

Ming Chuan University

Financial Statements for the
Years Ended July 31, 2019 and 2018 and
Independent Auditors' Report

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Ming Chuan University
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Years Ended July 31, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Supervisors
Ming Chuan University

Opinion

We have audited the accompanying financial statements of Ming Chuan University, which comprise the balance sheets as of July 31, 2019 and 2018, and the statements of Income, cash flows, comprehensive operation in cash for the years then ended, and the notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Ming Chuan University as of July 31, 2019 and 2018, and the results of its revenue and expenditure, its cash flows, and its revenue and expenditure in Cash for the years then ended in accordance with the Private School Law, the Regulation Governing the Accounting System Set Up By School Legal Persons and Their Schools, the Accounting System Set Up By School Legal Persons and Their Schools, and Enterprise Accounting, and relevant endorse.

Basis for Opinion

We conducted our audits in accordance with the Notices for Audit of Financial Statements by Certified Public Accountants on behalf of the School Legal Persons and Their Institutions of Higher Education, the Rules Governing Auditing and certification 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 financial statements section of our report. We are independent of Ming Chuan University in accordance with The Norm of Professional Ethics for Certified Public Account of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements as of July 31, 2019. These matters were addressed in the context of our audit of the only financial statements as whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Ming Chuan University financial statements as of July 31, 2019 are stated as follows :

Management of property, building and equipment

The property, building and equipment of Ming Chuan University are the main assets of Ming Chuan University, and the certified public accountants believe that the management of property, building and equipment is an area of high concern during the audit. For the accounting policies on property, building and equipment, please refer to Note II (7) of the notes to the financial statements; for the notes on property, building and equipment please refer to Note IV (5) of the notes to the financial statements.

Our key audit procedures performed in respect of the above area included the following :

- 1.To understand and test the effectiveness of design and implementation of the main internal control system for the management of property, building and equipment of Ming Chuan University.
- 2.To find out whether the purchases, leases, dispositions and creations of encumbrance on property, building and equipment (including the sales, scrapping and mortgages of real estate) of Ming Chuan University for the financial year 2018 are in accordance with the Private Schools Law and the Fixed Assets Management Rules formulated by Ming Chuan University.
- 3.To find out whether the treatment of accounting affairs such as the accounting basis of property, building and equipment, depreciation withdrawal and scrapping of property, building and equipment are in accordance with the relevant laws and decrees and the Fixed Assets Management Rules formulated by Ming Chuan University.

- 4.To find out whether the equipment purchased by Ming Chuan University in the academic year 2018 with its grants received from the Ministry of Education is used in accordance with the grants program.
- 5.To understand the processing procedures for property, building and equipment inventory operations of Ming Chuan University, and to conduct a spot check and make an inventory for the major additions to the fixed assets for the academic year 2018.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Private School Law, the Regulation Governing the Accounting System Set Up By School Legal Persons and Their Schools, the Accounting System Set Up By School Legal Persons and Their Schools, and Enterprise Accounting, and relevant endorse, 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 Ming Chuan University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the school or to cease operations, or has no realistic alternative but to do so.

Those charged with governance of Ming Chuan University(including supervisor) are responsible for overseeing the school's financial reporting process.

Auditors' 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 misstatements, whether due to fraud or error, and to issue an auditors' 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 the 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 the 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 Company's internal control.
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 Ming Chuan University's ability to continue as a going concern. 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 auditors' report. However, future events or conditions may cause Ming Chuan University to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of Ming Chuan University for the academic year 2018. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PKF TAIWAN

Taipei, Taiwan
October 30, 2019

Ming Chuan University
Balance Sheets
as of 7/31/2019 and 7/31/2018

Asset	Notes	07/31/2019	07/31/2018	Unit: NTD Increase or decrease of amount
Current Assets				
Cash	2	\$ 611,034	\$ 595,929	\$ 15,105
Bank Deposit	4(1)	1,787,419,467	1,661,152,239	126,267,228
Receivables	4(2)	19,121,238	23,260,326	(4,139,088)
Prepayments	4(3)	21,567,106	20,024,939	1,542,167
Total Current Assets		<u>1,828,718,845</u>	<u>1,705,033,433</u>	<u>123,685,412</u>
Long-term Investments, Receivables, and Fund Special Funds				
	2			
	4(4)	<u>28,753,695</u>	<u>28,578,485</u>	<u>175,210</u>
Property, Building and Equipment-net				
	2,4(5)			
Land		1,042,621,674	1,042,621,674	-
Improvements Over Lands		264,877,562	257,917,562	6,960,000
House and Buildings		3,880,989,285	3,880,989,285	-
Mechanical Instrumentation and Equipment		1,111,742,791	1,114,577,163	(2,834,372)
Books and Journals		836,871,869	820,441,237	16,430,632
Other Equipment		517,770,685	520,671,341	(2,900,656)
Assets in Purchase or Construction		42,316,040	40,334,450	1,981,590
Total Cost		7,697,189,906	7,677,552,712	19,637,194
Less : Accumulated Depreciation		(2,660,946,000)	(2,567,328,413)	(93,617,587)
Net Property, building and equipment		<u>5,036,243,906</u>	<u>5,110,224,299</u>	<u>(73,980,393)</u>
Intangible Assets				
	2,4(6)			
Computer Software		66,768,446	63,980,979	2,787,467
Less : Accumulated Amortization		(41,291,907)	(38,829,127)	(2,462,780)
Net Intangible Assets		<u>25,476,539</u>	<u>25,151,852</u>	<u>324,687</u>
Other Assets				
Refundable Deposits		<u>18,010,078</u>	<u>8,326,971</u>	<u>9,683,107</u>
Total Assets		<u>\$ 6,937,203,063</u>	<u>\$ 6,877,315,040</u>	<u>\$ 59,888,023</u>
Liabilities, Equity Fund and Surplus(Deficit)				
Current Liabilities				
	2			
Short-term Debt	4(10)	\$ -	\$ 10,795,827	\$ (10,795,827)
Accrued Payables	4(7)	140,422,741	163,754,420	(23,331,679)
Advance Receipts	4(8)	44,464,173	60,538,073	(16,073,900)
Receipts Under Custody	4(9)	4,061,800	3,616,869	444,931
Total Current Liabilities		<u>188,948,714</u>	<u>238,705,189</u>	<u>(49,756,475)</u>
Other Liabilities				
Deposits Received		<u>22,052,908</u>	<u>18,059,712</u>	<u>3,993,196</u>
Total Liabilities		<u>211,001,622</u>	<u>256,764,901</u>	<u>(45,763,279)</u>
Equity Fund				
	2,4(11)			
Equity Fund For Specified Purposes		28,578,485	28,233,695	344,790
Equity Fund For Unspecified Purposes		5,270,765,866	5,213,228,171	57,537,695
Total Equity Fund		<u>5,299,344,351</u>	<u>5,241,461,866</u>	<u>57,882,485</u>
Surplus/Deficit				
Accumulated Surplus(Deficit)	2,4(12)	<u>1,426,431,767</u>	<u>1,378,771,187</u>	<u>47,660,580</u>
Other Equities				
	2			
Accumulate Other Comprehensive Surplus/Deficit		<u>425,323</u>	<u>317,086</u>	<u>108,237</u>
Total Equity Fund and Surplus(Deficit)		<u>6,726,201,441</u>	<u>6,620,550,139</u>	<u>105,651,302</u>
Significant Commitments and Contingencies				
	7			
Total Liabilities, Equity Funds and Surplus(Deficit)		<u>\$ 6,937,203,063</u>	<u>\$ 6,877,315,040</u>	<u>\$ 59,888,023</u>

Assets Under Trust Agency and Guaranty : Final Accounts as of 7/31/2019 \$1,581,298.

Liabilities Under Trust Agency and Guaranty : Final Accounts as of 7/31/2019 \$1,581,298.

(The accompanying notes are an integral part of these financial statements)

Ming Chuan University
INCOME STATEMENTS
2018 and 2017

Unit: NTD

Title	Year 2018 Budget	Year 2018 Final Accounts	Year 2017 Final Accounts	Comparison Between Final Account and Budget of 2018	
				Difference	%
Revenues					
Revenues From Tuitions and Fees	\$ 1,778,422,375	\$ 1,821,232,598	\$ 1,836,936,269	\$ 42,810,223	2
Revenues From Promoting Education	134,823,160	141,570,455	152,367,862	6,747,295	5
Revenues From Industry-Academy Cooperation	154,505,749	155,125,165	164,040,554	619,416	-
Revenues From Other Teaching Activities	-	899,500	-	899,500	-
Revenues From Subsidy and Donation	356,889,086	390,742,684	393,809,156	33,853,598	9
Financial Revenues	12,218,149	14,878,988	13,982,676	2,660,839	22
Other Revenues	131,191,750	156,444,741	160,568,104	25,252,991	19
Total Revenues	2,568,050,269	2,680,894,131	2,721,704,621	112,843,862	4
Expenses					
Board of Directors Expenses	2,229,030	1,609,798	1,436,010	(619,232)	(28)
Administrative Management Expenses	605,762,890	589,404,112	580,175,292	(16,358,778)	(3)
Teaching Research and Training Expenses	1,522,665,886	1,502,750,403	1,468,605,661	(19,915,483)	(1)
Scholarships and Grants Expenses	131,183,000	151,850,404	150,419,261	20,667,404	16
Expenses From Promoting Education	91,915,920	88,033,494	88,341,968	(3,882,426)	(4)
Expenses From Industry-Academy Cooperation	153,659,560	148,179,303	157,478,065	(5,480,257)	(4)
Expenses From Other Teaching Activities	-	267,647	-	267,647	-
Financial Expenses	228,240	156,698	344,074	(71,542)	(31)
Other Expenses	97,775,988	93,099,207	98,658,406	(4,676,781)	(5)
Total Expenses	2,605,420,514	2,575,351,066	2,545,458,737	(30,069,448)	(1)
Net Surplus(Deficit)	\$ (37,370,245)	\$ 105,543,065	\$ 176,245,884	\$ 142,913,310	(382)
Other Comprehensive Surplus(Deficit)					
Exchange Differences Arising On Translation					
Of Foreign Operation	883,492	108,237	350,409	(775,255)	(88)
Total Comprehensive Surplus(Deficit)	\$ (36,486,753)	\$ 105,651,302	\$ 176,596,293	\$ 142,138,055	(390)

(The accompanying notes are an integral part of these financial statements)

