

SUNSHINE SOCIAL WELFARE FOUNDATION
FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT AUDITORS
31 DECEMBER 2020 AND 2019

Copy

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The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

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Audit Report of Independent Auditors

Independent Auditors' Report Translated from Chinese

To Sunshine Social Welfare Foundation

Opinion

We have audited the accompanying balance sheets of Sunshine Social Welfare Foundation (the "Foundation") as of 31 December 2020 and 2019, and the related statements of income and expense, changes in fund and cash flows for the years ended 31 December 2020 and 2019, and notes to the financial statements, including the summary of significant accounting policies (together "the financial statements").

In our opinion, the financial statements referred to above present fairly, in all material respects, the balance of assets, liabilities and funds of the Foundation as of 31 December 2020 and 2019, and its income and expense and cash flows for the years ended 31 December 2020 and 2019, in conformity with the requirements of the National Social Welfare Foundation Accounting and Financial Statement Preparation Standards, Generally Accepted Accounting Principles and related interpretations.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Foundation in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of National Social Welfare Foundation Accounting and Financial Statement Preparation Standards, Generally Accepted Accounting Principles and related interpretations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability to continue as a going concern of the Foundation, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

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 a guarantee that an audit conducted in accordance with auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.
2. 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 internal control of the Foundation.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Foundation. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the accompanying notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Fuh, Wen Fun
Ernst & Young, Taiwan
27 March 2021

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Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

Accordingly, the accompanying financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Financial Statements Originally Issued in Chinese

Sunshine Social Welfare Foundation

Balance Sheets

31 December 2020 and 2019

Unit: New Taiwan Dollar

	Notes	31 December 2020		31 December 2019			Notes	31 December 2020		31 December 2019	
		Amount	%	Amount	%			Amount	%	Amount	%
Assets						Liabilities					
Current assets						Current liabilities					
Cash and cash equivalents	4 , 6.(1) & 11	\$262,642,364	46	\$256,753,422	44	Accounts payable	4 & 11	\$1,347,856	-	\$1,116,131	-
Accounts receivable	4 , 6.(2) & 11	22,544,398	4	17,471,181	3	Other payables	6.(6) & 11	53,634,926	10	60,088,237	11
Inventories	4 & 6.(3)	2,575,818	1	4,168,544	1	Other current liabilities		7,440,252	1	7,091,378	1
Other current assets		1,255,543	-	3,442,875	1	Total current liabilities		62,423,034	11	68,295,746	12
Total current assets		289,018,123	51	281,836,022	49	Non-current liabilities					
Non-current assets						Other non-current liabilities	11	405,000	-	300,640	-
Funds	4 , 6.(4) & 11	52,391,000	9	53,778,121	9	Total non-current liabilities		405,000	-	300,640	-
Property, plant and equipment	4 & 6.(5)	198,501,111	35	230,055,805	40	Total liabilities		62,828,034	11	68,596,386	12
Intangible assets	4	17,682,724	3	2,968,433	-	Net value					
Other non-current assets	11	8,728,446	2	8,438,588	2	Permanently restricted net value	4 & 6.(8)	213,529,032	38	225,979,032	39
Total non-current assets		277,303,281	49	295,240,947	51	Temporarily restricted net value	4 & 6.(8)	-	-	1,387,121	-
						Unrestricted net value	4 & 6.(8)	282,155,208	50	272,542,923	47
						Other net value	4 & 6.(8)	7,809,130	1	8,571,507	2
						Total net value		503,493,370	89	508,480,583	88
Total assets		\$566,321,404	100	\$577,076,969	100	Total liabilities and net value		\$566,321,404	100	\$577,076,969	100

The accompanying notes are an integral part of the financial statement.

English Translation of Financial Statements Originally Issued in Chinese

Sunshine Social Welfare Foundation
Statements of Income and Expenses
For The Years Ended 31 December 2020 and 2019

Unit: New Taiwan Dollar
2019

	Notes	2020		2019	
		Amount	%	Amount	%
Revenue and incomes					
Service revenue	4	\$5,432,672	1	\$4,404,880	1
Subsidy revenue from government	4	2,339,956	-	4,947,972	1
Government project revenue	4	21,228,984	4	14,815,508	2
Donations revenue	4 & 6.(9)	126,588,337	22	124,909,356	20
Interest income	4	2,172,665	-	2,543,716	-
Dividend revenue		-	-	8,825	-
Sales or service revenue	6.(10)	386,886,870	67	456,774,851	73
Operating revenue from subsidiaries	6.(13)	14,698,743	3	15,336,091	2
Other revenue	4 & 6.(11)	19,158,188	3	3,206,180	1
Total revenue and incomes		<u>578,506,415</u>	<u>100</u>	<u>626,947,379</u>	<u>100</u>
Expenses and losses					
Fundraising and development expenses	6.(14)	142,383,352	24	158,160,469	25
General and administrative expenses	6.(14)	21,589,545	4	22,986,956	4
Sales or service costs	6.(12)	381,948,170	66	459,836,079	73
Operating expenses from subsidiaries	6.(13)	24,360,184	4	24,035,730	4
Total expenses and losses		<u>570,281,251</u>	<u>98</u>	<u>665,019,234</u>	<u>106</u>
Surplus (Deficit)		8,225,164	2	(38,071,855)	(6)
Income tax expense	4 & 6.(15)	-	-	-	-
Surplus (Deficit) after tax		<u>8,225,164</u>	<u>2</u>	<u>(38,071,855)</u>	<u>(6)</u>
Other comprehensive surplus (deficit)		-	-	-	-
Total comprehensive surplus (deficit)		<u>\$8,225,164</u>	<u>2</u>	<u>\$(38,071,855)</u>	<u>(6)</u>

The accompanying notes are an integral part of the financial statement.

