
24 Total current liabilities	309,639	Other Income/(Expense)	
LONG TERM LIABILITIES		57 Interest Income	17,976
25 Economic assistance loans	-	58 Economic Assistance (PPP) Loan Forgiveness	-
26 Total liabilities	309,639	59 Other Misc. Income	-
OWNER'S EQUITY		60 Total other income	17,976
27 Capital stock	1,000	61 Earnings Before Income Taxes	35,905
28 Retained earnings	1,108,547	Income Tax Benefit/(Expense)	
29 Total owner's equity	1,109,547	62 NET INCOME	\$35,905
<b>30 Total liabilities and owner's equity</b>	<b>\$ 1,419,186</b>		

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, 2023 AND 2022**

**NOTE 9 – FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE (Cont.)**

Lines	Primary Reserve Ratio:	Adjusted Equity:		
	Balance Sheet - Total	Total Equity		<b>1,109,547</b>
29	Owner's Equity			
13+14+15	Loan to shareholder, Loan to related party	Secure and Unsecured related party receivables and/or other related party assets	<b>246,948</b>	
13+14+15	Loan to shareholder, Loan to related party	Unsecured related party receivables and/or other prelated party assets		<b>246,948</b>
10	Balance Sheet - Total Property, Plant and Equipment, net	Property, plant and equipment, net - including construction in progress	<b>20,673</b>	
10		Property, plant and equipment, net - pre-implementation less any construction in progress		<b>20,673</b>
		Property, plant and equipment, net - post-implementation less any construction in progress with outstanding debt for		<b>0</b>
		Property, plant and equipment, net - post-implementation less any construction in progress with outstanding debt for		<b>0</b>
		Construction in progress		<b>0</b>
		Lease right-of use asset	<b>0</b>	
		Lease right-of use asset - pre implementation		<b>0</b>
		Lease right-of use asset - post implementation		<b>0</b>
		Intangible asset		<b>0</b>
		Post-employment and defined pension plan liabilities		<b>0</b>
		Long-term debt - for long-term purposes and Construciton in process debt	<b>0</b>	
		Long-term debt - for long-term purposes pre-implementation		<b>0</b>
		long-term purposes post-implementation for purchase of Property, Plant and Equipment		<b>0</b>
		Line of Credit for Construction in process		<b>0</b>
		Lease right-of-use asset liability	<b>0</b>	
		Pre-Implementation right-of-use leases		<b>0</b>
		Post-Implementation right-of-use leases		<b>0</b>
37+56	Statement of Income - Cost of sales, Total Expenses	<b>Total Expenses and Losses:</b>		<b>516,156</b>

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**EAST-WEST HEALING ARTS INSTITUTE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

**NOTE 9 – FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE (Cont.)**

		<b><u>Equity Ratio:</u></b>		
		<b><u>Modified Equity:</u></b>		
29	Balance Sheet - Total Owner's Equity	Total Equity		<b>1,109,547</b>
		Pre-Implementation right-of-use leases		<b>0</b>
		Lease right-of-use asset - pre-implementation		<b>0</b>
		Intangible assets	<b>0</b>	
13+14+15	Loan to shareholder, Loan to related party	Secure and Unsecured related party receivables and/or other related party assets		<b>246,948</b>
	Loan to shareholder, Loan to related party	Unsecured related party receivables and/or other related party assets	<b>0</b>	
		<b><u>Modified Assets:</u></b>		
18	Balance Sheet - Total Assets	Total Assets		<b>1,419,186</b>
		Lease right-of-use asset - pre-implementation		<b>0</b>
		Intangible assets		<b>0</b>
13+14+15	Loan to shareholder, Loan to related party	Secure and Unsecured related party receivables and/or other related party assets		<b>246,948</b>
	Loan to shareholder, Loan to related party	Unsecured related party receivables and/or other related party assets	<b>0</b>	

		<b><u>Net Income Ratio:</u></b>		
61	Earnings before Income Taxes	Income Before Taxes		<b>35,905</b>
36+60	Statement of Income - Total Income	Total Revenue and Gains		<b>552,061</b>

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, 2023 AND 2022**

**NOTE 9 – FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE (Cont.)**

Lines			
<b>*Primary Reserve Ratio = Adjusted Equity</b>	<b>29-13-14-15-10</b>	841,926	
<b>/Total Expenses and Losses</b>	<b>37+56</b>	516,156	1.6311
<hr/>			
<b>*Equity Ratio = Modified Equity</b>	<b>29-13-14-15</b>	862,599	
<b>/Modified Assets</b>	<b>18-13-14-15-10</b>	1,172,237	0.7359
<hr/>			
<b>Net Income Ratio = Income Before Taxes</b>	<b>62</b>	35,905	
<b>/Total Revenues and Gains</b>	<b>36 + 60</b>	552,061	0.0650

\*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.**

**Step 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	1.6311	3.0000	30%	0.9000
Equity Ratio	0.7359	3.0000	40%	1.2000
Net Income Ratio	0.0650	3.0000	30%	0.9000
				3.0000
<b>TOTAL Composite Score - Rounded</b>				<b>3.0</b>