Ming Chuan University

Statements Of Cash Flows

2018 and 2017

Unit: NTD

	Year 2018	Year 2017
Cash Flows From Operating Activities :		
Net Surplus(Deficit)	\$ 105,543,065	\$ 176,245,884
Interest Income	(14,722,290)	(13,638,602)
Current Surplus(Deficit) Before Interest Income	90,820,775	162,607,282
Adjustment		
Add : Expenditures -No Cash-Generated Outflows	190,161,136	190,986,293
Less : Revenues - No Cash-Generated Inflows	(706,884)	(2,218,363)
Net (Increase) Decrease In Adjustments of Current Assets	2,801,099	(5,863,287)
Net Increase (Decrease) In Adjustments of Current Liabilities	(26,851,080)	(30,520,644)
Net Cash Inflows Generated Before Interest Income	256,225,046	314,991,281
Interest Received	14,674,810	13,352,707
Dividend Received	-	-
Interest Paid	(175,719)	(339,847)
Net Cash Flow Generated From Operating Activities	270,724,137	328,004,141
Cash Flows From Investing Activities :		
Proceeds from Disposal of Property, Plant and Equipment	-	36,490
Refundable Deposits Return	2,439,431	3,926,946
Less: Purchasing - Property, Building and Equipment	(125,194,840)	(187,441,700)
Purchasing - Intangible Assets	(3,314,394)	(6,440,694)
Refundable Deposits Payable	(12,122,538)	(2,727,631)
Net Cash Flow Used In Investing Activities	(138,192,341)	(192,646,589)
Cash Flows From Financing Activities :		
Receipts Under Custody	565,019,777	609,612,929
Deposits Received Received	14,191,948	21,484,447
Less : Payment Under Custody	(564,574,846)	(611,136,050)
Reduce Deposits Received	(10,198,752)	(20,102,529)
Repayment Of Short-/Long-Term Loans	(10,795,827)	(12,750,000)
Net Cash Flow Used In Financing Activities	(6,357,700)	(12,891,203)
Exchange Influence	108,237	350,409
Net Increase In Cash and Cash Equivalents	126,282,333	122,816,758
Cash and Bank Deposit Balances At Beginning Of Year	1,661,748,168	1,538,931,410
Cash and Bank Deposit Balances At End Of Year	\$ 1,788,030,501	\$ 1,661,748,168

(The accompanying notes are an integral part of these financial statements)

Ming Chuan University
Statements of Comprehensive Operation In Cash
2018 and 2017

Unit: NTD

	Year 2018	%	Year 2017	%
Operating Income - Cash				
Revenues From Tuitions and Fees	\$ 1,821,232,598	68	\$ 1,836,936,269	69
Revenues From Promoting Education	141,570,455	5	152,367,862	6
Revenues From Industry-Academy Cooperation	155,125,165	6	164,040,554	6
Revenues From Other Teaching Activities	899,500	-	-	-
Revenues From Subsidy and Donation	390,742,684	15	393,809,156	15
Financial Revenues	14,878,988	-	13,982,676	-
Other Revenues	156,444,741	6	160,568,104	6
Less : Revenues - No Cash-Generated Inflows	(706,884)	-	(2,218,363)	-
Increase (Decrease) In Adjustments Items				
Receivable and Advance Receipts	(11,934,812)	-	(52,809,888)	(2)
Interest and Dividend Adjustment	-	-	-	-
Total Operating Income - Cash	<u>2,668,252,435</u>	<u>100</u>	<u>2,666,676,370</u>	<u>100</u>
Operating Expenses - Cash				
Board of Directors Expenses	1,609,798	-	1,436,010	-
Administrative Management Expenses	589,404,112	22	580,175,292	22
Teaching Research and Training Expenses	1,502,750,403	56	1,468,605,661	55
Scholarship Expenses	151,850,404	6	150,419,261	6
Expenses From Promoting Education	88,033,494	3	88,341,968	3
Expenses From Industry-Academy Cooperation	148,179,303	6	157,478,065	6
Expenses From Other Teaching Activities	267,647	-	-	-
Financial Expenses	156,698	-	344,074	-
Other Expenses	93,099,207	4	98,658,406	4
Less: Expenditures - No Cash-Generated Outflows	(190,161,136)	(7)	(190,986,293)	(7)
Increase (Decrease) In Adjustments Items Accrued				
Payables and Prepayment	12,338,368	-	(15,800,215)	(1)
Interest Dividend Adjustment	-	-	-	-
Total Operating Expenses - Cash	<u>2,397,528,298</u>	<u>90</u>	<u>2,338,672,229</u>	<u>88</u>
Current Account - Cash Surplus(Deficit)	<u>270,724,137</u>	<u>10</u>	<u>328,004,141</u>	<u>12</u>
Cash Income from Asset Transaction	-	-	36,490	-
Cash Outlay - Purchase of Movable Property, Intangible Assets and Other Assets :				
Machines and Equipment	66,151,045	2	70,726,930	2
Books and Journals	16,877,730	1	21,394,977	1
Other Equipment	29,534,791	2	22,235,515	1
Prepayments For Business Facilities	7,621,590	-	-	-
Computer Software	3,314,394	-	6,440,694	-
Total Cash Outlay - Purchase of Movable Property, Intangible Assets and Other Assets	<u>123,499,550</u>	<u>5</u>	<u>120,798,116</u>	<u>4</u>
Minus : Cash Surplus/(Deficit) Before Real Estate Expenditures	<u>147,224,587</u>	<u>5</u>	<u>207,242,515</u>	<u>8</u>
Cash Outlay - Purchase Of Real Estate				
Land	-	-	40,373,896	2
and Unfinished Construction	5,009,684	-	32,710,382	1
Total Cash Outlay - Purchase of Real Estate	<u>5,009,684</u>	<u>-</u>	<u>73,084,278</u>	<u>3</u>
Current Cash Surplus/(Deficit)	<u>\$ 142,214,903</u>	<u>5</u>	<u>\$ 134,158,237</u>	<u>5</u>

(The accompanying notes are an integral part of these financial statements)

Ming Chuan University
Notes to Financial Statements
July 31, 2019 and 2018

Unit : NTD

I. School history

Ming Chuan University (hereinafter referred to as the School) was founded in accordance with the relevant provisions of the University Act and the Private School Law, aiming on academic research, talent nurturing, culture enhancement, society services, and promotion of national development and establishment of school characteristics. Approved by the Ministry of Education, the School started in March 1957; on August 1st 1990, it was approved to upgrade to Ming Chuan College. Later as of 1997, it was renamed as "Ming Chuan University". On July 10th 2013, a completion report on the establishment of its branch school in the United States was approved by the Ministry of Education, Taiwan (file number Tai-Jiao-Gao-(3)-Tzi-Di 1020103032).

On August 28th 2019, the total registered amount of property of the School was updated as \$7,637,218,262. At the end of 2019 and 2018, the number of faculty members totaled in 1,881 and 1,826, respectively, whereas the number of students totaled in 18,533 and 18,711, respectively. And at the Branch School in the United States, the number of faculty members totaled in 9 and 7, respectively, whereas the number of students totaled in 13 and 14, respectively.

II. Summary of significant accounting policies

Accounting records and main financial statements of the School have been published and complied in accordance with the Private School Law, the Regulation Governing the Accounting System Set Up By School Legal Persons and Their Schools, the Accounting System Set Up By School Legal Persons and Their Schools, as well as Enterprise Accounting, and relevant endorse.

The financial statements were approved and authorized for issue by the Board of Directors on October 30, 2019.

This financial statement has adopted the main accounting policies as follows:

(I) Fiscal year

A fiscal year starts on August 1st of each year and ends on July 31st of the following year where the calendar of the Republic of China shall be adopted as fiscal years (Note that the calendar of the R.O.C shall be converted to the calendar of Anno Domini which is to be adopted in English versions of documents). The year of a financial statement shall fall onto the year of the starting date.

(II)The basis of accounting

Accounting records of the School shall be entered based on accrued basis.

(III)Accounting estimates

In the preparation of the financial statements in accordance with generally accepted accounting principles, the School shall undertake necessary measure, assessment, and disclosure on the amounts and all contingencies set forth in the financial statements, including choices of various assumptions and estimates which might vary from the actual results.

(IV)Classification standards for current and non-current assets and liabilities

The current assets shall comprise cashes or cash equivalents of unrestricted purpose, which are held for trading purposes, or held for a short period of time and expected to be liquidated within twelvemonth after the date of balance sheets, or expected to be liquidated, sold, or consumed during the normal operation of the School operating cycle. Any assets falling beyond the scope of current assets shall be regarded non-current assets.

The liabilities are expected to be liquidated within twelvemonth after the date of balance sheets, or expected to be liquidated during the normal operation of the School operating cycle. Any liabilities falling beyond the scope of current liabilities shall be regarded non-current liabilities.

(V)Foreign currency transactions

Accounting records of the School shall be entered in TWD. Any assets or liabilities valued in a foreign currency shall be entered based on the spot exchange rate on the date of the transaction, and shall be adjusted according to the spot exchange rate on the date of the balance sheet. And exchange differences arising from such adjustment shall be listed as exchange gains and losses. Any exchange differences arising from the settlement of assets or liabilities valued in a foreign currency shall be also listed in the current profits and losses.

(VI)Special funds

Scholarship Fund

Scholarship Funds donated from outside of the School for students have been designated for specific purposes and deposited into a special account as per provisions. They are reserved under the account of “Equity Fund For Specified Purpose”.

Law School Development Fund

Funds donated from outside of the School for the development of the law school have been designated for specific purposes and deposited into a special account as per provisions. They are reserved under the account of “Equity Fund For Specified Purpose”.

Alumni Service Promotion Fund

Funds donated by alumni for the promotion of alumni affairs and services has been designated for specific purposes and deposited into a special account as per provisions. They are reserved under the account of “Equity Fund For Specified Purpose”.

(VII)Property, building and equipment

Except for the Taoyuan campus land, a donation, of which value was entered at a basis of the published value in 1988, other property, building and equipment shall be entered at a basis of their cost upon acquisition or construction. Any expenditures for repair and maintenance shall be regarded as capital expenditures if they could prolong the life span or enhance the performance of an asset; otherwise, they shall be listed as current expenditures. When a property, building and equipment is scrapped, its listed amount shall be transferred to the relevant demerit account of property transaction according to the nature of the expenditure, except for books which shall be transferred to an account under depreciation and amortization. Revenues from the disposal of property, building and equipment shall be treated as a surplus from property transactions.

