

Independent Auditors' Report

Statement of Financial Position

As of July 31

2012

2011

note 7

| | | | | |
|-----------------------------------|--|--|--|------------|
| Cash and cash equivalents | | | | \$ 565,895 |
| Accounts receivable | | | | |
| Student fees | | | | 42,465 |
| Other | | | | 174,454 |
| Due from related parties [note 3] | | | | 151,337 |
| Inventory | | | | 41,961 |
| Prepaid expenses | | | | 355,805 |
| T | | | | 1,331,917 |
| Long-term prepaid expenses | | | | 7,866 |
| Capital assets, net [note 4] | | | | 12,659,948 |
| | | | | 13,999,731 |

LIABILITIES AND FUND BALANCES

| | | | | |
|--|------------|---------|--------|------------|
| Bank indebtedness [note 7] | 1,700,000 | — | — | 1,700,000 |
| Accounts payable and accrued liabilities | 817,764 | — | — | 817,764 |
| Interfund loan [note 6] | (379) | (1,453) | 1,832 | — |
| Current portion of long-term debt [note 7] | 363,302 | — | — | 363,302 |
| Deferred revenue | 1,059,150 | — | — | 1,059,150 |
| | 3,939,837 | (1,453) | 1,832 | 3,940,216 |
| Long-term debt [note 7] | 36,647 | — | — | 36,647 |
| | 3,976,484 | (1,453) | 1,832 | 3,976,863 |
| Commitments [note 13] | | | | |
| Operating Fund | 10,176,414 | — | — | 10,176,414 |
| Restricted Fund [note 8] | — | 413,147 | — | 413,147 |
| Endowment Fund [note 9] | — | — | 67,062 | 67,062 |
| T | 10,176,414 | 413,147 | 67,062 | 10,656,623 |
| | 14,152,898 | 411,694 | 68,894 | 14,633,486 |

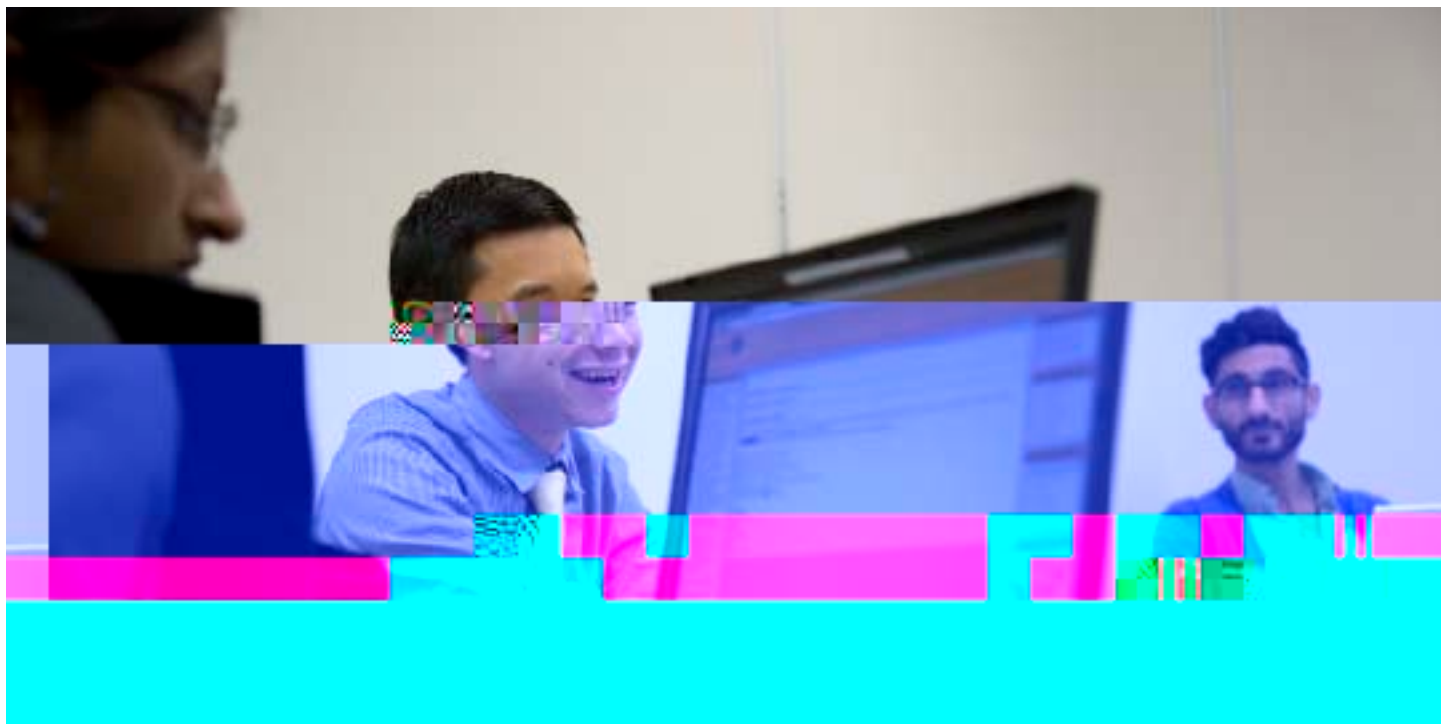
On behalf of the Board:

Statement of revenues and expenses and fund balances

| Year ended July 31 | Operating Fund | | Restricted Fund | | Endowment Fund | | Total | |
|--|----------------|------|-----------------|------|----------------|------|--------------|----------------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| | | | | | | | | [restated - note 18] |
| Tuition | \$ 9,977,208 | \$ — | \$ — | \$ — | \$ — | \$ — | \$ 9,977,208 | |
| Clinic | 834,656 | — | — | — | — | — | 834,656 | |
| Dispensary | 89,423 | — | — | — | — | — | 89,423 | |
| Property | 1,066,902 | — | — | — | — | — | 1,066,902 | |
| Membership fees | 13,325 | — | — | — | — | — | 13,325 | |
| Student and application fees | 28,800 | — | — | — | — | — | 28,800 | |
| General interest and continuing education | 151,601 | — | — | — | — | — | 151,601 | |
| Donations and sponsorships [note 10] | 132,948 | — | 205,031 | — | — | — | 337,979 | |
| Interest | 26,157 | — | 588 | — | — | — | 26,745 | |
| Research | 376,110 | — | 200,000 | — | — | — | 576,110 | |
| Other [note 11] | 275,368 | — | 24 | — | — | — | 275,392 | |
| | 12,972,498 | — | 405,643 | — | — | — | 13,378,141 | |
| Salaries and employee benefits | 9,102,752 | — | 10,751 | — | — | — | 9,113,503 | |
| Rent | 40,646 | — | 3,598 | — | — | — | 44,244 | |
| Office and general | 907,250 | — | 63,503 | — | — | — | 970,753 | |
| Travel, promotion and advertising | 519,825 | — | 1,116 | — | — | — | 520,941 | |
| Research | 526,546 | — | 12,284 | — | — | — | 538,830 | |
| Books and teaching supplies | 403,334 | — | 11,567 | — | — | — | 414,901 | |
| Professional services | 98,407 | — | — | — | — | — | 98,407 | |
| Bursaries and awards | 59,078 | — | 87,993 | — | — | — | 147,071 | |
| Graduation and student events | 19,492 | — | — | — | — | — | 19,492 | |
| General maintenance | 723,757 | — | 20,089 | — | — | — | 743,846 | |
| Interest on long-term debt | 48,573 | — | — | — | — | — | 48,573 | |
| Amortization | 787,014 | — | — | — | — | — | 787,014 | |
| | 13,236,674 | — | 210,901 | — | — | — | 13,447,575 | |
| | (264,176) | — | 194,742 | — | — | — | (69,434) | |
| Fund balances, beginning of year as restated [note 18] | 10,552,639 | — | 202,431 | — | 67,062 | — | 10,822,132 | |
| Fund balances, end of year | 10,288,463 | — | 397,173 | — | 67,062 | — | 10,752,698 | |

See accompanying notes

Statement of cash flows



| Year ended July 31 | 2012 | 2011 |
|--|------|----------------------|
| | | [restated - note 18] |
| Excess (deficiency) of revenues over expenses for the year | | \$ (69,434) |
| Add item not involving cash | | |
| Amortization | | 787,014 |
| | | 717,580 |
| Net change in non-cash working capital balances [note 14] | | (457,302) |
| | | 260,278 |
| Acquisition of capital assets | | (721,224) |
| | | (721,224) |
| Proceeds from credit facility | | 550,000 |
| Repayment of long-term debt | | (329,600) |
| | | 220,400 |
| | | (240,546) |
| Cash and cash equivalents, beginning of year | | 806,441 |
| | | 565,895 |

See accompanying notes

Notes to Financial Statements

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I. NATURE OF THE ORGANIZATION

The organization is a not-for-profit corporation organized under the laws of the State of California. It is a public utility company, as defined in the Public Utilities Code of the State of California. The organization is a member of the California Public Utilities Commission (CPUC). The organization is a member of the California Public Utilities Association (CPUA). The organization is a member of the California Public Utilities Employees Association (CPUEA). The organization is a member of the California Public Utilities Workers Union (CPUWU). The organization is a member of the California Public Utilities Employees Union (CPEU). The organization is a member of the California Public Utilities Workers Union (CPUWU). The organization is a member of the California Public Utilities Employees Union (CPEU).