English Translation of Financial Statements Originally Issued in Chinese

Sunshine Social Welfare Foundation
Statements of Changes in Net Value
For The Years Ended 31 December 2020 and 2019

Unit: New Taiwan Dollar

Items	Restricted net value		Unrestricted net value		Other net value	Total
	Permanent	Temporary	Designated funds	Deficit		
Balance as of 1 January 2019	\$187,276,000	\$19,231,623	\$-	\$311,103,308	\$8,785,107	\$526,396,038
Deficit in 2019	-	-	-	(38,071,855)	-	(38,071,855)
Appropriation to restricted net value	20,370,000	-	-	-	-	20,370,000
Transfer between restricted net value and unrestricted net value						
Service reserve provision	-	(17,844,502)	-	17,844,502	-	-
Transfer unrestricted net value to restricted net value	18,333,032	-	-	(18,333,032)	-	-
Increase or decrease of other net value	-	-	-	-	(213,600)	(213,600)
Balance as of 31 December 2019	\$225,979,032	\$1,387,121	\$-	\$272,542,923	\$8,571,507	\$508,480,583
Balance as of 1 January 2020	\$225,979,032	\$1,387,121	\$-	\$272,542,923	\$8,571,507	\$508,480,583
Surplus in 2020	-	-	-	8,225,164	-	8,225,164
Transfer between restricted net value and unrestricted net value						
Service reserve provision	-	(1,387,121)	-	1,387,121	-	-
Foundation funds reduction	(12,450,000)	-	-	-	-	(12,450,000)
Increase or decrease of other net value	-	-	-	-	(762,377)	(762,377)
Balance as of 31 December 2020	\$213,529,032	\$-	\$-	\$282,155,208	\$7,809,130	\$503,493,370

The accompanying notes are an integral part of the financial statement.

English Translation of Financial Statements Originally Issued in Chinese

Sunshine Social Welfare Foundation
 Statements of Cash Flows
 For The Years Ended 31 December 2020 and 2019

Unit: New Taiwan Dollar

	2020	2019
Cash flows from operating activities		
Surplus (Deficit) before tax	\$8,225,164	\$(38,071,855)
Adjustments:		
Depreciation expenses	14,880,115	15,265,573
Amortization expenses	2,476,811	1,450,743
Interest income	(2,181,825)	(2,549,467)
Dividend revenue	-	(8,825)
(Gains) Losses on disposal of property, plant and equipment	(2,281,600)	39,499
Other revenue	(12,450,000)	-
Total adjustments to reconcile surplus (deficit)	8,668,665	(23,874,332)
Change in operating current assets and liabilities		
Increase in accounts receivable	(5,205,323)	(811,394)
Decrease (Increase) in inventories	1,592,726	(1,126,043)
Decrease in other current assets	2,187,332	1,385,617
Increase (Decrease) in accounts payable	231,725	(753,127)
Decrease in other payables	(6,453,311)	(49,629)
Increase (Decrease) in other current liabilities	348,874	(2,137,096)
Total changes in operating current assets and liabilities	(7,297,977)	(3,491,672)
Cash generated from (used in) operating activities	1,370,688	(27,366,004)
Interest received	2,313,931	2,333,878
Dividend received	-	8,825
Net cash inflow (outflow) from operations	3,684,619	(25,023,301)
Cash flows from investment activities		
Purchase of property, plant and equipment	(1,259,348)	(51,403,999)
Proceeds from disposal of property, plant and equipment	14,750,000	48,369
Purchase of intangible assets	(12,487,952)	(2,105,000)
Increase in guarantee deposits paid	(289,858)	(202,877)
Decrease in funds	1,387,121	38,214,502
Net cash inflow (outflow) from investment activities	2,099,963	(15,449,005)
Cash flows from financing activities		
Increase (Decrease) in other non-current liabilities	104,360	(36,000)
Net cash inflow (outflow) from financing activities	104,360	(36,000)
Net increase (decrease) in cash and cash equivalents	5,888,942	(40,508,306)
Cash and cash equivalents at beginning of year	256,753,422	297,261,728
Cash and cash equivalents at end of year	\$262,642,364	\$256,753,422

The accompanying notes are an integral part of the financial statement.

SUNSHINE SOCIAL WELFARE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 AND 2019
(In New Taiwan Dollars Unless Otherwise Stated)
English Translation of Financial Statements Originally Issued in Chinese

1. History and organization

Sunshine Social Welfare Foundation (“the Foundation”) was established on October 5, 1982 in accordance with foundation related provisions under the Civil Code and other related laws. Formerly known as the Sunshine Culture & Education Foundation of the ROC, the name was changed to Sunshine Social Welfare Foundation in 1999 following a second approval from the Ministry of the Interior. The registration and main operation address is 3F., No.91, Sec. 3, Nanjing E. Rd., Taipei City.

The purpose of the foundation is to provide social welfare services, including psychological and employment counseling, vocational training, legal services, education, nursing, special education, financial aid, medical rehabilitation and social education for people with facial disfigurement, burns and oral cancer.

The Foundation established the Chian-He Social Enterprise in December 1992, the Business Department in June 2010, the Songshan Carwash Center in March 2011, the Shih-Min Social Enterprise Gas Station in January 2012, the Donghu Carwash Center in August 2013, the Nangang Carwash Center in December 2013, the Sunvis Center (Jiankang) in March 2018, as well as the Sunvis Center (Bade) in February 2020 as affiliated business units.

The Foundation established the Sunshine Half-Way House in July 1989 and the Taipei Rehabilitation Center in August 1992 as subsidiaries.

2. Date and procedures of authorization of financial statements for issue

The financial statements of the Foundation for the years ended 31 December 2020 and 2019 were authorized for issue by the Board of Trustees on 27 March 2021.