Except for fixed assets such as lands, books, and journals, the rest of the fixed assets shall be listed for depreciation in the linear method within their respective estimated life span as follows:

For any property as a part of special projects, they shall be listed for depreciation according to the implementation duration of a special project. For any property not as a part of any special projects, they shall be listed for depreciation according to year of usage over their life span such as: 5 to 40 years for improvements over lands, 8 to 60 years for houses and buildings, 2 to 25 years for mechanical instrumentation and equipment, 3 to 10 years for other equipment, and 5 years for improvements over leasing equities.

Books shall be listed for depreciation in depreciation-retirement method. Lands, inheriting assets (such as historic relics), and non-consumable collectibles (such as art works) shall not be listed for depreciation.

(VIII)Intangible assets

Intangible assets such as computer software, etc. shall be entered based on their costs and shall be amortized over two years in the linear method according to the duration of the performance provided.

(IX)Retirement Pension Fund

According to the provisions on the implementation of the new retirement pension system for faculty of private schools as stated in Articles 64 and 65 of Private School Law, as of January 1st 2010, the Management Committee of Retirement and Consolation Payment for Private School Teachers and Staff of R.O.C. (hereinafter referred to as the "Management Committee for Retirement Compensation Fund") was renamed as the Management Committee of Retirement, Consolation Payment, Resignation and Severance for Private School Teachers and Staff of R.O.C. (hereinafter referred to as the "Management Committee for Retirement Pension Fund"). Now the granting for the retirement, consolation payment, resignation, and severance of the faculty in private schools is to be governed by the articles (hereinafter referred to as Articles about the Retirement, Consolation Payment, Resignation, and Severance) newly set forth accordingly for school legal persons and faculty of their corresponding private schools. And the "Management Committee for Retirement Pension Fund" is to set up a "School Retirement Pension Fund Reserve Account" and an "Individual Retirement Pension Fund Special Account". Regarding the operation of the Retirement Pension Fund: First, 3% of the tuition fee is to be allocated under the "Management Committee for Retirement Pension Fund" where two thirds of the allocated amount is then allocated to the "School Retirement Pension Fund Reserve Account" as a reserve fund for the "Individual Retirement Pension Fund Special Account" which is to be allocated from the "Management Committee for Retirement Pension Fund" on a monthly basis in accordance with the provisions of the Articles about the Retirement, Consolation Payment, Resignation, and Severance. Should a particular monthly allocation fall short, then the School shall allocate to make up the supplement separately. Furthermore, the remaining one-thirds is to be allocated to the original Retirement Pension Fund of the School, prepared to cover payments for the retirement, consolation payment, resignation, and severance of the faculty who are eligible for previous articles prior to the implementation of the new Articles about the Retirement, Consolation Payment, Resignation, and Severance. In the academic year of 2018 and 2017, the School has allocated to the original

Retirement Pension Fund in the amount of \$13,652,805 and \$13,725,546, respectively, as well as to the "Management Committee for Retirement Pension Fund" \$34,671,896 and \$35,683,359, respectively.

Regarding any faculty members who should meet the criteria of the "Methods for Retirement, Consolation Payment, and Severance of Teachers and Staff" upon their retirement, they shall receive payments directly from the "Management Committee for Retirement and Consolation Payment, Fund", or otherwise from the School itself. In the academic year of 2018 and 2017, the retirement pension funds paid by the School itself amounted in \$2,243,234 and \$1,476,884, respectively.

The non-faculty members of the School shall receive their total salary on a monthly basis at a certain ratio (2%) in accordance with the retirement fund allocated under the Labor Standards Act (i.e. the old system) where the fund has been managed by the "Supervisory Committee for Labor Retirement Reserve Fund" under a special account at Taiwan Bank. Upon actual payments to the staff members, the payments shall first be drawn from the special account and then supplemented by funds listed as the current expenditures if any shortage in the special account. In the academic year of 2018 and 2017, the School has allocated into the retirement reserve in the amount of \$136,526 and \$126,024, respectively. At the end of the academic year 2018 and 2017, the balance remained under the special retirement account at Taiwan Bank totaled in \$5,683,317 and \$8,506,100, respectively.

The pension fund which a defined contribution is applied by the School has been allocated throughout the service years of non-faculty members at a fixed amount and listed as the current expenditures where the monthly allocation rate responsible by the School shall not be lower than 6% of the monthly salary of a labor. In the academic year of 2018 and 2017, the retirement fund allocated in this regard totaled in the amount of \$9,356,561 and \$8,630,825, respectively.

(X)Equity Funds

Various donations and any remnants from school operations shall be listed under this category, including the equity fund for specified purpose and equity fund for unspecified purposes.

Equity fund for specified purposes refer to those equity funds with designated purposes relating to contracts, laws and regulations, external donations, or allocations of funds due to certain procedures by the School. They shall be corresponding to the account of "Special Fund".

Equity fund for unspecified purposes shall include the accounts of “Surplus Equity Fund” and “Other Equity Fund” as follows :

Surplus Equity Fund :

According to the provisions of Article 46 of the Private Schools Law, if there should be any surplus after balancing the annual income and expenditure, they shall be listed under the “Surplus Equity Fund” within one month after filing the final accounting at the school authorities, provided any deficits carried forwarded from previous years have been supplemented.

Other Equity Fund:

Any undesignated equity funds other than the Surplus Equity Fund shall be listed under Other Equity Fund where the calculation formula shall be: “Net amount (Original costs for acquisition of lands, improvements over lands, houses, and construction, deduct the accumulated depreciation).”

(X I)Accumulated surplus/deficit and current surplus/deficit

1. Accumulated surplus or deficit means any accumulated surplus or accumulated deficit of the school as of the end of the period.
2. Accumulated surplus means any unappropriated accumulated surplus of the school as of the end of the previous period; accumulated deficit means any undistributed accumulated deficit of the school as of the end of the previous period
3. Current surplus or deficit means any current surplus or deficit of the school.

(X II)Other equity items

The financial statements for the Branch School overseas shall be adjusted and converted to TWD currency where the exchange difference arising from the current exchange rate shall be accounted for the accumulated exchange adjustments to be listed under "Other Equity" items.

(X III)Revenues and expenditures

Tuitions and fees are to be collected according to the fee standards stipulated by the Ministry of Education where all revenues have been listed in the budget. According to the result of budget execution and subject to revenues, relevant fees and expenditures are to be listed as the current expenditures upon accrual of rights and liabilities.

(X IV)Payment of excess annuities

This refers to the excess payment of annuities to faculty members in accordance with the Civil Servant and Teacher Insurance Act.

(X V) Income taxes

According to the provisions of the amended Education and Culture Public Welfare Charity or Community Fees and Fees based on the order No. Tai-Cai-zi 1030005149 issued by the Executive Yuan on February 26th, 2013, there shall incur no income taxes if expenditures for activities related to the initial objectives of the School should represent more than 60% of total sum of annual interests accrued from the Funds plus other incomes. Alternatively, there shall also incur no income taxes if the annual balance of the School should fall under \$500,000 – which shall be either verified by the competent authority for consent of the tax waiving or which shall be registered for change of total property amount in accordance with the provisions.

III. Reasons And Impacts of Accounting Changes : N/A

IV. Statements Of Major Accounting Items

(I) Bank Deposit

	<u>07/31/2019</u>	<u>07/31/2018</u>
Check And Demand deposit	\$ 147,293,104	\$ 228,974,342
Fixed deposit—		
Rate Of Interest Per Annum :		
0.23 %~2.30% and 0.77%		
~1.25% as of 07/31/2019		
and 07/31/2018 respectively	1,573,374,531	1,347,876,523
Foreign Exchange Deposits	23,420,400	36,642,589
Other Special Accounts	43,331,432	47,658,785
Total	<u>\$ 1,787,419,467</u>	<u>\$ 1,661,152,239</u>

The above bank deposits, including other special accounts such as those for the promotion of Industry-Academia cooperation, for fundraising, for faculty members, etc., have not involved in any guarantee, pledge, or usage constraint.

(II) Receivables

	<u>07/31/2019</u>	<u>07/31/2018</u>
Interest Receivable	\$ 5,106,918	\$ 4,902,740
Other Receivables	14,014,320	18,357,586
Total	<u>\$ 19,121,238</u>	<u>\$ 23,260,326</u>

(III) Prepayments

	<u>07/31/2019</u>	<u>07/31/2018</u>
Commodities	\$ 6,324,444	\$ 6,491,344
Education Supplies	7,409	7,409
Prepaid Expenses	14,672,718	12,925,053
Prepaid Insurance Premium	562,535	601,133
Total	<u>\$ 21,567,106</u>	<u>\$ 20,024,939</u>

(IV) Special Fund

	<u>07/31/2019</u>	<u>07/31/2018</u>
Scholarship Fund	\$ 15,869,327	\$ 15,916,250
Law School Development Fund	545,505	453,002
Alumni Service Promotion Fund	12,338,863	12,209,233
Total	<u>\$ 28,753,695</u>	<u>\$ 28,578,855</u>

(V) Property, Building And Equipment

Item	2018					Ending Balance
	<u>Beginning balance</u>	Current Increase	Current Decrease	Increase In Reclassification	Decrease In Reclassification	
<u>Cost</u>						
Land	\$ 1,042,621,674	\$ -	\$ -	\$ -	\$ -	\$ 1,042,621,674
Improvements Over Lands	257,917,562	-	-	6,960,000	-	264,877,562
House And Buildings	3,880,989,285	-	-	-	-	3,880,989,285
Mechanical Instrumentation And Equipment	1,114,577,163	60,758,047	63,592,419	-	-	1,111,742,791
Books And Journals	820,441,237	16,877,730	447,098	-	-	836,871,869
Other Equipment	520,671,341	23,319,124	27,059,780	840,000	-	517,770,685
Assets In Purchase Or Construction	40,334,450	10,371,590	-	-	8,390,000	42,316,040
Total Cost	<u>7,677,552,712</u>	<u>111,326,491</u>	<u>91,099,297</u>	<u>7,800,000</u>	<u>8,390,000</u>	<u>7,697,189,906</u>
<u>Accumulated Depreciation</u>						
Improvements Over Lands	137,730,863	8,273,545	-	-	-	146,004,408
House And Buildings	1,312,891,432	75,306,997	-	-	-	1,388,198,429
Mechanical Instrumentation And Equipment	738,724,171	63,575,309	52,600,288	-	-	749,699,192
Other Equipment	377,981,947	22,214,516	23,152,492	-	-	377,043,971
Accumulated Depreciation	<u>2,567,328,413</u>	<u>169,370,367</u>	<u>75,752,780</u>	<u>-</u>	<u>-</u>	<u>2,660,946,000</u>
Net Amount	<u>\$ 5,110,224,299</u>	<u>\$ (58,043,876)</u>	<u>\$ 15,346,517</u>	<u>\$ 7,800,000</u>	<u>\$ 8,390,000</u>	<u>\$ 5,036,243,906</u>

