

CHI HENG FOUNDATION CANADA
FINANCIAL STATEMENTS
DECEMBER 31, 2022

CHI HENG FOUNDATION CANADA

Financial Statements December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of CHI HENG FOUNDATION CANADA

Qualified Opinion

We have audited the accompanying financial statements of **CHI HENG FOUNDATION CANADA**, which comprise the statements of financial position as at **December 31, 2022**, and the statements of operations and changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Chi Heng Foundation Canada as at December 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many charitable organizations, Chi Heng Foundation Canada derives revenue from donations the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Chi Heng Foundation Canada. Therefore, we were not able to determine whether any adjustments might be necessary to recorded donations, excess of revenues over expenses, cash flows from operations for the years ended December 31, 2022 and 2021, current assets as at December 31, 2022 and 2021 and net assets as at January 1 and December 31 for both the 2022 and 2021 years. Our audit opinion on the financial statements for the year ended December 31, 2021 was modified accordingly because of the possible effects of this scope limitation.

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 Chi Heng Foundation Canada in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, 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 qualified audit opinion.

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 Canadian accounting standards for not-for-profit organizations, 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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards 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 Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- 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.
- 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 Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation'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 auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.

- 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.

C.C.I.

Chartered Professional Accountants Professional Corporation
Authorized to practice public accounting by the
Chartered Professional Accountants of Ontario

Toronto, Ontario
June 27, 2023

CHI HENG FOUNDATION CANADA

**Statement of Financial Position
December 31, 2022**

	<u>2022</u>	<u>2021</u>
	\$	\$
Assets		
Current		
Cash	110,163	122,853
Accounts receivable	5,930	24,129
Government remittances receivable	4,516	3,061
Inventory	<u>14,997</u>	<u>15,248</u>
	<u>135,606</u>	<u>165,291</u>
Liabilities		
Current		
Accounts payable and accruals	<u>12,575</u>	<u>7,551</u>
Net Assets		
General fund	69,379	103,992
LPN fund (note 3)	<u>53,652</u>	<u>53,748</u>
	<u>123,031</u>	<u>157,740</u>
	<u>135,606</u>	<u>165,291</u>

Approved by Board of Directors

(See accompanying notes to financial statements)

CHI HENG FOUNDATION CANADA

Statement of Changes in Net Assets Year Ended December 31, 2022

	General Fund	LPN Fund (note 3)	2022	2021
	\$	\$	\$	\$
NET ASSETS				
Balance, beginning of year	103,992	53,748	157,740	227,590
(Deficiency) of revenues over expenses	<u>(34,613)</u>	<u>(96)</u>	<u>(34,709)</u>	<u>(69,850)</u>
Balance, end of year	<u>69,379</u>	<u>53,652</u>	<u>123,031</u>	<u>157,740</u>

(See accompanying notes to financial statements)

CHI HENG FOUNDATION CANADA

Statement of Operations Year Ended December 31, 2022

	<u>2022</u>	<u>2021</u>
	\$	\$
Revenues		
Donations	325,127	392,772
Sponsorship	10,000	13,770
Interest income	2,810	1,329
Fundraising events	<u>13,170</u>	<u>8,457</u>
	<u>351,107</u>	<u>416,328</u>
Expenses		
Advertising and program books	9,731	4,930
Administrative costs	5,976	5,770
Granville lion project	96	-
Interest and bank charges	15,062	16,336
LPN course	96	96
Professional fees	7,276	7,276
Student sponsorship	<u>347,579</u>	<u>451,770</u>
	<u>385,816</u>	<u>486,178</u>
(Deficiency) of revenues over expenses	<u>(34,709)</u>	<u>(69,850)</u>

(See accompanying notes to financial statements)

CHI HENG FOUNDATION CANADA

Statement of Cash Flows Year Ended December 31, 2022

	<u>2022</u>	<u>2021</u>
	\$	\$
Funds provided (used):		
Operating Activities		
(Deficiency) of revenues over expenses	(34,709)	(69,850)
Changes in other non-cash working capital components (1)	<u>22,019</u>	<u>45,378</u>
	<u>(12,690)</u>	<u>(24,472)</u>
Net decrease in cash	(12,690)	(24,472)
Cash, beginning of year	<u>122,853</u>	<u>147,325</u>
Cash, end of year	<u>110,163</u>	<u>122,853</u>
(1) Changes in other non-cash working capital components represented by:		
Accounts receivable	18,199	37,945
Inventory	251	130
Government remittances receivable	(1,455)	10,538
Accounts payable and accruals	<u>5,024</u>	<u>(3,235)</u>
	<u>22,019</u>	<u>45,378</u>

(See accompanying notes to financial statements)

CHI HENG FOUNDATION CANADA

Notes to Financial Statements December 31, 2022

1. Purpose of the Organization

The Chi Heng Foundation Canada is a Canadian registered charitable organization. The organization is exempt from income tax in Canada as a registered charitable organization under the Income Tax Act. (Canada).

The main objective of the Foundation is to sponsor AIDS - impacted children by providing scholarships and living expense assistance. In addition, the organization provides courses, seminars and workshops about the effects of poverty on HIV and its related diseases.

2. Significant Accounting Policies

The general fund reports revenue from sponsorship, advertising and other fund raising activities.

Measurement Uncertainty:

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates.

Revenue recognition:

The Foundation receives donations from corporate sponsors and private donors, as well as annual fundraising campaigns for operating purposes and for providing scholarships. General donation was recorded upon receipt. The Foundation follows the deferral method of accounting for donations. Restricted donations are recognized as revenue in the year in which the related expenses are incurred.

Financial instruments:

The Foundation initially measures its financial assets and liabilities at fair value.

The entity subsequently measures all its financial assets and financial liabilities at amortized cost. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include accounts receivable and government remittance receivable.

Financial liabilities measured at amortized cost include accounts payable and accruals.

The entity has not designated any financial asset or financial liability to be measured at fair value.

CHI HENG FOUNDATION CANADA

Notes to Financial Statements December 31, 2022

3. LPN Fund

In 2018, the organization had started the new Licensed Practical Nurses (LPN) program, to provide free vocational training in geriatrics care to selected sponsored students who have finished their regular schooling. A group of Licensed Practical Nurses (“LPNs”) from Vancouver, under the leadership of several doctors, have offered to journey to China, so that they can work in this field. The training course was postponed in 2021 due to COVID and more training courses planned to be resumed for 2022 and beyond. This will provide better employment opportunities to these sponsored students as well as fill a much-needed gap in social services in China.

Donations restricted for training courses and program related expenses are being included in the LPN Fund.

In accordance with the CICA Handbook Section 4410.10, Licensed Practical Nurses course fund has been accounted for by the Restricted Fund Method. Funds received in the year was deferred and included in the restricted fund account. The amounts related to the specific purposes under the internal restriction are being transferred to the statement of operations.

4. Remuneration

No remuneration and benefits were paid by the Foundation to its Board, executives and volunteers since the incorporation of the Foundation.