3. Changes in significant accounting policies

None.

4. Summary of significant accounting policies

(1) Statement of compliance

The financial statements of the Foundation for the years ended 31 December 2020 and 2019 have been prepared in accordance with the National Social Welfare Foundation Accounting and Financial Statement Preparation Standards, Generally Accepted Accounting Principles and related interpretations.

(2) Basis of preparation

The financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The financial statements are expressed in New Taiwan Dollars (“\$”) unless otherwise stated.

SUNSHINE SOCIAL WELFARE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

English Translation of Financial Statements Originally Issued in Chinese

(3) Current and non-current distinction

An asset is classified as current when:

- (a) The Foundation expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- (b) The Foundation holds the asset primarily for the purpose of trading
- (c) The Foundation expects to realize the asset within twelve months after the reporting period
- (d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- (a) The Foundation expects to settle the liability in its normal operating cycle
- (b) The Foundation holds the liability primarily for the purpose of trading
- (c) The liability is due to be settled within twelve months after the reporting period
- (d) The Foundation does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(4) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(5) Foreign currency transactions

The Foundation's financial statements are presented in New Taiwan Dollars, which is also the Foundation's functional currency.

Transactions in foreign currencies are initially recorded by the entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions

SUNSHINE SOCIAL WELFARE FOUNDATION
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(6) Financial instruments

Financial assets are recognized when the Foundation becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of National Social Welfare Foundation Accounting and Financial Statement Preparation Standards are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(a) Financial assets

The Company accounts for regular way purchase or sales of financial assets on the trade date.

Financial assets of the Foundation are classified as loans and receivables. The Foundation determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments.

Loans and receivables are separately presented on the balance sheet as receivables or debt instrument investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs. The effective interest method amortization is recognized in profit or loss.

Impairment of financial assets

The Foundation assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset impaired, other than receivables impaired which are reduced through the use of an allowance account, is reduced directly and the amount of the loss is recognized in profit or loss.

SUNSHINE SOCIAL WELFARE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

English Translation of Financial Statements Originally Issued in Chinese

Loss events include:

- i. significant financial difficulty of the issuer or obligor; or
- ii. a breach of contract, such as a default or delinquency in interest or principal payments;
or
- iii. it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- iv. the disappearance of an active market for that financial asset because of financial difficulties; or
- v. a significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost.

For held-to-maturity financial assets measured at amortized cost, the Foundation first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Company of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recognized in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

SUNSHINE SOCIAL WELFARE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

English Translation of Financial Statements Originally Issued in Chinese

Derecognition of financial assets

A financial asset is derecognized when:

- i. The rights to receive cash flows from the asset have expired
- ii. The Foundation has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- iii. The Foundation has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. In other words, the transferee can sell the transferred asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer. Under these circumstances, the financial asset is derecognized, any rights or obligations created or retained as a result of the transfer are recognized separately as assets or liabilities.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(b) Financial liabilities

Financial liabilities are classified as financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

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When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(7) Inventories

Inventories are carried at the lower of cost or net realizable value.

Costs incurred in bringing each inventory to its condition and location available for sale or production. The purchase costs are determined using the “weighted-average” cost method.

(8) Property, plant and equipment

Property, plant and equipment are recognized at cost at time of acquisition. Property, plant and equipment are recognized in the asset funds and as expenditures in facilities and equipment. According to relevant laws, if real estate is registered with the court and the relevant authority as foundation assets, then real estate should be transferred from asset funds to foundation funds. Fixed assets ordinarily are not depreciated; retirement or disposal is treated as offset to fixed assets and asset funds. Starting from 2010, depreciation will be applied for newly acquired property, plant and equipment.

Property, plant and equipment acquired by the Foundation and affiliated business units from 2010 are recognized at acquisition cost, and then measured and stated net of accumulated depreciation and accumulated impairment losses, if any. The cost of property, plant and equipment includes its purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress. Subsequent cost of property, plant and equipment comprises additions and replacement of parts of property, plant and equipment. When significant parts of property, plant and equipment are required to be replaced in intervals, the Foundation recognized such parts as individual assets with specific economic lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of National Social Welfare Foundation Accounting and Financial Statement Preparation Standards. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

SUNSHINE SOCIAL WELFARE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

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Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	21 years
Building improvement	3~20 years
Machinery and equipment	3~6 years
Rehabilitation equipment	3~5 years
Computer equipment	3 years
Transportation equipment	3~5 years
Other equipment	3~8 years
Leasehold improvements	The shorter of lease terms or economic lives
Kitchen equipment	7 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

(9) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The cost of deferred charges is amortized on a straight-line basis over the estimated useful life (3 to 5 years).

(10) Leases

The Foundation as a lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

(11) Impairment of non-financial assets

The Foundation assesses at the end of each reporting period whether there is any indication that an asset in the scope of National Social Welfare Foundation Accounting and Financial Statement Preparation Standards may be impaired. If any such indication exists, the Foundation estimates the asset's or its cash-generating unit's ("CGU") recoverable amount. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use.

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(12) Provision

According to the Directions for the Review of the Registration and Supervision of Social Welfare Foundations of the Ministry of Health and Welfare, following approval from the Foundation's Board of Trustees and authorization from the Ministry of Health and Welfare, the Foundation may appropriate 20% or less of its income to Service Development Fund or Service Development Provision based on its actual activity requirements, and shall recognize relevant expenses for the year of appropriation. This Service Development Fund or Service Development Provision shall be deposited in a separate bank account. Funds may not be drawn from this account without prior resolution from the Board of Trustees and authorization from the Ministry of Health and Welfare. The aforementioned regulations were repealed in accordance with Approval No. 1080500839D issued by the Ministry of Health and Welfare on February 1, 2019.

