

**FUNG LOY KOK INSTITUTE OF TAOISM
L'INSTITUT DE TAOÏSME FUNG LOY KOK**

**NON-CONSOLIDATED FINANCIAL STATEMENTS
ÉTATS FINANCIERS NON CONSOLIDÉS**

**DECEMBER 31, 2023
31 DÉCEMBRE 2023**

**FUNG LOY KOK INSTITUTE OF TAOISM
L'INSTITUT DE TAOÏSME FUNG LOY KOK**

**DECEMBER 31, 2023
31 DÉCEMBRE 2023**

CONTENTS / TABLE DES MATIÈRES

| | PAGE |
|--|--------------|
| INDEPENDENT AUDITOR'S REPORT/ RAPPORT DE L'AUDITEUR INDÉPENDANT | 1 - 2 |
| NON-CONSOLIDATED FINANCIAL STATEMENTS/ ÉTATS FINANCIERS NON CONSOLIDÉS | |
| Statement of Financial Position/ État de la situation financière | 3 |
| Statement of Revenue and Expenditures and Changes in Unrestricted Net Assets/ État des produits et charges et de l'évolution des actifs net non affecté | 4 |
| Statement of Cash Flows/ État des flux de trésorerie | 5 |
| Notes to Financial Statements/ Notes aux états financiers | 6 - 16 |

INDEPENDENT AUDITOR'S REPORT/RAPPORT DE L'AUDITEUR INDÉPENDANT

To the Board of Directors of / Au Conseil d'administration de
FUNG LOY KOK INSTITUTE OF TAOISM
L'INSTITUT DE TAOÏSME FUNG LOY KOK

Qualified Opinion

We have audited the non-consolidated financial statements of **FUNG LOY KOK INSTITUTE OF TAOISM** (the "Institute"), which comprise the non-consolidated statement of financial position as at December 31, 2023, and the non-consolidated statements of revenue and expenditures and changes in unrestricted net assets, and cash flows for the year then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effect of the matters described in the *Basis for Qualified Opinion* paragraphs, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the Institute as at December 31, 2023, and its non-consolidated financial performance and its non-consolidated 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 not-for-profit organizations, the Institute derives revenue from donations and other similar sources, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of this revenue was limited to the amounts recorded in the records of the Institute. Therefore, we were not able to determine whether any adjustments might be necessary to donations revenue, excess of revenue over expenditures, and cash flows from operations for the year ended December 31, 2023 and current assets and unrestricted net assets as at December 31, 2023.

The Institute has not recognized participant contributions as revenue proportionately over the fiscal year to which they relate but has recognized them when received, which constitutes a departure from Canadian accounting standards for not-for-profit organizations. The effect of this departure on participant contributions revenue and excess of revenue over expenditures for the year ended December 31, 2023 and current liabilities and unrestricted net assets as at December 31, 2023 are not reasonably determinable.

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 Non-Consolidated Financial Statements* section of our report. We are independent of the Institute in accordance with the ethical requirements that are relevant to our audit of the non-consolidated 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 opinion.

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

Management is responsible for the preparation and fair presentation of the non-consolidated 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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Institute'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 Institute or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated 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 non-consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the non-consolidated 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 Institute'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 Institute'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 non-consolidated 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 Institute to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated 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.

24 (1)

24 (1)