2017

Item	Beginning balance	Curent Increase	Curent Decrease	Increase In Reclassification	Decrease In Reclassification	Ending Balance
<u>Cost</u>						
Land	\$ 922,007,158	\$ 40,373,896	\$ -	\$ 80,240,620	\$ -	\$ 1,042,621,674
Improvements Over Lands	257,917,562	-	-	-	-	257,917,562
House and Buildings	3,880,989,285	-	-	-	-	3,880,989,285
Mechanical Instrumentation And Equipment	1,065,603,397	77,874,243	67,001,541	38,101,064	-	1,114,577,163
Books And Journals	801,912,241	21,394,977	2,865,981	-	-	820,441,237
Other Equipment	520,715,145	24,693,228	24,737,032	-	-	520,671,341
Assets In Purchase Or Construction	122,706,068	35,970,066	-	-	118,341,684	40,334,450
Total Cost	7,571,850,856	200,306,410	94,604,554	118,341,684	118,341,684	7,677,552,712
<u>Accumulated Depreciation</u>						
Improvements Over Lands		8,243,244	-	-	-	137,730,863
House And Buildings	129,487,619	75,328,704	-	-	-	1,312,891,432
Mechanical Instrumentation And Equipment	733,356,455	59,569,718	54,202,002	-	-	738,724,171
Other Equipment	375,382,278	22,837,414	20,237,745	-	-	377,981,947
Accumulated Depreciation	2,475,789,080	165,979,080	74,439,747	-	-	2,567,328,413
Net Amount	\$ 5,096,061,776	\$ 34,327,330	\$ 20,164,807	\$ 118,341,684	\$ 118,341,684	\$ 5,110,224,299

1. During 1990 to 1996, a new campus in Guishan District of Taoyuan (i.e. Xinlukeng Section and Datong Section) had been acquired where the costs for land deposit, engineering and equipment (among all the costs for the land, land transfer tax, and administration) amounted to \$42,316,040 (of which \$31,344,450 constituted the costs of the real estate of which the title is yet to be transferred) as of July 31st, 2019. Thus far, the ownership of this land has not been finalized, which is illustrated as follows:

(1) During 1990, the School purchased from Chenggong High School of Industry and Commerce (hereinafter referred to as Chenggong) a land (of an area of 1.9 hectares under lot No. 384-1 in Datong Section, Guishan District, Taoyuan City) and four buildings for total cost of \$200 million. After paying \$100 million to the seller, both parties agreed to transfer the ownership of buildings to the School. However, during the severance of the land and transferring of the land title, the deal was falling through due to the

breach of contract by Chenggong; consequently, the School proceeded to a litigation which was later settled under the mediation via Taiwan High Court on May 30th, 2002. Both the seller and the School agreed that the \$100 million paid by the School should be credited for the two buildings (in an area of 7,586 square meters) and a land (in an area of 1.2988 hectares) and that upon the successful transfer of the said land to the School, the School should also transfer the ownership of the other two buildings back to the seller. During the school year of 2004, a renovation project for a part of the buildings was completed. Accordingly, for the school year of 2004, partial land deposit and the cost of the engineering project was transferred onto the cost of the buildings. On December 26th, 2008, the School applied to the Central Taiwan office of Ministry of Education for approval of the transfer of the abovementioned ownership of the land. On December 30th, 2008, a letter of file number Jiao-Zhong-(3)-zi 0970599348 was issued by the very same office to Chenggong, acknowledged by the School at the same time. On November 4th, 2010, the School went through the same application process again with the very same office for the very same matter. On November 10th, 2010, a letter (file number Jiao-Zhong-(3)-zi 0990599709) was issued by the very same office to Chenggong along with detailed description of the case, acknowledged by the Ministry of Education at the same time. On November 16th, 2010, a letter (file number Cheng-zong-zi-09900039 13) was replied by Chenggong to the School regarding the progress of the land transfer case. On September 26th, 2012, a request of transferring three pieces of lands (in an area of 1.2988 hectares under lot No. 384-1 in Datong Section, Guishan District, Taoyuan City) to the School was made by the School at the same Central office, whereas in October, 2012, the same request was also made by Chenggong at the same Central office. On September 26th, 2012, a request of transferring two buildings located in Datong Section of Guishan District from the School back to Chenggong was also made by the School, subject to the approval of Higher Education Department, so as to complete the procedures of the court mediation. On September 16th, 2013, the Ministry of Education issued a letter (file number Tai-Jiao-Shoi-Guo-zi 1020081235) to Chenggong, basically consenting to the transfer for the subject real estate case. In

November, 2013, the School again requested the Higher Education Department of the Ministry of Education to approve the transferring of the two buildings back to Chenggong. Thus, in 2013, the School has listed a budget for the transferring of the above-mentioned three pieces of lands. As of August 1st, 2017, the paid costs for land deposit, engineering, and equipment had not yet been totally transferred to proper accounts where the outstanding amounts of real estate yet to be transferred totaled in \$80,240,620. In addition, the land value-added tax and other taxes on the above land were paid in July 2018, and the transfer of the title registration was applied for in July 2018, and the title transfer registration was completed on August 2nd, 2018.

(2) During 1992, the School entered into an "Agreement" with Kang Jiayu, et al., two successors of Kang Jianshi, via consultation where Kang Jiayu, et al. agreed to sell to the School two pieces of lands (located in the Xinlukeng Section, Taoyuan City) at the price of \$2.8 million. According to the Agreement, the School shall pay \$0.6 million first. However, due to some inheritance/ title transfer issue at the seller's side, the School was permitted to go ahead and make use of such lands. It was agreed that the balance of the price shall be paid upon successful transferring of all titles of the lands. The lands have been under administration by the Government for over 15 years before transferred from Taoyuan City Government to the State Property Bureau. The School prepares to participate in the bidding to acquire the lands during open auctions held by the State Property Bureau.

(3) During 1993, the school purchased from Chen Tianlai, et al., three sellers respectively, partial agricultural and meadow lands in the Conservation area on the hillside of Datong Section and Xinlukeng Section (later renamed as Xingfu Section) in Guishan District of Taoyuan City – part of the land transfer was completed in the year of 2004. The School has also paid up the balance of \$29,081,750 and has secured the right of land usage. In order to smoothly complete the registration of transfer of land ownership, a mediation took place on August 13th, 2008 via the Civil Court of Taoyuan District Court. The School was to pay \$2,262,700 to the successors

of Chen Tianlai et al., two of the original sellers, for the remaining part of lands after the original land deals with the original sellers. At the same time, the successors shall transfer all of the subject lands in Guishang District of Taoyuan City to a third party (i.e. the person whose name was entered into the registration in the first place) designated by the School. The aforesaid subsequent purchase of lands was passed by a resolution of the Board of Directors of the School, filed with the competent authority on December 16th, 2008. The abovementioned land in Xingfu Section made an agricultural farmland which cannot be registered in the name of the School unless the change of the zoning of the land. During the year of 2007, the School applied for transfer of the land title in accordance with the revised "Agricultural Development Articles". Since the agricultural land has fallen beyond the scope of urban planning, it cannot be undertaken by a private legal person in accordance with the existing law; therefore, the same third party (i.e. the person whose name was entered into the registration in the first place) designated by the School was to undertake the land transferred. Meanwhile, the School and the third party were to enter an agreement of name assignment for the purpose of land registration. Also, the School was raising funds, listing budget, prepared to apply for the change of land zoning. Later, when the development procedures are completed, it is planned to transfer the land title back to the School. On December 15th 2016 a letter (file number Ming Chuam Cheng-zong-zi-1050001419) was issued by the Higher Education Department of the 「Ming Chuan branch in Taoyuan Chan registration development plan application」. On December 30th 2016, a letter (file number Tai-Jiao-Gao-(3)1050178477) was issued apply by the very support. Later, when the development completed it is planned to transfer procedures are the land title back to school. As of July 31st, 2019, the abovementioned purchase of lands to be transferred has totaled in \$31,344,450 as the balance listed in a real estate account.

2. As of July 31st in 2019 and in 2018, the total amount of insured coverage for the fixed assets approximately totaled in \$2,790,694,000 and \$3,851,759,000, respectively.

(VI) Intangible Assets

	2018			
	<u>Beginning Amount</u>	<u>Current Increase</u>	<u>Current Decrease</u>	<u>Ending Amount</u>
Computer Software	\$ 63,980,979	\$ 4,727,265	\$ (1,939,798)	\$ 66,768,446
Less :				
Accumulated Amortization	<u>(38,829,127)</u>	<u>(3,755,977)</u>	<u>1,293,197</u>	<u>(41,291,907)</u>
Net Amount	<u>\$ 25,151,852</u>	<u>\$ 971,288</u>	<u>\$ (646,601)</u>	<u>\$ 25,476,539</u>

	2017			
	<u>Beginning Amount</u>	<u>Current Increase</u>	<u>Current Decrease</u>	<u>Ending Amount</u>
Computer Software	\$ 60,481,647	\$ 6,974,268	\$ (3,474,936)	\$ 63,980,979
Less :				
Accumulated Amortization	<u>(38,163,740)</u>	<u>(2,962,456)</u>	<u>2,297,069</u>	<u>(38,829,127)</u>
Net Amount	<u>\$ 22,317,907</u>	<u>\$ 4,011,812</u>	<u>\$ (1,177,867)</u>	<u>\$ 25,151,852</u>

(VII) Accrued Payables

	<u>07/31/2019</u>	<u>07/31/2018</u>
Notes payable	\$ 9,997,908	\$ 12,061,202
Accrued Expense	113,780,658	122,494,544
Payables On Equipment	16,644,175	29,179,653
Interest Payable	-	19,021
Total	<u>\$ 140,422,741</u>	<u>\$ 163,754,420</u>

(VIII) Advance Receipts

	<u>07/31/2019</u>	<u>07/31/2018</u>
Tuition and miscellaneous fees received in advance	\$ 3,193,402	\$ 2,331,754
Industry-academy cooperation cooperation fees received in advance	22,558,188	40,096,930
Promoting education fees received in advance	9,842,738	14,516,983
Other fees received in advance	8,869,845	3,592,406
Total	<u>\$ 44,464,173</u>	<u>\$ 60,538,073</u>