(13) Net Value

Permanently restricted net value approved by the relevant authority as of 27 July 2020 was \$213,529,032.

The Foundation's policy for reimbursement of operation-required expenses is to use interests generated from net value and donations received after establishment. Permanently restricted net value shall not be disposed of without a resolution from the Board of Trustees and the authorization from the relevant authority.

(14) Revenue recognition

Donations are recognized as revenue when they are paid to the Foundation in cash, equipment or supplies.

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Revenue from charity and rehabilitation equipment is recognized when the Foundation has transferred to the buyer the significant risks and rewards of ownership of the goods and rehabilitation equipment, because the earnings process has been completed and the economic benefits associated with the transaction have been realized or are realizable.

For loans and receivables, interest income is recorded using the effective interest rate method and recognized in profit or loss.

Revenue from car beauty service and sports fitness service is recognized by reference to the stage of completion. Stage of completion is measured by reference to the proportion that contract cost incurred for work performed to date bear to the estimated total contract costs. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered.

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(15) Matching of costs with revenues

The expenses of the Foundation are recognised together with the relevant income when the conditions for revenue recognition have been met and the amount of expenses can be reliably measured.

(16) Post-employment benefits

The Foundation's payment for employees post-employment benefits are based on the contributions required by law and recognized as expenses in the period the employees render services.

(17) Income taxes

According to Article 2.1.8 of Standards of Income Tax Exemption for Educational, Cultural, Public Welfare, Charitable Organizations or Groups amended by the Executive Yuan on February 26, 2013, if the expenses of an organization or group for activities related to its funding purpose (including expenses for sale and non-sale of goods or services) are not less than 60% of the sum of the income from activities related to its funding purpose (including income from sale and non-sale of goods or services) plus the income not related to its funding purpose and the income from subsidiaries, then the income of the organization or group and its subsidiaries is exempt from income tax.

5. Significant accounting judgements, estimates and assumptions

The preparation of the Foundation's financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The management of the Foundation keeps monitoring the estimates and assumptions, and recognizes the adjustment in the changing period and the affected future period.

6. Contents of significant accounts

(1) Cash and cash equivalents

	<u>31 Dec. 2020</u>	<u>31 Dec. 2019</u>
Cash on hand and petty cash	\$600,058	\$604,558
Checking accounts and demand deposits	24,882,306	26,158,925
Time deposits	237,160,000	229,989,939
Total	<u>\$262,642,364</u>	<u>\$256,753,422</u>

The annual interest rate in 2020 for time deposits is 0.18% - 1.095%, and the expiry date expires between January to December 2021.

The annual interest rate in 2019 for time deposits is 0.180% - 1.095%, and the expiry date expires between January 2020 to December 2021.

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(2) Accounts receivable

	<u>31 Dec. 2020</u>	<u>31 Dec. 2019</u>
Government grants receivable	\$11,174,142	\$7,012,486
Donations receivable	4,300,333	2,032,032
Accounts receivable	6,145,665	4,193,882
Notes receivable	-	240,640
Others	924,258	3,992,141
Total	<u>\$22,544,398</u>	<u>\$17,471,181</u>

(a) The Government grants receivable are mainly the physical fitness experience program funds of the Taoyuan City Government and the disability resource center subsidy.

(b) The account receivable is mainly oil receivable.

(3) Inventories

	<u>31 Dec. 2020</u>	<u>31 Dec. 2019</u>
Inventories	<u>\$2,575,818</u>	<u>\$4,168,544</u>

(4) Funds

	<u>31 Dec. 2020</u>	<u>31 Dec. 2019</u>
Time deposits		
Establishment fund	\$30,000,000	\$30,000,000
Refunds from capital reduction of stock	22,391,000	22,391,000
Subtotal	52,391,000	52,391,000
Physical and Psychological Rehabilitation Service Fund for the Survivors of the Formosa Fun Coast Water Park Explosion	-	1,387,121
Total	<u>\$52,391,000</u>	<u>\$53,778,121</u>

(a) The Foundation registered foundation funds based on the above-mentioned establishment fund and refunds from capital reduction of stock upon acquiring, which are deposited in banks as time deposits and shall not be disposed of without prior resolution from the Board of Trustees and the authorization of the authority.

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- (b) The Foundation set up the “Physical and Psychological Rehabilitation Service Reserve Provision for the Survivors of the Formosa Fun Coast Water Park Explosion,” in accordance with the Charitable Solicitation Approval No. 1040119640 issued by the Ministry of Health and Welfare. The implementation of this project is from 29 June 2015 to 28 June 2020. The Foundation raised donations amounting to \$269,024,547 in total through the project and reserved full provision for the purpose of implementation of the project. The plan was implemented completely in the May of 2020.

Movements for the “Physical and Psychological Rehabilitation Service Reserve Provision for the Survivors of the Formosa Fun Coast Water Park Explosion” project were as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Initial balance	\$1,387,121	\$19,231,623	\$48,444,651	\$106,422,807	\$174,361,932	\$269,024,547
Use of provision	(1,387,121)	(17,844,502)	(29,213,028)	(57,978,156)	(67,939,125)	(94,662,615)
Balance at end of year	<u>\$-</u>	<u>\$1,387,121</u>	<u>\$19,231,623</u>	<u>\$48,444,651</u>	<u>\$106,422,807</u>	<u>\$174,361,932</u>

- (c) According to the Directions for the Review of the Registration and Supervision of Social Welfare Foundations of the Ministry of Health and Welfare, following approval from the Foundation’s Board of Trustees and authorization from the Ministry of Health and Welfare, the Foundation may appropriate 20% or less of its income to Service Development Fund or Service Development Reserve Fund based on its actual activity requirements, and shall recognize relevant expenses for the year of appropriation. This Service Development Fund or Service Development Reserve Fund shall be deposited in a separate bank account. Funds may not be drawn from this account without prior resolution from the Board of Trustees and authorization from the Ministry of Health and Welfare. The aforementioned regulations were repealed in accordance with Approval No. 1080500839D issued by the Ministry of Health and Welfare on February 1, 2019. The Foundation reserved full provision for the purpose of implementation of the project.