**FUNG LOY KOK INSTITUTE OF TAOISM
L'INSTITUT DE TAOÏSME FUNG LOY KOK**

**NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION
ÉTAT NON CONSOLIDÉS DE LA SITUATION FINANCIÈRE**

**DECEMBER 31, 2023
31 DÉCEMBRE 2023**

| ASSETS / ACTIF | 2023 | 2022 |
|---|----------------------|----------------------|
| CURRENT / À COURT TERME | | |
| Cash / Encaisse | \$ 1,028,721 | \$ 1,058,978 |
| Investments / Investissements | 1,979,320 | 1,109 |
| Prepaid expenses and sundry assets / Frais payés d'avance et autres éléments | 212,021 | 352,993 |
| Property held for sale / Immeuble destiné à la vente (Note 2) | 221,989 | 145,763 |
| Mortgage receivable / Créance hypothécaire (Note 3) | - | 435,000 |
| | <u>3,442,051</u> | <u>1,993,843</u> |
| MORTGAGE RECEIVABLE / CRÉANCE HYPOTHÉCAIRE (Note 3) | 435,000 | - |
| CAPITAL ASSETS / IMMOBILISATIONS CORPORELLES (Note 4) | 17,965,548 | 17,863,337 |
| INVESTMENT IN WHOLLY-OWNED SUBSIDIARY / PLACEMENT DANS UNE FILIALE EN PROPRIÉTÉ EXCLUSIVE (Note 5) | 1 | 1 |
| INVESTMENT IN LIMITED LIABILITY LIMITED PARTNERSHIP / PLACEMENTS DANS UNE SOCIÉTÉ EN COMMANDITE (Note 6) | 4,405,472 | 4,405,472 |
| INTANGIBLE ASSET / ACTIF INCORPOREL (Note 7) | 1,204,520 | 1,204,520 |
| INVESTMENTS / INVESTISSEMENTS | <u>17,458,869</u> | <u>16,215,031</u> |
| | <u>\$ 44,911,461</u> | <u>\$ 41,682,204</u> |
| LIABILITIES AND NET ASSETS / PASSIF ET ACTIFS NETS | | |
| CURRENT / À COURT TERME | | |
| Accounts payable and accrued liabilities / Créditeurs et frais courus | \$ 167,069 | \$ 199,843 |
| UNRESTRICTED NET ASSETS / ACTIFS NET NON AFFECTÉ | <u>44,744,392</u> | <u>41,482,361</u> |
| | <u>\$ 44,911,461</u> | <u>\$ 41,682,204</u> |

See accompanying notes to non-consolidated financial statements / Voir les notes aux états financiers non consolidés.

APPROVED ON BEHALF OF THE BOARD / APPROUVÉ AU NOM DU CONSEIL:

Director / Administrateur

Director / Administrateur

FUNG LOY KOK INSTITUTE OF TAOISM
L'INSTITUT DE TAOÏSME FUNG LOY KOK
NON-CONSOLIDATED STATEMENT OF REVENUE AND EXPENDITURES
AND CHANGES IN UNRESTRICTED NET ASSETS
ÉTAT NON CONSOLIDÉS DES PRODUITS ET CHARGES ET DE L'ÉVOLUTION DES
ACTIFS NET NON AFFECTÉ
FOR THE YEAR ENDED DECEMBER 31, 2023
DES EXERCICE TERMINÉ LES 31 DÉCEMBRE 2023

| | <u>2023</u> | <u>%</u> | <u>2022</u> | <u>%</u> |
|---|----------------------|---------------|----------------------|----------------|
| REVENUE / PRODUITS | | | | |
| Participant and retreat contributions | \$ 1,378,131 | 49.1 | \$ 341,921 | 24.2 |
| Domestic fundraising activities | 652,791 | 23.2 | 384,898 | 27.2 |
| Donations | 545,883 | 19.4 | 469,092 | 33.2 |
| Rental and sundry income | 149,061 | 5.3 | 53,600 | 3.8 |
| Other income | 63,651 | 2.3 | 123,644 | 8.8 |
| International fundraising activities | <u>19,136</u> | <u>0.7</u> | <u>39,599</u> | <u>2.8</u> |
| | <u>2,808,653</u> | <u>100.0</u> | <u>1,412,754</u> | <u>100.0</u> |
| EXPENDITURES / CHARGES | | | | |
| Salaries and benefits | 998,467 | 35.6 | 936,275 | 66.3 |
| Rent | 827,079 | 29.5 | 410,789 | 29.1 |
| Amortization | 736,074 | 26.2 | 800,013 | 56.6 |
| Professional fees | 383,684 | 13.7 | 269,736 | 19.1 |
| Repairs and maintenance | 252,648 | 9.0 | 363,030 | 25.7 |
| Utilities | 163,968 | 5.8 | 164,208 | 11.6 |
| Other charitable costs | 159,427 | 5.7 | 136,866 | 9.7 |
| Insurance | 127,006 | 4.5 | 128,202 | 9.1 |
| Bank charges | 71,234 | 2.5 | 37,334 | 2.6 |
| Office and general | 41,862 | 1.5 | 36,483 | 2.6 |
| Realty taxes (recovered) | 39,788 | 1.4 | (121,823) | (8.6) |
| Telecommunications | 36,256 | 1.3 | 39,603 | 2.8 |
| Instructor travel and other costs | 27,792 | 1.0 | 31,621 | 2.2 |
| Advertising and promotion | <u>9,543</u> | <u>0.3</u> | <u>7,086</u> | <u>0.5</u> |
| | <u>3,874,828</u> | <u>138.0</u> | <u>3,239,423</u> | <u>229.3</u> |
| DEFICIENCY OF REVENUE OVER EXPENDITURES | | | | |
| FROM OPERATIONS | <u>(1,066,175)</u> | <u>(38.0)</u> | <u>(1,826,669)</u> | <u>(129.3)</u> |
| OTHER / AUTRES | | | | |
| Gain on sale of capital assets | 2,878,885 | 102.5 | 2,570,335 | 181.9 |
| Unrealized gain (loss) on investments | 1,002,257 | 35.7 | (4,837,505) | (342.4) |
| Investment income | 453,830 | 16.2 | 399,792 | 28.3 |
| Realized loss on investments | - | - | (400,924) | (28.3) |
| Foreign exchange gain (loss) | <u>(6,766)</u> | <u>(0.3)</u> | <u>9,081</u> | <u>0.6</u> |
| | <u>4,328,206</u> | <u>154.1</u> | <u>(2,259,221)</u> | <u>(159.9)</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER | | | | |
| EXPENDITURES FOR THE YEAR / EXCÉDENT | | | | |
| (INSUFFISANCE) DES PRODUITS SUR LES CHARGES | | | | |
| DE L'EXERCICE | 3,262,031 | <u>116.1</u> | (4,085,890) | <u>(289.2)</u> |
| UNRESTRICTED NET ASSETS, beginning of year / | | | | |
| ACTIFS NET NON AFFECTÉ au début | <u>41,482,361</u> | | <u>45,568,251</u> | |
| UNRESTRICTED NET ASSETS, end of year / | | | | |
| ACTIFS NET NON AFFECTÉ à la fin | \$ <u>44,744,392</u> | | \$ <u>41,482,361</u> | |