2. SIGNIFICANT ACCOUNTING POLICIES

The organization follows generally accepted accounting principles (GAAP) for not-for-profit organizations. The organization's accounting policies are consistent with those of the CPUC and the CPAU. The organization's accounting policies are consistent with those of the CPUEA and the CPUWU. The organization's accounting policies are consistent with those of the CPEU and the CPUEA.

Fund accounting

The organization maintains separate accounts for each fund. The organization's funds are classified into three categories: operating funds, capital funds, and restricted funds. Operating funds are used for the organization's day-to-day operations. Capital funds are used for the organization's capital expenditures. Restricted funds are used for the organization's restricted activities. The organization's funds are classified into three categories: operating funds, capital funds, and restricted funds. Operating funds are used for the organization's day-to-day operations. Capital funds are used for the organization's capital expenditures. Restricted funds are used for the organization's restricted activities.

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Revenue recognition

The organization recognizes revenue when it is earned. Revenue is recognized when the organization has performed its service and the customer has accepted the service. Revenue is recognized when the organization has performed its service and the customer has accepted the service. Revenue is recognized when the organization has performed its service and the customer has accepted the service.

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Cash and cash equivalents

As at 31 December 2019, cash and cash equivalents were HK\$1,000,000 (2018: HK\$1,000,000).

Financial instruments

The following table shows the carrying amounts of the Company's financial instruments as at 31 December 2019 and 2018:

| | | |
|------------------------------|---------------|---------------|
| Financial assets | HK\$1,000,000 | HK\$1,000,000 |
| Financial liabilities | (1,000,000) | (1,000,000) |
| Financial instruments | HK\$0 | HK\$0 |

Capital assets

The following table shows the carrying amounts of the Company's capital assets as at 31 December 2019 and 2018:

| | |
|----------------------------------|-------|
| Building | 2.5% |
| Building improvements [10 years] | 10% |
| Building improvements [20 years] | 5% |
| Leasehold improvements [4 years] | 24.7% |
| Furniture and fixtures | 10% |
| Teaching equipment | 20% |
| Office equipment | 20% |
| Computer equipment [4 years] | 25% |
| Computer equipment [8 years] | 12.5% |
| Computer network equipment | 10% |

The carrying amounts of the Company's capital assets as at 31 December 2019 and 2018 are as follows:

| | | |
|----------------|---------------|---------------|
| Capital assets | HK\$1,000,000 | HK\$1,000,000 |
|----------------|---------------|---------------|

12. OICC EXPENSE ALLOCATION

13. COMMITMENTS

| | |
|------|----------------|
| 2013 | \$ 170,000 |
| 2014 | 165,000 |
| 2015 | 159,000 |
| 2016 | 33,000 |
| | <u>527,000</u> |

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14. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

| | |
|--|------------------|
| Accounts receivable | \$ (41,413) |
| Inventory | (2,095) |
| Prepaid expenses | (29,557) |
| Accounts payable and accrued liabilities | (258,273) |
| Interfund loan | — |
| Deferred revenue | (125,964) |
| | <u>(457,302)</u> |





15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value

Financial instruments are measured at fair value at the reporting date. Fair value is the price that would be received from the sale of an asset or the settlement of a liability in an orderly transaction between market participants at the reporting date.

Interest rate risk

The Group is exposed to interest rate risk arising from its financial instruments. The Group's interest rate risk is managed through the use of interest rate derivatives.

Credit risk

The Group is exposed to credit risk arising from its financial instruments. The Group's credit risk is managed through the use of credit derivatives and other risk management techniques.

16. CAPITAL MANAGEMENT

The Group's capital management is to ensure that it has sufficient capital to meet its obligations and to maintain a strong credit rating. The Group's capital management is based on the following principles:

- To maintain a strong credit rating.
- To ensure that the Group has sufficient capital to meet its obligations.
- To maintain a strong credit rating.

17. COMPARATIVE FINANCIAL STATEMENTS

The Group's comparative financial statements are presented for the periods ending 31 December 2011 and 31 December 2010.

18. CORRECTION OF PRIOR ERROR

The Group has corrected a prior error in its financial statements for the period ending 31 December 2011. The correction has resulted in a decrease in the Group's profit for the period of \$1,111,111.