Movements of provision for Service Development Provision were as follows:

	<u>2020</u>	<u>2019</u>
Initial balance	\$-	\$20,370,000
Increase of provision	-	-
Use of provision	-	(20,370,000)
Balance at end of year	<u>\$-</u>	<u>\$-</u>

The Foundation used the Service Development Provision of \$20,370,000 and its own fund of \$18,333,032 to purchase property, plant and equipment, approved to be registered as foundation funds in 2019. Please refer to Note 6. (8) for details.

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(5) Property, plant and equipment

(a) The Foundation and affiliated business units

	<u>31 Dec. 2020</u>	<u>31 Dec. 2019</u>
<u>Foundation and affiliated business units</u>		
Cost - Land	\$103,856,486	\$111,326,486
Cost - Buildings	27,281,546	32,261,546
Cost - Building improvements	20,026,543	19,906,549
Cost - Leasehold improvements	26,707,093	33,830,843
Cost - Machines and equipment	14,245,507	18,837,422
Cost - Rehabilitation equipment	9,766,911	11,431,952
Cost - Computer equipment	742,720	2,232,640
Cost - Transportation equipment	6,564,035	7,683,631
Cost - Kitchen equipment	488,000	488,000
Cost - Other equipment	18,929,010	20,607,185
Subtotal	228,607,851	258,606,254
Accumulated depreciation	(63,292,964)	(66,998,198)
Pre-payment for equipment	913,571	5,257,864
Total	<u>\$166,228,458</u>	<u>\$196,865,920</u>

The Foundation and affiliated business units recorded depreciation expenses for property, plant and equipment amounting to \$13,725,324 and \$13,505,817 in 2020 and 2019, respectively.

(b) The subsidiaries of the Foundation

	<u>31 Dec. 2020</u>	<u>31 Dec. 2019</u>
<u>Taipei Rehabilitation Center</u>		
Cost - Building improvements	\$-	\$1,776,823
Cost - Leasehold improvements	4,346,150	5,672,710
Cost - Other equipment	245,714	245,714
Subtotal	4,591,864	7,695,247
Accumulated depreciation	(2,731,145)	(5,136,553)
Total	<u>1,860,719</u>	<u>2,558,694</u>

Sunshine Half-Way House

Cost - Land	16,418,000	16,418,000
Cost - Buildings	13,582,000	13,582,000
Cost - Building improvements	399,760	536,160
Cost - Rehabilitation equipment	264,280	257,520
Cost - Other equipment	280,070	422,130
Subtotal	30,944,110	31,215,810
Accumulated depreciation	(532,176)	(584,619)
Total	<u>30,411,934</u>	<u>30,631,191</u>

Property, plant and equipment - net value

<u>\$32,272,653</u>	<u>\$230,055,805</u>
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The subsidiaries of the Foundation recorded depreciation expenses for property, plant and equipment amounting to \$1,154,791 and \$1,759,756 in 2020 and 2019, respectively.

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(6) Other payables

	<u>31 Dec. 2020</u>	<u>31 Dec. 2019</u>
Accrued salaries and bonuses	\$25,406,158	\$31,716,008
Accrued project and activity expenses	13,616,817	13,174,815
Accrued financial aid payments	1,177,842	1,202,824
Accrued miscellaneous expenses	6,647,718	2,697,679
Others	6,786,391	11,296,911
Total	<u>\$53,634,926</u>	<u>\$60,088,237</u>

(7) Pension

The applicable pension system in the Labor Pension Act is a defined retirement contribution approach, where the Foundation contributes the equivalent of 6% of employee monthly salary in employee individual pension accounts at the Labor Insurance Bureau. The Foundation's cost of pension was \$8,830,618 and \$9,032,057, respectively, in 2020 and 2019.

The applicable pension system in the Labor Standards Act is a defined retirement benefit scheme. For each employee the pension payment is based on years of service and the average salary six months before the approved retirement date. The Foundation contributed in the pension fund the equivalent of 6.3% of employee total monthly salary from September 2013 onward. Funds are then handed to the labor retirement reserve supervisory committee which deposits them into a designated account at the Bank of Taiwan in the committee's name. The pension reserve contributed in 2020 and 2019 was \$1,373,512 and \$1,409,165, respectively. The pension expense recognized in 2020 and 2019 was \$1,376,688 and \$1,395,532, respectively.

(8) Net value

(a) Permanently restricted net value

The list of foundation funds was as follows:

	<u>31 Dec. 2020</u>	<u>31 Dec. 2019</u>
Property	\$161,138,032	\$173,588,032
Time deposits	52,391,000	52,391,000
Total	<u>\$213,529,032</u>	<u>\$225,979,032</u>

The Foundation disposed real estate amounting to \$12,450,000 for operation and applied for registration of foundation funds in 2020. The total foundation funds approved by the authorities amounted to \$213,529,032 on 27 July 2020.

The Foundation acquired real estate amounting to \$38,703,032 for operation and applied for registration of foundation funds in 2019. The total foundation funds approved by the authorities amounted to \$225,979,032 on 4 December 2019.

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(b) Temporarily restricted net value

The list of service reserve provision was as follows:

	31 Dec. 2020	31 Dec. 2019
Service Reserve Provision	\$-	\$1,387,121

The Service Reserve Provision was provided by the Foundation in 2020 and 2019 due to implementation of " Physical and Psychological Rehabilitation Service Reserve Provision for the Survivors of the Formosa Fun Coast Water Park Explosion". Please refer to Note 6. (4) for details.