(IX) Receipts Under Custody

	<u>07/31/2019</u>	<u>07/31/2018</u>
Agent for Foreign Students'		
Insurance Premium	\$ 3,713,947	\$ 3,373,476
Receipts Under Custody-Others	347,853	243,393
Total	<u>\$ 4,061,800</u>	<u>\$ 3,616,869</u>

(X) Long-Term Loan

<u>Items</u>	<u>Interest Rate Collars</u>	<u>07/31/2019</u>	<u>07/31/2018</u>
Taipei Fubon Bank, Tatong Branch Expired on April 20 th , 2019, interest payable per month. Only interest shall be paid in the first four years. Interest and principal shall be paid in 2 installments in March and October per year from the fifth year, total 32 installments.	2.114164% for year 2018 and 2017	\$ -	\$ 10,795,827
Less: due within one year		-	(10,795,827)
Net Long-term Borrowings		<u>\$ -</u>	<u>\$ -</u>

The above loan was approved by the Ministry of Education for the construction of student dormitories and teaching buildings

(X I) Equity Fund

1. Equity Fund For Specified Purposes

<u>Item</u>	<u>07/31/2018</u>	<u>Current Net change</u>	<u>07/31/2019</u>
Equity Fund For Specified Purposes	\$ 28,233,695	\$ 344,790	\$ 28,578,485

<u>Item</u>	<u>07/31/2017</u>	<u>Current Net change</u>	<u>07/31/2018</u>
Equity Fund For Specified Purposes	\$ 27,812,672	\$ 421,023	\$ 28,233,695

2. Equity Fund For Unspecified Purposes

<u>Item</u>	<u>2018</u>	<u>2017</u>
Surplus Equity Fund	\$ 1,616,480,182	\$ 1,482,321,945
Other Equity Fund	3,654,285,684	3,730,906,226
Ending Amount	<u>\$ 5,270,765,866</u>	<u>\$ 5,213,228,171</u>

(1) Surplus Equity Fund Changes

<u>Item</u>	<u>2018</u>	<u>2017</u>
Beginning Amount	\$ 1,482,321,945	\$ 1,319,299,830
Add : Balance Increase from Last Year Surplus Equity	134,158,237	163,022,115
Ending Amount	<u>\$ 1,616,480,182</u>	<u>\$ 1,482,321,945</u>

(2) Other Equity Fund Changes

<u>Item</u>	<u>2018</u>	<u>2017</u>
Beginning Balance	\$ 3,730,906,226	\$ 3,693,863,658
Add (Less) : Increase (Decrease) of Similar to Real Estate	(76,620,542)	37,042,568
Ending Balance	<u>\$ 3,654,285,684</u>	<u>\$ 3,730,906,226</u>

(X II) Accumulated Surplus/Deficit

	<u>2018</u>	<u>2017</u>
Beginning Balance	\$ 1,378,771,187	\$ 1,403,011,009
Less: Surplus Last Year-Transfer Out For Specified Purposes Fund	(344,790)	(421,023)
Surplus Equity Fund from Surplus Last Year	(134,158,237)	(163,022,115)
Other Equity Fund from Increase (Decrease) of Similar to Real Estate	76,620,542	(37,042,568)
Net Surplus/Deficit	<u>105,543,065</u>	<u>176,245,884</u>
Ending Balance	<u>\$ 1,426,431,767</u>	<u>\$ 1,378,771,187</u>

(X III) Supplemental Cash Flow Information

1. Financing Activities Without Affecting Cash Flow

<u>Item</u>	<u>2018</u>	<u>2017</u>
Last Year Surplus Transferred To Equity Fund	<u>\$ 134,158,237</u>	<u>\$ 163,022,115</u>

2. Payment In Cash And Accrued Payables for Exchanging Property, Building And
Equipment

<u>Item</u>	<u>2018</u>	<u>2017</u>
Current Purchase Of Property, Building And Equipment	\$ 111,326,491	\$ 200,306,410

(Continued)

(Continued)

Add (Less):(Increase) Decrease Of		
Payable On Equipment	13,948,349	(11,729,710)
Less :Donated Assets Received	(80,000)	(1,135,000)
Cash Payments	<u>\$ 125,194,840</u>	<u>\$ 187,441,700</u>

3. Payment In Cash And Accrued Payables for Exchanging Intangible Assets

<u>Item</u>	<u>2018</u>	<u>2017</u>
Current Purchase Of Intangible Assets	\$ 4,727,265	\$ 6,974,268
Add (Less):(Increase) Decrease Of		
Payable On Equipment	(1,412,871)	(533,574)
Cash Payments	<u>\$ 3,314,394</u>	<u>\$ 6,440,694</u>

V. Related Party Transaction : N/A

VI. Pledge of Asset : N/A

VII. Significant Commitment and Contingencies :

1. The university rented out its premises located at Dehe Road, Yonghe District, New Taipei City and signed a contract on May 25, 2017, whereby the lease period was two years from June 1, 2017 to May 31, 2019, and the monthly rental was NT\$19,000. Another contract was signed on September 24, 2019, whereby the lease period was 1 year and 8 months from October 1, 2019 to May 31, 2021, and the monthly rental was NT\$20,000. The deposit received as of July 31, 2019 and July 31, 2018 was NT\$38,000 respectively. The rental of such premises was noticed in writing to the Ministry of Education. The Ministry of Education issued the letter T.J.G. (III) Zi No.1080068219 dated July 2, 2019 and approved for handling without prejudice to the development of the university and its affairs.
2. The university rented out its premises located at Huarong Street, Shilin District, Taipei City and signed a contract on December 5, 2017, whereby the lease period was 1 year and 10 months from December 21, 2017 to October 20, 2019, and the monthly rental was NT\$132,000. The deposit received as of July 31, 2019 and July 31, 2018 was NT\$370,000 respectively. The rental of such premises was reported by letter by the university to the Ministry of Education for the record on September 16, 2019.

VIII. Significant Casualty Loss : N/A

IX. Significant Subsequent Events : N/A

X. Others

1. According to the provisions of Item 7 in the "Key Points for Expenditure Operations of School Foundations and Legal Persons under the Supervision of Ministry of Education": various remunerations and expenditures of the School's Board of Directors shall be listed clearly in the annual budget and final accounting of revenues and expenditures; whereas it shall be fully disclosed in the financial statements of the School to cover various remunerations and expenditures credited to the Chairman, the Directors, and the Supervisors individually on a yearly basis.

In the academic year 2018 and 2017, the relevant information about various remunerations and expenditures credited to the Chairman, the Directors, and the Supervisors are as follows:

Targets	2018			
	Non-paid Position			
	Attendance fee	Transportation fare	Other Items	Total
A(Director)	\$ -	\$ 113,173	\$ 764	\$ 113,937
B(Director)	-	130,000	573	130,573
D(Director)	-	10,000	191	10,191
E(Director)	-	70,000	1,337	71,337
F(Director)	-	80,000	1,528	81,528
G(Director)	-	80,000	1,528	81,528
H(Director)	-	207,767	1,146	208,913
I (Director)	-	80,000	1,528	81,528
J(Supervisor)	-	-	-	-
K(Director)	-	40,000	764	40,764
Total	\$ -	\$ 810,940	\$ 9,359	\$ 820,299

Targets	2017			
	Non-paid Position			
	Attendance fee	Transportation fare	Other Items	Total
A(Director)	\$ -	\$ 120,000	\$ 382	\$ 120,382
B(Director)	-	240,000	764	240,764
C(Director)	-	60,000	191	60,191
D(Director)	-	40,000	764	40,764
E(Director)	-	40,000	764	40,764

(Continued)

(Continued)

F(Director)	-	40,000	764	40,764
G(Director)	-	30,000	573	30,573
H(Director)	-	30,000	573	30,573
I (Director)	-	10,000	191	10,191
J(Supervisor)	-	-	-	-
Total	<u>\$ -</u>	<u>\$ 610,000</u>	<u>\$ 4,966</u>	<u>\$ 614,966</u>

- Description: (1) The director C resigned in 2018; the director K took office after reelection in 2018.
- (2) The account of travel expenditures is to list travel expenditures incurred by the Board of Directors.
- (3) Other items constituted the expenditures of supplemental insurance premiums, listing travel expenditures incurred by the Board of Directors.

2. Refer to Table 1 for the list of incomes of years 2018 and 2017.
3. Refer to Table 2 for the list of expenses of years 2018 and 2017.
4. Refer to Table 3 for the Computation of debt index of years 2018.
5. Refer to Table 4 for Ming Chuan University and its US Branch School's balance sheets of years 2018 and 2017.
6. Refer to Table 5 for Ming Chuan University and its US Branch School' income statements of years 2018 and 2017.
7. Refer to Table 6 for Ming Chuan University and its US Branch School' statements of cash flows of years 2018 and 2017.
8. Refer to Table 7 for Ming Chuan University and its US Branch School's statements of comprehensive operation in cash of years 2018 and 2017.

