

REPORT OF INDEPENDENT ACCOUNTANTS

NO.19961070EA

To The Board of Directors of
HIGHER EDUCATION EVALUATION & ACCREDITATION COUNCIL OF
TAIWAN

Opinion

We have audited the accompanying balance sheets of HIGHER EDUCATION EVALUATION & ACCREDITATION COUNCIL OF TAIWAN (HEEACT) as at December 31, 2018 and 2017, and the related statements of comprehensive income, statements of changes in funds and surplus and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits, the accompanying financial statements present fairly, in all material respects, the financial position of HEEACT as at December 31, 2018 and 2017, and its financial performance and its cash flows for the year then ended in accordance with the “note 2 HEEACT’s accounting policies.

Basis for Opinion

We conducted our audit in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (“ROC GAAS”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of HEEACT in accordance with the Codes of Professional Ethics for Certified Public Accountants in the Republic of China (the “Codes”), and we have fulfilled our other ethical responsibilities in accordance with the Codes. 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 of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

The key audit matters in relation to the financial statements for the year ended December 31, 2018, are outlined as follows:

Revenues recognition

Description:

Please refer to Note 3(8) for accounting policies on recognition of revenues and expense. The mainly service revenues of HEEACT from the evaluating or accredit service of universities and colleges. The service revenues amount is not material. However, The service is the important income of HEEACT . The service revenues recongnized by completed percentage, therefore, the completed percentage is a key concern by the management and competent authority. And the recognition of service revenues is a critical item by us.

Our key audit procedures performed in respect:

Our procedures included assess the accounting policies applicability of revenues recongnition and obtaining an understanding of the project execution processes and relevant control relating to the accounting for customer contracts. We obtained an understanding of the service contract terms of HEEACT, cheeked the receipt records and the amount of the invoice. And evaluated the correctness of the timing and amount of service revenues.

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 requirements of the Note 2 HEEACT's accounting policies, 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 HEEACT'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 HEEACT or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the supervisors, are responsible for overseeing HEEACT 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 misstatement, whether due to fraud or error, and to issue a 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 ROC GAAS 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 ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- A. 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.
- B. 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 HEEACT's internal control.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. 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 HEEACT's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 HEEACT to cease to continue as a going concern.

E. 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.

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 the current period and are therefore the key audit matters. 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.

Baker Tilly Clock & Co

A handwritten signature in cursive script that reads "Baker Tilly Clock & Co." The signature is written in dark ink and is positioned above the date.

March 14, 2019

HIGHER EDUCATION EVALUATION & ACCREDITATION COUNCIL OF TAIWAN

BALANCE SHEETS

DECEMBER 31, 2018 and 2017

(Expressed in New Taiwan Dollars)

ASSETS	December 31, 2018		December 31, 2017		TOTAL LIABILITIES AND FUNDS AND SURPLUS	December 31, 2018		December 31, 2017	
	AMOUNT	%	AMOUNT	%		AMOUNT	%	AMOUNT	%
CURRENT ASSETS	\$ 49,052,461	61	\$ 40,795,566	57	CURRENT LIABILITIES	\$ 39,840,867	50	\$ 31,619,351	45
Cash and cash equivalents	48,977,963	61	33,482,337	47	Accounts payable	16,313,597	20	21,695,674	31
Accounts receivables	74,498	—	7,313,229	10	Advance receipts	23,509,550	30	9,905,543	14
FUNDS	30,300,000	38	30,300,000	43	Other current liabilities	17,720	—	18,134	—
Funds	30,300,000	38	30,300,000	43	OTHER LIABILITIES	285,000	—	142,600	—
OTHER ASSETS	562,300	1	147,800	—	Other liabilities	285,000	—	142,600	—
Other assets	562,000	1	147,800	—	TOTAL LIABILITIES	40,125,867	50	31,761,951	45
					FUNDS AND ACCUMULATED SURPLUS	39,788,894	50	39,481,415	55
					Initial funds	30,300,000	38	30,300,000	43
					Accumulated surplus	9,488,894	12	9,181,415	12
TOTAL ASSETS	\$ 79,914,761	100	\$ 71,243,366	100	TOTAL LIABILITIES AND FUNDS AND SURPLUS	\$ 79,914,761	100	\$ 71,243,366	100