(c) Other net value

Asset funds

Before 2010, the Foundation recorded property, plant and equipment and asset funds simultaneously upon acquiring property, plant and equipment, and reversed property, plant and equipment and asset funds upon disposal of property, plant and equipment. As at 31 December 2020 and 2019, asset funds amounted to \$7,809,130 and \$8,571,507, respectively.

(9) Donations revenue

	2020	2019
Charity fundraising	\$42,195,561	\$34,524,352
General fundraising	84,392,776	90,385,004
Total	\$126,588,337	\$124,909,356

In 2020, the Foundation obtained the approved fundraising amount of \$33,451,892 for the fundraising plan in accordance with Approval No. 1081368797 issued by the Ministry of Health and Welfare; In addition, Approval No. 1091363818 issued by the Ministry of Health for the fundraising plan amounting to \$8,743,669 will be approved in November 2021.

In 2019, the Foundation obtained the approved fundraising amounts of \$28,247,719 and \$6,276,633, respectively, for the fundraising plan in accordance with Approval No. 1071363311 and No. 1081368797 issued by the Ministry of Health and Welfare.

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(10) Sales or service revenue

The year ended 31 December 2020

Item	Business Department	Sunvis Center (Jiakang)	Sunvis Center (Bade)	Shih-Min Social Enterprise Gas Station	Chian-He Social Enterprise	Total
Sales revenue	\$103,522	\$1,206,279	\$6,806	\$335,427,068	\$660,734	\$337,404,409
Sales return	-	-	-	-	-	-
Sales discounts and allowances	-	-	-	-	-	-
Subtotal	103,522	1,206,279	6,806	335,427,068	660,734	337,404,409
Service revenue	-	9,245,122	8,609,951	-	31,848,000	49,703,073
Service return	-	(220,612)	-	-	-	(220,612)
Service discounts and allowances	-	-	-	-	-	-
Subtotal	-	9,024,510	8,609,951	-	31,848,000	49,482,461
Total	\$103,522	\$10,230,789	\$8,616,757	\$335,427,068	\$32,508,734	\$386,886,870

The year ended 31 December 2019

Item	Business Department	Sunvis Center	Shih-Min Social Enterprise Gas Station	Chian-He Social Enterprise	Total
Sales revenue	\$1,946,050	\$86,199	\$411,651,209	\$1,270,669	\$414,954,127
Sales return	-	-	-	-	-
Sales discounts and allowances	-	-	-	-	-
Subtotal	1,946,050	86,199	411,651,209	1,270,669	414,954,127
Service revenue	-	10,331,834	-	31,631,727	41,963,561
Service return	-	(120,839)	-	-	(120,839)
Service discounts and allowances	-	(21,998)	-	-	(21,998)
Subtotal	-	10,188,997	-	31,631,727	41,820,724
Total	\$1,946,050	\$10,275,196	\$411,651,209	\$32,902,396	\$456,774,851

(11) Other Revenue

Item	2020	2019
Charity sale revenue	\$4,619,671	\$3,206,180
Foreign exchange gain	5,397	-
Gains on disposal of property, plant and equipment	14,533,120	-
Total	\$19,158,188	\$3,206,180

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(12) Sales or service costs

The year ended 31 December 2020

Item	Business Department	Sunvis Center (Jiankang)	Sunvis Center (Bade)	Shih-Min Social Enterprise Gas Station	Chian-He Social Enterprise	Total
Sales costs	\$14,964	\$2,457,839	\$48,026	\$276,060,363	\$1,045,528	\$279,626,720
Service costs	-	3,061,093	2,084,170	-	28,420,986	33,566,249
Operating costs						
Salaries	23,257	1,526,275	3,198,407	25,967,603	1,620,204	32,335,746
Project expense	57,745	1,196,587	458,593	9,750,371	905,851	12,369,147
Insurance	8,903	277,399	569,222	3,890,517	166,829	4,912,870
Post and communication	210	175,236	59,130	2,182,099	196,909	2,613,584
Meals	685	79,200	76,727	698,592	106,364	961,568
Pension	1,680	91,393	209,569	1,726,471	116,556	2,145,669
Utilities expense	-	176,355	115,761	891,886	-	1,184,002
Rent expense	-	2,128,248	21,429	439,048	27,432	2,616,157
Advertisement expense	7,920	500	-	3,667,462	-	3,675,882
Other	143,251	752,530	1,520,557	2,602,533	921,705	5,940,576
Subtotal	<u>243,651</u>	<u>6,403,723</u>	<u>6,229,395</u>	<u>51,816,582</u>	<u>4,061,850</u>	<u>68,755,201</u>
Total	<u>\$258,615</u>	<u>\$11,922,655</u>	<u>\$8,361,591</u>	<u>\$327,876,945</u>	<u>\$33,528,364</u>	<u>\$381,948,170</u>

The year ended 31 December 2019

Item	Business Department	Sunvis Center (Jiankang)	Shih-Min Social Enterprise Gas Station	Chian-He Social Enterprise	Total
Sales costs	\$271,148	\$3,545,854	\$352,589,723	\$1,163,224	\$357,569,949
Service costs	-	2,086,952	-	29,919,681	32,006,633
Operating costs					
Salaries	1,095,160	3,974,173	25,601,829	1,962,299	32,633,461
Project expense	385,083	117,403	8,589,982	984,524	10,076,992
Insurance	122,777	597,927	3,919,253	293,713	4,933,670
Post and communication	275	193,303	2,541,106	208,044	2,942,728
Meals	26,868	158,778	435,192	104,873	725,711
Pension	71,752	238,528	1,684,257	138,213	2,132,750
Utilities expense	-	433,963	1,066,626	-	1,500,589
Rent expense	163,428	2,782,839	1,470,953	25,140	4,442,360
Advertisement expense	19,048	-	4,173,458	-	4,192,506
Other	1,013,342	1,150,411	3,373,082	1,141,895	6,678,730
Subtotal	<u>3,114,227</u>	<u>9,647,325</u>	<u>52,855,738</u>	<u>4,858,701</u>	<u>70,259,497</u>
Total	<u>\$3,168,881</u>	<u>\$15,280,131</u>	<u>\$405,445,461</u>	<u>\$35,941,606</u>	<u>\$459,836,079</u>