Table 1

Ming Chuan University

Income Statements

2018 and 2017

Unit: NTD

Items	Year 2018	Recurrent Income%	Year 2017	Recurrent Income%
Revenues From Tuition Fees				
Revenues From Tuition	\$ 1,405,608,604	53	\$ 1,417,350,682	52
Revenues From Miscellaneous Fees	358,808,389	13	362,730,937	13
Revenues From Laboratory Fees	<u>56,815,605</u>	<u>2</u>	<u>56,854,650</u>	<u>2</u>
Subtotal	<u>1,821,232,598</u>	<u>68</u>	<u>1,836,936,269</u>	<u>67</u>
Revenues From Promoting Education	<u>141,570,455</u>	<u>5</u>	<u>152,367,862</u>	<u>6</u>
Revenues From Industry-Academy Cooperation	<u>155,125,165</u>	<u>6</u>	<u>164,040,554</u>	<u>6</u>
Revenues From Other Teaching Activities	<u>899,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues From Subsidy And Donation				
Revenues From Subsidy	375,684,779	14	373,743,576	14
Revenues From Donation	<u>15,057,905</u>	<u>1</u>	<u>20,065,580</u>	<u>1</u>
Subtotal	<u>390,742,684</u>	<u>15</u>	<u>393,809,156</u>	<u>15</u>
Financial Revenue				
Interest revenue	14,650,121	-	13,744,782	-
Fund Income	<u>228,867</u>	<u>-</u>	<u>237,894</u>	<u>-</u>
Subtotal	<u>14,878,988</u>	<u>-</u>	<u>13,982,676</u>	<u>-</u>
Other Revenues				
Revenues From Examination Affairs Fees	16,700,191	1	16,404,385	-
Revenues From Accommodation Fees	95,356,813	3	98,946,852	4
Other Revenues	<u>44,387,737</u>	<u>2</u>	<u>45,216,867</u>	<u>2</u>
Subtotal	<u>156,444,741</u>	<u>6</u>	<u>160,568,104</u>	<u>6</u>
Total Operating Income	<u>\$ 2,680,894,131</u>	<u>100</u>	<u>\$ 2,721,704,621</u>	<u>100</u>

Ming Chuan University
Statements Of Expenditure
Year 2018 and 2017

Unit: NTD

Items	Year 2018	Current Expenditure%	Year 2017	Current Expenditure%
Board of Directors Expenses				
Personnel Expenses	\$ 753,728	-	\$ 788,906	-
Miscellaneous Fees	11,516	-	7,235	-
Attendance Fee and Travel Expenditures	24,255	-	24,903	-
Retirement Pension	820,299	-	614,966	-
Subtotal	<u>1,609,798</u>	<u>-</u>	<u>1,436,010</u>	<u>-</u>
Administrative Management Expenses				
Personnel Expenses	455,314,910	18	445,288,305	18
Miscellaneous Fees	65,384,458	3	66,792,455	3
Repairs and Maintenance	9,036,805	-	11,899,583	-
Retirement Pension	30,093,126	1	27,412,734	1
Depreciation and Amortization	29,574,813	1	28,782,215	1
Subtotal	<u>589,404,112</u>	<u>23</u>	<u>580,175,292</u>	<u>23</u>
Teaching Research and Training Expenses				
Personnel Expenses	927,589,677	36	921,227,980	37
Miscellaneous Fees	349,949,153	14	342,975,746	13
Repairs and Maintenance	51,891,156	2	29,853,060	1
Retirement Pension	29,443,463	1	31,661,182	1
Depreciation and Amortization	143,876,954	5	142,887,693	6
Subtotal	<u>1,502,750,403</u>	<u>58</u>	<u>1,468,605,661</u>	<u>58</u>
Scholarships and Grants Expenses				
Scholarships Expenses	71,881,802	3	63,669,887	3
Grants Expenses	79,968,602	3	86,749,374	3
Subtotal	<u>151,850,404</u>	<u>6</u>	<u>150,419,261</u>	<u>6</u>
Expenses From Promoting Education				
Personnel Expenses	48,006,226	2	48,039,456	2
Miscellaneous Fees	39,476,947	1	39,691,650	1
Retirement Pension	428,646	-	474,614	-
Depreciation and Amortization	121,675	-	136,248	-
Subtotal	<u>88,033,494</u>	<u>3</u>	<u>88,341,968</u>	<u>3</u>
Expenses From Industry-Academy Cooperation				
Personnel Expenses	69,574,220	3	74,903,164	3
Miscellaneous Fees	78,533,551	3	82,505,696	3
Retirement Pension	71,532	-	69,205	-
Subtotal	<u>148,179,303</u>	<u>6</u>	<u>157,478,065</u>	<u>6</u>
Expenses From Other Teaching Activity				
Staff Costs	25,000	-	-	-
Service Fee	242,647	-	-	-
Subtotal	<u>267,647</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial Expenses				
Interest Expenses	156,698	-	344,074	-
Other Expenses				
Examination Affairs Fees	15,649,669	1	15,246,278	1
Shortage From Property Transaction	15,546,020	1	18,440,203	1
Overfunded Pension	4,012,411	-	3,821,517	-
Miscellaneous expenses	57,891,107	2	61,150,408	2
Subtotal	<u>93,099,207</u>	<u>4</u>	<u>98,658,406</u>	<u>4</u>
Total Operating Expenses	<u>\$ 2,575,351,066</u>	<u>100</u>	<u>\$ 2,545,458,737</u>	<u>100</u>

Ming Chuan University
Computation of Debt Index
Year 2018

Unit: NTD

Items	Amount		
	Amounts	MCU (Branch School In USA excluded)	Branch School In USA
Monetary Liabilities			
Loan Amount Or Estimated Loan Amount	\$ -	\$ -	\$ -
Short-Term Bank Loans	-	-	-
Accrued Payables	140,422,741	140,280,494	142,247
Receipts Under Custody	4,061,800	4,061,800	-
Other Loans	-	-	-
Long-Term Debt Payable - Bank	-	-	-
Long-Term Accounts Payable	-	-	-
Deposits Received	22,052,908	22,052,908	-
Subtotal - Monetary Liabilities	166,537,449	166,395,202	142,247
Dollar Asset			
Cash	611,034	607,780	3,254
Bank Deposits	1,787,419,467	1,771,240,043	16,179,424
Current Finanacial Assets	-	-	-
Receivables	19,121,238	19,121,211	27
Special Fund	28,753,695	28,753,695	-
Refundable Deposits	18,010,078	18,010,078	-
Dollar Asset Subtotal	1,853,915,512	1,837,732,807	16,182,705
Net Bank Loan	\$ (1,687,378,063)	\$ (1,671,337,605)	\$ (16,040,458)
Cash Excess Before Deducting Real Estate	\$ 147,224,587	\$ 143,589,129	\$ 3,635,458
Debt Index (Note)	0.00	0.00	0.00

Note : Debt Index = Net Bank Loan/Cash Excess Before Deducting Real Estate

(If the net bank loan is a negative value, the debt index will be counted as zero.)

Ming Chuan University and The Branch School In The United States
Balance Sheet
7/31/2019

Ending R=30.14
Average R=30.67~31.55

Unit: NTD

Assets	Amount		
	2019(Note)	MCU (Branch School In USA excluded)	Branch School In USA
Current Assets			
Cash	\$ 611,034	\$ 607,780	\$ 3,254
Bank Deposit	1,787,419,467	1,771,240,043	16,179,424
Receivables	19,121,238	19,121,211	27
Prepayments	21,567,106	112,144,568	6,321,512
Total Current Assets	1,828,718,845	1,903,113,602	22,504,217
Long-term Investments, Receivables, and Fund Special Funds	28,753,695	28,753,695	-
Property, Building and Equipment			
Land	1,042,621,674	1,042,621,674	-
Improvements Over Lands	264,877,562	264,877,562	-
Houses and Buildings	3,880,989,285	3,880,989,285	-
Mechanical Instrumentation and Equipment	1,111,742,791	1,111,742,791	-
Books and Journals	836,871,869	836,871,869	-
Other Equipment	517,770,685	517,141,565	629,120
Assets in Purchase or Construction	42,316,040	42,316,040	-
Total Cost	7,697,189,906	7,696,560,786	629,120
Less : Accumulated Depreciation	(2,660,946,000)	(2,660,792,562)	(153,438)
Net Property, Building and Equipment	5,036,243,906	5,035,768,224	475,682
Intangible Assets			
Computer Software	66,768,446	66,768,446	-
Less : Accumulated Amortization	(41,291,907)	(41,291,907)	-
Net Intangible Assets	25,476,539	25,476,539	-
Other Assets			
Refundable Deposits	18,010,078	18,010,078	-
Total Assets	\$ 6,937,203,063	\$ 7,011,122,138	\$ 22,979,899
Liability, Equity Fund and Surplus(Deficit)			
Current Liabilities			
Accrued Payables	\$ 140,422,741	\$ 140,280,494	\$ 142,247
Advance Receipts	44,464,173	44,397,093	96,966,054
Receipts Under Custody	4,061,800	4,061,800	-
Total Current Liabilities	188,948,714	188,739,387	97,108,301
Other liabilities			
Deposits Received	22,052,908	22,052,908	-
Total Liabilities	211,001,622	210,792,295	97,108,301
Equity Fund			
Equity Fund For Specified Purposes	28,578,485	28,578,485	-
Equity Fund For Unspecified Purposes	5,270,765,866	5,270,765,866	-
Total Equity Fund	5,299,344,351	5,299,344,351	-
Surplus/Deficit			
Accumulated Surplus(Deficit)	1,426,431,767	1,500,985,492	(74,553,725)
Other Equities			
Accumulate Other Comprehensive Surplus(Deficit)	425,323	-	425,323
Total Equity Fund and Surplus(Deficit)	6,726,201,441	6,800,329,843	(74,128,402)
Total Liabilities, Equity Funds and Surplus(Deficit)	\$ 6,937,203,063	\$ 7,011,122,138	\$ 22,979,899

(Note: The amount of the current year \$96,898,974 has been offset which Ming Chuan University prepaid to the Branch School in the USA and the Branch School in the USA received \$96,898,974 from Ming Chuan University in advance.)

Ming Chuan University and The Branch School In The United States
Balance Sheet
7/31/2018