董事長 黃榮村

President :

Executive Director :

Angela Yng chih-tsun

Tabulation :

會計 張翠媛

**HIGHER EDUCATION EVALUATION &
ACCREDITATION COUNCIL OF TAIWAN**

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(Expressed in New Taiwan Dollars)

DESCRIPTION	2018		2017		Variance	
	AMOUNT	%	AMOUNT	%	AMOUNT	%
REVENUES	\$ 101,485,863	100	\$ 74,888,951	100	\$ 26,596,912	36
Revenues from contracted projects	54,902,027	54	28,105,709	38	26,796,318	95
Service revenues	1,588,560	2	1,121,338	2	467,222	42
Donation revenues	516,800	1	915,200	1	(398,400)	(44)
Revenues from government subsidies	44,110,966	43	43,912,408	59	198,558	—
Other operating revenues	70,450	—	78,910	—	(8,460)	(11)
Interest income	218,837	—	217,956	—	881	—
Other non-operating revenues	78,223	—	537,430	—	(459,207)	(85)
EXPENSES	101,178,384	100	73,393,101	98	27,785,283	38
Contracted projects expenses	54,902,027	54	28,095,638	38	26,806,389	95
Service expenses	1,401,488	2	480,460	—	921,028	92
Government subsidies expenses	44,110,966	43	43,912,408	59	198,558	—
Other operating expenses	595,777	1	651,887	1	(56,110)	(9)
Other non-operating expenses	168,126	—	252,708	—	(84,582)	(33)
INCOME BEFORE INCOME TAX	307,479	—	1,495,850	2	(1,188,371)	(79)
INCOME TAX EXPENSE	—	—	967	—	(967)	—
NET INCOME AFTER INCOME TAX	\$ 307,479	—	\$ 1,494,883	2	\$ (1,187,404)	(79)

President :

董事長黃榮村

Executive Director :

Angela H. Clifford

Tabulation :

會計張翠媛

HIGHER EDUCATION EVALUATION &
ACCREDITATION COUNCIL OF TAIWAN
STATEMENT OF CHANGES IN FUNDS AND ACCUMULATED SURPLUS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in New Taiwan Dollars)

DESCRIPTION	INITIAL FUND	ACCUMULATED SURPLUS	TOTAL
Balance January 1, 2017	\$ 30,300,000	\$ 7,686,532	\$ 37,986,532
Net income for 2017	—	1,494,883	1,494,883
Balance December 31, 2017	30,300,000	9,181,415	39,481,415
Net income for 2018	—	307,479	307,479
Balance December 31, 2018	\$ 30,300,000	\$ 9,488,894	\$ 39,788,894

President :

董事長黃榮村

Executive Director :

Angela Lydlton

Tabulation :

會計張翠媛

**HIGHER EDUCATION EVALUATION &
ACCREDITATION COUNCIL OF TAIWAN**

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(Expressed in New Taiwan Dollars)

DESCRIPTION	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 307,479	\$ 1,494,883
Adjustments for		
Interest income	(218,837)	(317,956)
Changes in operating assets and liabilities		
Decrease in accounts receivable	7,240,734	6,565,368
Decrease in accounts payable	(5,382,077)	(6,604,632)
Increase in advance receipts	13,604,007	4,033,959
Increase (decrease) in other current liabilities	(414)	657
Cash in flow generated from operations	15,550,892	5,272,279
Interest received	216,834	217,886
Net Cash Flows From Operating Activities	15,767,726	5,490,165
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in other assets	(414,500)	(87,000)
Net Cash Flows used in Investing Activities	(414,500)	(87,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in other liabilities	142,400	142,600
Net Cash Flows used in Financing Activities	142,400	142,600
NET INCREASE IN CASH AND CASH EQUIVALENTS	15,495,626	5,545,765
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	33,482,337	27,936,572
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 48,997,963	\$ 33,482,337

President :

董事長黃榮村

Executive Director :

Angela Y. dilton

Tabulation :

會計張翠媛