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(13) Operating profit/loss from subsidiaries

	2020	%	2019	%
<u>Taipei Rehabilitation Center</u>				
Income				
Government subsidy income	\$1,189,000	10	\$1,174,000	9
Assistive equipment income	8,804,115	73	10,168,311	77
Donation income	1,532,233	13	1,452,237	11
Service income	499,197	4	417,229	3
Other	23,224	-	5,346	-
Total income	<u>12,047,769</u>	<u>100</u>	<u>13,217,123</u>	<u>100</u>
Costs	<u>5,424,006</u>	<u>45</u>	<u>4,021,787</u>	<u>30</u>
Gross profit	<u>6,623,763</u>	<u>55</u>	<u>9,195,336</u>	<u>70</u>
Expenses				
Salaries	7,746,637	64	7,423,231	56
Project expense	1,062,545	9	743,324	6
Financial aid	484,804	4	1,051,201	8
Insurance	766,827	6	740,512	6
Meals	331,095	3	266,448	2
Pension	790,721	7	701,767	5
Depreciation	933,380	8	1,497,735	11
Amortization	42,000	-	10,500	-
Other	460,597	4	632,590	5
Total operating expenses	<u>12,618,606</u>	<u>105</u>	<u>13,067,308</u>	<u>99</u>
Loss of Taipei Rehabilitation Center	<u>(5,994,843)</u>	<u>(50)</u>	<u>(3,871,972)</u>	<u>(29)</u>
<u>Sunshine Half-Way House</u>				
Income				
Government subsidy income	1,793,149	68	1,245,225	59
Assistive equipment income	-	-	-	-
Donation income	446,400	17	451,000	21
Service income	402,586	15	382,622	18
Other	8,839	-	40,121	2
Total income	<u>2,650,974</u>	<u>100</u>	<u>2,118,968</u>	<u>100</u>
Costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Gross profit	<u>2,650,974</u>	<u>100</u>	<u>2,118,968</u>	<u>100</u>
Expenses				
Salaries	3,807,236	144	4,105,145	194
Project expense	207,140	8	347,879	17
Insurance	451,516	17	533,061	25
Meals	142,144	5	130,056	6
Pension	176,034	7	212,366	10
Depreciation	221,411	8	262,021	12
Other	1,312,091	49	1,356,107	24
Total operating expenses	<u>6,312,572</u>	<u>238</u>	<u>6,946,635</u>	<u>328</u>
Loss of Sunshine Half-Way House	<u>(3,666,598)</u>	<u>(138)</u>	<u>(4,827,667)</u>	<u>(228)</u>
Net loss from subsidiaries	<u><u>\$(9,661,441)</u></u>		<u><u>\$(8,699,639)</u></u>	

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(14) Staff, depreciation and amortization expenses

	2020			
	the Foundation		Subsidiaries	Total
	Operating costs	Operating expenses	Operating expenses	
Staff costs				
Salaries	\$56,814,837	\$82,379,534	\$16,126,649	\$155,321,020
Labor and health insurance	7,794,438	9,252,125	1,836,307	18,882,870
Pension	3,905,391	5,335,160	966,755	10,207,306
Meals	1,908,576	3,623,108	685,448	6,217,132
Welfare	1,362,762	1,129,382	156,400	2,648,544
Depreciation	6,819,448	6,905,876	1,154,791	14,880,115
Amortization expense	862,191	1,572,620	42,000	2,476,811

	2019			
	the Foundation		Subsidiaries	Total
	Operating costs	Operating expenses	Operating expenses	
Staff costs				
Salaries	\$55,534,839	\$88,604,825	\$14,891,701	\$159,031,365
Labor and health insurance	7,883,734	10,059,059	1,757,758	19,700,551
Pension	3,838,845	5,674,611	914,133	10,427,589
Meals	1,412,230	3,482,991	542,304	5,437,525
Welfare	1,930,137	1,572,184	283,903	3,786,224
Depreciation	7,748,281	5,757,536	1,759,756	15,265,573
Amortization expense	216,494	1,223,749	10,500	1,450,743

(15) Income tax

According to the Directions for the Review of the Registration and Supervision of Social Welfare Foundations of the Ministry of Health and Welfare, following approval from the Foundation's Board of Trustees and authorization from the Ministry of Health and Welfare, the Foundation may allocate based on its actual activity needs 20% or less of its income to a Service Development Fund or Service Development Reserve Fund, and the sum shall be recognized as an expense for the year.

The Foundation qualified as the foundation exempt from income tax stated in Standards of Income Tax Exemption for Educational, Cultural, Public Welfare, Charitable Organizations or Groups, promulgated in accordance with Article 4.13 of the Income Tax Act.

Income tax filing was approved by the tax authority up to 2017.

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7. Significant transactions with related parties

None.

8. Assets pledged as security

None.