Table 4-2

Ending R=30.555
Average R=29.03~30.56

Unit: NTD

Assets	Amount		
	2018(Note)	MCU (Branch School In USA excluded)	Branch School In USA
Current Assets			
Cash	\$ 595,929	\$ 594,270	\$ 1,659
Bank Deposit	1,661,152,239	1,648,714,915	12,437,324
Receivables	23,260,326	23,260,326	-
Prepayments	20,024,939	91,873,835	5,492,505
Total Current Assets	<u>1,705,033,433</u>	<u>1,764,443,346</u>	<u>17,931,488</u>
Long-term Investments,Receivables, and Fund			
Special Funds	<u>28,578,485</u>	<u>28,578,485</u>	<u>-</u>
Property, Building and Equipment			
Land	1,042,621,674	1,042,621,674	-
Improvements Over Lands	257,917,562	257,917,562	-
Houses and Buildings	3,880,989,285	3,880,989,285	-
Mechanical Instrumentation and Equipment	1,114,577,163	1,114,577,163	-
Books and Journals	820,441,237	820,441,237	-
Other Equipment	520,671,341	520,081,078	590,263
Prepaid Land,Construction and Equipment	40,334,450	40,334,450	-
Total Cost	<u>7,677,552,712</u>	<u>7,676,962,449</u>	<u>590,263</u>
Less : Accumulated Depreciation	<u>(2,567,328,413)</u>	<u>(2,567,274,861)</u>	<u>(53,552)</u>
Net Property, Building and Equipment	<u>5,110,224,299</u>	<u>5,109,687,588</u>	<u>536,711</u>
Intangible Assets			
Computer Software	63,980,979	63,980,979	-
Less : Accumulated Amortization	<u>(38,829,127)</u>	<u>(38,829,127)</u>	<u>-</u>
Net Intangible Assets	<u>25,151,852</u>	<u>25,151,852</u>	<u>-</u>
Other Assets			
Refundable Deposits	<u>8,326,971</u>	<u>8,326,971</u>	<u>-</u>
Total Assets	<u>\$ 6,877,315,040</u>	<u>\$ 6,936,188,242</u>	<u>\$ 18,468,199</u>
Liability, Equity Fund and Surplus(Deficit)			
Current Liabilities			
Short-term Debt	\$ 10,795,827	\$ 10,795,827	\$ -
Accrued Payables	163,754,420	163,105,432	648,988
Advance Receipts	60,538,073	60,507,253	77,372,221
Receipts Under Custody	3,616,869	3,616,869	-
Total Current Liabilities	<u>238,705,189</u>	<u>238,025,381</u>	<u>78,021,209</u>
Other liabilities			
Deposits Received	<u>18,059,712</u>	<u>18,059,712</u>	<u>-</u>
Total Liabilities	<u>256,764,901</u>	<u>256,085,093</u>	<u>78,021,209</u>
Equity Fund			
Equity Fund For Specified Purposes	28,233,695	28,233,695	-
Equity Fund For Unspecified Purposes	5,213,228,171	5,213,228,171	-
Total Equity Fund	<u>5,241,461,866</u>	<u>5,241,461,866</u>	<u>-</u>
Surplus/Deficit			
Accumulated Surplus(Deficit)	<u>1,378,771,187</u>	<u>1,438,641,283</u>	<u>(59,870,096)</u>
Other Equities			
Accumulate Other Comprehensive Surplus(Deficit)	<u>317,086</u>	<u>-</u>	<u>317,086</u>
Total Equity Fund and Surplus/Deficit	<u>6,620,550,139</u>	<u>6,680,103,149</u>	<u>(59,553,010)</u>
Total Liabilities,Equity Funds and Surplus(Deficit)	<u>\$ 6,877,315,040</u>	<u>\$ 6,936,188,242</u>	<u>\$ 18,468,199</u>

(Note: The amount of the current year \$77,341,401 has been offset which Ming Chuan University prepaid to the Branch School in the USA and the Branch School in the USA received \$77,341,401 from Ming Chuan University in advance.)

Ming Chuan University and The Branch School In The United States

INCOME STATEMENT

Year 2018

Ending R=31.04
Average R=30.67~31.55

Unit: NTD

Title	Amount		
	2018	MCU (Branch School In USA excluded)	Branch School In USA
Revenues			
Revenues From Tuitions and Fees	\$ 1,821,232,598	\$ 1,816,952,838	\$ 4,279,760
Revenues From Promoting Education	141,570,455	139,708,055	1,862,400
Revenues From Industry-Academy Cooperation	155,125,165	155,125,165	-
Revenues From Other Teaching Activities	899,500	899,500	-
Revenues From Subsidy and Donation	390,742,684	390,742,684	-
Financial Revenues	14,878,988	14,878,988	-
Other Revenues	156,444,741	155,240,910	1,203,831
Total Revenues	<u>2,680,894,131</u>	<u>2,673,548,140</u>	<u>7,345,991</u>
Expenses			
Board of Directors Expenses	1,609,798	1,609,798	-
Administrative Management Expenses	589,404,112	570,725,447	18,678,665
Teaching Research and Training Expenses	1,502,750,403	1,500,734,088	2,016,315
Scholarships and Grants Expenses	151,850,404	151,019,258	831,146
Expenses From Promoting Education	88,033,494	87,956,189	77,305
Expenses From Industry-Academy Cooperation	148,179,303	148,179,303	-
Expenses From Other Teaching Activities	267,647	267,647	-
Financial Expenses	156,698	156,698	-
Other Expenses	93,099,207	92,673,018	426,189
Total Expenses	<u>2,575,351,066</u>	<u>2,553,321,446</u>	<u>22,029,620</u>
Net Surplus(Deficit)	<u>\$ 105,543,065</u>	<u>\$ 120,226,694</u>	<u>\$ (14,683,629)</u>
Other Comprehensive Surplus(Deficit)			
Exchange Differences Arising On Translation Of Foreign Operation	108,237	-	108,237
Total Comprehensive Surplus(Deficit)	<u>\$ 105,651,302</u>	<u>\$ 120,226,694</u>	<u>\$ (14,575,392)</u>

Ming Chuan University and The Branch School In The United States

INCOME STATEMENT

Year 2017

Ending R=30.555
Average R=29.03~30.56

Unit: NTD

Title	Amount		
	2017	MCU (Branch School In USA excluded)	Branch School In USA
Revenues			
Revenues From Tuitions and Fees	\$ 1,836,936,269	\$ 1,834,083,864	\$ 2,852,405
Revenues From Promoting Education	152,367,862	152,367,862	-
Revenues From Industry-Academy Cooperation	164,040,554	164,040,554	-
Revenues From Subsidy and Donation	393,809,156	393,809,156	-
Financial Revenues	13,982,676	13,982,676	-
Other Revenues	160,568,104	159,410,990	1,157,114
Total Revenues	<u>2,721,704,621</u>	<u>2,717,695,102</u>	<u>4,009,519</u>
Expenses			
Board of Directors Expenses	1,436,010	1,436,010	-
Administrative Management Expenses	580,175,292	563,355,462	16,819,830
Teaching Research and Training Expenses	1,468,605,661	1,466,897,006	1,708,655
Scholarships and Grants Expenses	150,419,261	150,031,511	387,750
Expenses From Promoting Education	88,341,968	88,341,968	-
Expenses From Industry-Academy Cooperation	157,478,065	157,478,065	-
Financial Expenses	344,074	344,074	-
Other Expenses	98,658,406	98,137,912	520,494
Total Expenses	<u>2,545,458,737</u>	<u>2,526,022,008</u>	<u>19,436,729</u>
Net Surplus(Deficit)	<u>\$ 176,245,884</u>	<u>\$ 191,673,094</u>	<u>\$ (15,427,210)</u>
Other Comprehensive Surplus(Deficit)			
Exchange Differences Arising On Translation			
Of Foreign Operation	<u>350,409</u>	<u>-</u>	<u>350,409</u>
Total Comprehensive Surplus(Deficit)	<u>\$ 176,596,293</u>	<u>\$ 191,673,094</u>	<u>\$ (15,076,801)</u>

Ming Chuan University and The Branch School In The United States

Statements Of Cash Flows

2018

Ending R=31.04

Average R=30.67~31.55

Unit: NTD

	Amount		
	MCU (Branch School		
	2018(Note)	In USA excluded)	Branch School In USA
Cash Flows From Operating Activities:			
Net Surplus(Deficit)	\$ 105,543,065	\$ 120,226,694	\$ (14,683,629)
Interest Income	(14,722,290)	(14,722,290)	-
Current Surplus(Deficit) Before Interest Income	90,820,775	105,504,404	(14,683,629)
Adjustment			
Add : Expenditures -No Cash-Generated Outflows	190,161,136	190,061,250	99,886
Less : Revenues - No Cash-Generated Inflows	(706,884)	(706,884)	-
Net (Increase) Decrease In Adjustments of Current Assets	2,801,099	(15,927,440)	(829,034)
Net Increase (Decrease) In Adjustments of Current Liabilities	(26,851,080)	(26,380,599)	19,087,092
Net Cash Inflows Generated Before Interest Income	256,225,046	252,550,731	3,674,315
Interest Received	14,674,810	14,674,810	-
Dividend Received	-	-	-
Interest Paid	(175,719)	(175,719)	-
Net Cash Flow Generated From Operating Activities	270, 724, 137	267,049,822	3,674,315
Cash Flows From Investing Activities:			
Refundable Deposits Return	2,439,431	2,439,431	-
Less: Purchasing Fixed Assets	(125,194,840)	(125,155,983)	(38,857)
Purchasing Intangible Assets	(3,314,394)	(3,314,394)	-
Refundable Deposits Payable	(12,122,538)	(12,122,538)	-
Net Cash Flow Used In Investment Activities	(138,192,341)	(138,153,484)	(38,857)
Cash Flows From Financing Activities			
Receipts Under Custody	565,019,777	565,019,777	-
Deposits Received Received	14,191,948	14,191,948	-
Less: Payment Under Custody	(564,574,846)	(564,574,846)	-
Reduce Deposits Received	(10,198,752)	(10,198,752)	-
Repayment Of Short-Term/Long-Term Loan	(10,795,827)	(10,795,827)	-
Net Cash Flow Used In Financing Activities	(6,357,700)	(6,357,700)	-
Exchange Influence	108,237	-	108,237
Net Increase In Cash and Cash Equivalents	126,282,333	122,538,638	3,743,695
Cash and Bank Deposit Balances At Beginning Of Year	1,661,748,168	1,649,309,185	12,438,983
Cash and Bank Deposit Balances At End Of Year	\$ 1,788,030,501	\$ 1,771,847,823	\$ 16,182,678

(Note: The amount of the current year \$96,898,974 has been offset which Ming Chuan University prepaid to the Branch School in the USA and the Branch School in the USA received \$96,898,974 from Ming Chuan University in advance.)