9. Commitments and contingencies

- (1) The Foundation renewed the agreement with the Taipei City Foreign and Disabled Labor Office for the operation of Shih-Min Social Enterprise Gas Station in December 2020. The agreement period is from 1 January 2021 to 31 December 2021. Those with outstanding performance may apply for an extension of the contract. The extension period is one year at a time, and the maximum contract period is three years.
- (2) The Foundation renewed the agreement with the Taipei City Foreign and Disabled Labor Office for the operation of Chian-He Social Enterprise in November 2019. And due to good operation performance, the period may be extended for 2 years to 31 December, 2021.
- (3) The Foundation renewed the agreement with the Taipei City Foreign and Disabled Labor Office for the operation of Jian-Bei Gas Station in September 2019. The agreement period is from 2 August 2019 to 31 May 2023. Due to soil and groundwater pollution issues, Approval No.1093083380 issued by Taipei City Foreign and Disabled Labor Office agreed change the contract period from 1 August, 2021 to 31 December, 2024 on 3 August, 2020.
- (4) The Foundation entered into a franchise agreement with Bi-Huei Car Care Workshop for the Nangang Carwash Center in October 2018. The transference fee amounted to \$413,028. The agreement period is from 20 October 2018 to 30 September 2021. The contract period can be automatically extended, if two parties have no opposition.
- (5) The Foundation entered into a franchise agreement with syuan-li Car Care Workshop for the Songshan Carwash Center in December 2016. The transference fee amounted to \$150,000. The agreement period is from 1 January 2017 to 31 December 2020. The contract period can be automatically extended, if two parties have no opposition.

SUNSHINE SOCIAL WELFARE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

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10. Significant subsequent events

There is no significant subsequent event that would affect the financial position of the foundation between the period from 31 December 2020 to the date of independent auditor's report.

11. Other disclosures

(1) Categories of financial instruments

Financial assets

	31 Dec. 2020	31 Dec. 2019
Loans and receivables:		
Cash and cash equivalents (excluding cash on hand)	\$262,042,306	\$256,148,864
Accounts receivable	22,544,398	17,471,181
Funds	52,391,000	53,778,121
Guarantee deposits paid	8,728,446	8,438,588
Total	\$345,706,150	\$335,836,754

Financial liabilities

	31 Dec. 2020	31 Dec. 2019
Accounts payable	\$1,347,856	\$1,116,131
Other payables	53,634,926	60,088,237
Guarantee deposits received	405,000	300,640
Total	\$55,387,782	\$61,505,008

(2) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is 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. The following methods and assumptions were used by the Foundation to measure or disclose the fair values of financial assets and financial liabilities:

The carrying amount of cash and cash equivalents, accounts receivable, guarantee deposits paid, accounts payable and guarantee deposits received approximate their fair value due to their short maturities.

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Sunshine Social Welfare Foundation
The Statements of Functional Expenses
For The Years Ended 31 December 2020 and 2019

Table 1

Unit: New Taiwan Dollar

2020						
Function	Fundraising and development expense				Total	General and administrative expense
	Physical and psychosocial rehabilitation	R&D and promotion	Grants and rewards	Fundraising expense		
Personnel costs	77,507,890	5,809,014	-	6,643,111	89,960,015	11,759,294
Service expenses	10,900,787	347,386	-	6,066,496	17,314,669	3,385,108
Supplies and materials	6,464,573	46,119	-	1,786,672	8,297,364	571,751
Rental expenses	4,872,565	31,245	-	66,802	4,970,612	2,892,644
Depreciation and amortization expenses	7,268,847	-	-	-	7,268,847	1,209,649
Donation expenses	-	-	12,020,383	-	12,020,383	-
Training expenses	339,187	22,086	-	28	361,301	404,704
Others	2,153,201	11,723	-	25,237	2,190,161	1,366,395
Total	109,507,050	6,267,573	12,020,383	14,588,346	142,383,352	21,589,545

2019						
Function	Fundraising and development expense				Total	General and administrative expense
	Physical and psychosocial rehabilitation	R&D and promotion	Grants and rewards	Fundraising expense		
Personnel costs	83,740,370	5,823,160	-	7,343,775	96,907,305	12,486,365
Service expenses	14,549,255	1,733,982	-	5,990,135	22,273,372	2,498,634
Supplies and materials	3,271,406	310,764	-	1,576,212	5,158,382	597,714
Rental expenses	6,895,985	99,350	-	38,085	7,033,420	3,022,624
Depreciation and amortization expenses	6,360,015	-	-	-	6,360,015	621,270
Donation expenses	-	-	15,676,596	-	15,676,596	-
Training expenses	1,815,290	83,386	-	6,322	1,904,998	366,400
Others	2,422,572	382,741	-	41,068	2,846,381	3,393,949
Total	119,054,893	8,433,383	15,676,596	14,995,597	158,160,469	22,986,956

Note 1: The Foundation did not pay any salary and compensation to board of trustees.

Subsidiaries of Sunshine Social Welfare Foundation
Statements of Income and Expenses
For The Years Ended 31 December 2020 and 2019

Table 2

Unit: New Taiwan Dollar

Account Name	2020		2019	
	Amount	%	Amount	%
Revenue				
Operating revenue				
Sales or service revenue	-	-	-	-
Subsidy revenue from government	2,982,149	20	2,419,225	16
Rehabilitation equipment revenue	8,804,115	60	10,168,311	66
Donations revenue	1,978,633	14	1,903,237	13
Service revenue	901,783	6	799,851	5
Charity sale revenue	22,903	-	39,710	-
Interest income	9,160	-	5,757	-
Other revenue	-	-	-	-
Total revenue	14,698,743	100	15,336,091	100
Expense				
Operating costs				
Sales or service costs	-	-	-	-
Fundraising and development expenses	24,360,184	166	24,035,730	157
General and administrative expense	-	-	-	-
Other expense	-	-	-	-
Total expenditure	24,360,184	166	24,035,730	157
Budget deficit	(9,661,441)	(66)	(8,699,639)	(57)