Ming Chuan University and The Branch School In The United States

Statements Of Cash Flows

2017

Ending R=30.555
Average R=29.03~30.56

Unit: NTD

	Amount		
	MCU (Branch School		
	2017(Note)	In USA excluded)	Branch School In USA
Cash Flows From Operating Activities:			
Net Surplus(Deficit)	\$ 176,245,884	\$ 191,673,094	\$ (15,427,210)
Interest Income	(13,638,602)	(13,638,602)	-
Current Surplus(Deficit) Before Interest Income	162,607,282	178,034,492	(15,427,210)
Adjustment			
Add : Expenditures -No Cash-Generated Outflows	190,986,293	190,932,741	53,552
Less : Revenues - No Cash-Generated Inflows	(2,218,363)	(2,218,363)	-
Net (Increase) Decrease In Adjustments of Current Assets	(5,863,287)	(21,564,225)	(129,847)
Net Increase (Decrease) In Adjustments of Current Liabilities	(30,520,644)	(30,920,932)	16,231,073
Net Cash Inflows Generated Before Interest Income	314,991,281	314,263,713	727,568
Interest Received	13,352,707	13,352,707	-
Interest Paid	(339,847)	(339,847)	-
Net Cash Flow Generated From Operating Activities	328,004,141	327,276,573	727,568
Cash Flows From Investing Activities:			
Proceeds from Disposal of Property, Building and Equipment	36,490	36,490	-
Refundable Deposits Return	3,926,946	3,926,946	-
Less: Purchasing - Property, Building and Equipment	(187,441,700)	(186,851,437)	(590,263)
Purchasing - Intangible Assets	(6,440,694)	(6,440,694)	-
Refundable Deposits Payable	(2,727,631)	(2,727,631)	-
Net Cash Flow Used In Investing Activities	(192,646,589)	(192,056,326)	(590,263)
Cash Flows From Financing Activities			
Receipts Under Custody	609,612,929	609,612,929	-
Deposits Received Received	21,484,447	21,484,447	-
Less: Payment Under Custody	(611,136,050)	(611,136,050)	-
Reduce Deposits Received	(20,102,529)	(20,102,529)	-
Repayment Of Short-Term/Long-Term Loan	(12,750,000)	(12,750,000)	-
Net Cash Flow Used In Financing Activities	(12,891,203)	(12,891,203)	-
Exchange Influence	350,409	-	350,409
Net Increase In Cash and Cash Equivalents	122,816,758	122,329,044	487,714
Cash and Bank Deposit Balances At Beginning Of Year	1,538,931,410	1,526,980,141	11,951,269
Cash and Bank Deposit Balances At End Of Year	\$ 1,661,748,168	\$ 1,649,309,185	\$ 12,438,983

(Note: The amount of the current year \$77,341,401 has been offset which Ming Chuan University prepaid to the Branch School in the USA and the Branch School in the USA received \$77,341,401 from Ming Chuan University in advance.)

Ming Chuan University and The Branch School In The United States

Statement of Comprehensive Operation In Cash

2018

Ending R=31.04

Average R=30.67~31.55

Unit: NTD

	Amount		
	2018(Note)	MCU (Branch School In USA excluded)	Branch School In USA
Operating Income - Cash:			
Revenues From Tuitions and Fees	\$ 1,821,232,598	\$ 1,816,952,838	\$ 4,279,760
Revenues From Promoting Education	141,570,455	139,708,055	1,862,400
Revenues From Industry-Academy Cooperation	155,125,165	155,125,165	-
Revenues From Other Teaching Activities	899,500	899,500	-
Revenues From Subsidy and Donation	390,742,684	390,742,684	-
Financial Revenues	14,878,988	14,878,988	-
Other Revenues	156,444,741	155,240,910	1,203,831
Less : Revenues - No Cash-Generated Inflows	(706,884)	(706,884)	-
Receivables Increase (Decrease) In Adjustments of Item			
Receivable and Advance Receipts	(11,934,812)	(11,971,045)	19,593,806
Interest Adjustment	-	-	-
Total Operating Income - Cash	2,668,252,435	2,660,870,211	26,939,797
Operating Expenses - Cash:			
Board of Directors Expenses	1,609,798	1,609,798	-
Administrative Management Expenses	589,404,112	570,725,447	18,678,665
Teaching Research and Training Expenses	1,502,750,403	1,500,734,088	2,016,315
Scholarship Expenses	151,850,404	151,019,258	831,146
Expenses From Promoting Education	88,033,494	87,956,189	77,305
Expenses From Industry-Academy Cooperation	148,179,303	148,179,303	-
Expenses From Other Teaching Activities	267,647	267,647	-
Financial Expenses	156,698	156,698	-
Other Expenses	93,099,207	92,673,018	426,189
Less : Expenditures -No Cash-Generated Outflows	(190,161,136)	(190,061,250)	(99,886)
Increase (Decrease) In Adjustments Items Accrued			
Payables and Prepayment	12,338,368	30,560,193	1,335,748
Adjust interest	-	-	-
Total Operating Expenses - Cash	2,397,528,298	2,393,820,389	23,265,482
Current Account - Cash Surplus(Deficit)	270,724,137	267,049,822	3,674,315
Cash Outlay : Purchase of Movable Property, Intangible Assets and Other Assets			
Mechanical Instrumentation and Equipment	66,151,045	66,151,045	-
Books	16,877,730	16,877,730	-
Other Equipment	29,534,791	29,495,934	38,857
Prepayments For Business Facilities	7,621,590	7,621,590	-
Computer Software	3,314,394	3,314,394	-
Total Cash Outlay : Purchase of Movable Property, Intangible Assets and Other Assets	123,499,550	123,460,693	38,857
Cash Surplus(Deficit) Before Real Estate Expenditures	147,224,587	143,589,129	3,635,458
Cash Outlay : Purchase Of Real Estate			
Prepayments For Construction and Unfinished Construction	5,009,684	5,009,684	-
Total Cash Outlay : Purchase Of Real Estate	5,009,684	5,009,684	-
Current cash Surplus	\$ 142,214,903	\$ 138,579,445	\$ 3,635,458

(Note: The amount of the current year \$96,898,974 has been offset which Ming Chuan University prepaid to the Branch School in the USA and the Branch School in the USA received \$96,898,974 from Ming Chuan University in advance.)

Ming Chuan University and The Branch School In The United States

Statement of Comprehensive Operation In Cash

2017

Ending R=30.555

Average R=29.03~30.56

Unit: NTD

	Amount		
	2017(Note)	MCU (Branch School In USA excluded)	Branch School In USA
Operating Income - Cash:			
Revenues From Tuitions and Fees	\$ 1,836,936,269	\$ 1,834,083,864	\$ 2,852,405
Revenues From Promoting Education	152,367,862	152,367,862	-
Revenues From Industry-Academy Cooperation	164,040,554	164,040,554	-
Revenues From Subsidy and Donation	393,809,156	393,809,156	-
Financial Revenues	13,982,676	13,982,676	-
Other Revenues	160,568,104	159,410,990	1,157,114
Less : Revenues - No Cash-Generated Inflows	(2,218,363)	(2,218,363)	-
Receivables Increase (Decrease) In Adjustments of Item			
Receivable and Advance Receipts	(52,809,888)	(52,922,386)	15,943,283
Total Operating Income - Cash	<u>2,666,676,370</u>	<u>2,662,554,353</u>	<u>19,952,802</u>
Operating Expenses - Cash:			
Board of Directors Expenses	1,436,010	1,436,010	-
Administrative Management Expenses	580,175,292	563,355,462	16,819,830
Teaching Research and Training Expenses	1,468,605,661	1,466,897,006	1,708,655
Scholarship Expenses	150,419,261	150,031,511	387,750
Expenses From Promoting Education	88,341,968	88,341,968	-
Expenses From Industry-Academy Cooperation	157,478,065	157,478,065	-
Financial Expenses	344,074	344,074	-
Other Expenses	98,658,406	98,137,912	520,494
Less : Expenditures -No Cash-Generated Outflows	(190,986,293)	(190,932,741)	(53,552)
Increase (Decrease) In Adjustments Items Accrued			
Payables and Prepayment	(15,800,215)	188,513	(157,943)
Total Operating Expenses - Cash	<u>2,338,672,229</u>	<u>2,335,277,780</u>	<u>19,225,234</u>
Current Account - Cash Surplus(Deficit)	<u>328,004,141</u>	<u>327,276,573</u>	<u>727,568</u>
Cash Income from Asset Transaction	<u>36,490</u>	<u>36,490</u>	<u>-</u>
Cash Outlay : Purchase of Movable Property, Intangible Assets and Other Assets			
Mechanical Instrumentation and Equipment	70,726,930	70,136,667	590,263
Books	21,394,977	21,394,977	-
Other Equipment	22,235,515	22,235,515	-
Computer Software	6,440,694	6,440,694	-
Total Cash Outlay : Purchase of Movable Property, Intangible Assets and Other Assets	<u>120,798,116</u>	<u>120,207,853</u>	<u>590,263</u>
Cash Surplus(Deficit) Before Real Estate Expenditures	<u>207,242,515</u>	<u>207,105,210</u>	<u>137,305</u>
Cash Outlay : Purchase Of Real Estate			
Land	40,373,896	40,373,896	-
Prepayments For Construction and Unfinished Construction	32,710,382	32,710,382	-
Total Cash Outlay : Purchase Of Real Estate	<u>73,084,278</u>	<u>73,084,278</u>	<u>-</u>
Current cash Surplus	<u>\$ 134,158,237</u>	<u>\$ 134,020,932</u>	<u>\$ 137,305</u>

(Note: The amount of the current year \$77,341,401 has been offset which Ming Chuan University prepaid to the Branch School in the USA and the Branch School in the USA received \$77,341,401 from Ming Chuan University in advance.)

Ming Chuan University
Internal Control Assessment
Year 2018

1. We have also audited, in accordance with the Notices for Audit of Financial Statements by Certified Public Accountants on behalf of the School Legal Persons and Their Institutions of Higher Education, the Rules Governing Auditing and certification of financial statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China, the financial statements of Ming Chuan University as of and for the year 2018, on which we have issued an opinion on October 30, 2019. Our responsibility is to express an opinion on the school financial statements based on our audit. For this purpose, the auditor considers internal accounting control and the accounting procedures relevant to the entity's preparation of financial statements that give a true and fair view in order to plan and perform the audit procedures that are appropriate in the circumstances.

The school management shall be responsible for establishment and maintenance of the internal accounting control system that school assets shall be safeguarded against loss from unauthorized acquisition, use, or disposition, and shall provide a reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal accounting control over assets reporting was maintained in all material respects. A reasonable assurance is based on the principle that the cost arising from internal accounting control system shall not exceed the benefit arisen herein. The assessment of cost and benefit depend on the estimation and judgment of school management.

2. In planning and performing our work, we investigated and evaluated the reliability of the school internal accounting control system in accordance with the auditing standards generally accepted in the Republic of China as a basis for designing our planned scope and timing of the audit for the purpose of expressing our opinion on the financial statements, whether the financial position, its revenue and expenditure, and its cash flows are present fairly. Because of its inherent limitations, we did not test all of accounting records and relevant records, the investigation and assessment of the school internal accounting control system described in the preceding paragraph may not prevent or detect misstatements.

3. We identified certain deficiencies that we identify during our audit that we consider to be material weaknesses, and we provided the school our management letter. However, we did not identify any other significant deficiencies in school internal accounting control, Sufficient to influence the emergence of correct financial information.

PKF TAIWAN

Taipei, Taiwan
October 30, 2019