See accompanying notes to non-consolidated financial statements / Voir les notes aux états financiers non consolidés.

**FUNG LOY KOK INSTITUTE OF TAOISM
L'INSTITUT DE TAOÏSME FUNG LOY KOK**

**NON-CONSOLIDATED STATEMENT OF CASH FLOWS
ÉTAT NON CONSOLIDÉS DES FLUX DE TRÉSORERIE**

**FOR THE YEAR ENDED DECEMBER 31, 2023
DES EXERCICE TERMINÉ LES 31 DÉCEMBRE 2023**

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| OPERATING ACTIVITIES / ACTIVITÉS DE FONCTIONNEMENT | | |
| Excess (deficiency) of revenue over expenditures for the year | \$ 3,262,031 | \$ (4,085,890) |
| Donations in-kind | (2,861) | (622) |
| Amortization | 736,074 | 800,013 |
| Gain on sale of capital assets | (2,878,885) | (2,570,335) |
| Realized loss on investments | - | 400,924 |
| Unrealized foreign exchange gain | - | 9,081 |
| Unrealized (gain) loss on investments | <u>(1,002,257)</u> | <u>4,837,505</u> |
| | <u>114,102</u> | <u>(609,324)</u> |
| Change in non-cash components of working capital | | |
| Prepaid expenses and sundry assets | 140,972 | (154,518) |
| Accounts payable and accrued liabilities | <u>(32,774)</u> | <u>(66,142)</u> |
| | <u>108,198</u> | <u>(220,660)</u> |
| | <u>222,300</u> | <u>(829,984)</u> |
| INVESTING ACTIVITIES / ACTIVITÉS D'INVESTISSEMENT | | |
| Purchase of investments | (5,045,972) | (9,946,337) |
| Proceeds from sale of investments | 2,829,041 | 5,828,066 |
| Change in loans receivable | - | 141,491 |
| Change in mortgage receivable | - | 350,000 |
| Purchase of capital assets | (1,060,274) | (732,942) |
| Net proceeds from sale of capital assets | <u>3,024,648</u> | <u>5,442,094</u> |
| | <u>(252,557)</u> | <u>1,082,372</u> |
| CHANGE IN CASH / VARIATION DE L'ENCAISSE | (30,257) | 252,388 |
| CASH, beginning of year / ENCAISSE au début | <u>1,058,978</u> | <u>806,590</u> |
| CASH, end of year / ENCAISSE à la fin | <u>\$ 1,028,721</u> | <u>\$ 1,058,978</u> |

**SUPPLEMENTARY CASH FLOW INFORMATION /
RENSEIGNEMENTS SUPPLÉMENTAIRES SUR LE FLUX DE
TRÉSORERIE:**

Significant non-cash transactions during the year were as follows:

| | | |
|---|------------|------------|
| Property reclassified as held for sale (Note 2) | \$ 221,989 | \$ 145,763 |
|---|------------|------------|

See accompanying notes to non-consolidated financial statements / Voir les notes aux états financiers non consolidés.

**FUNG LOY KOK INSTITUTE OF TAOISM
L'INSTITUT DE TAOÏSME FUNG LOY KOK**

**NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
NOTES AUX ÉTATS FINANCIERS NON CONSOLIDÉS**

**DECEMBER 31, 2023
31 DÉCEMBRE 2023**

PURPOSE OF THE ORGANIZATION / MISSION DE L'ORGANISME

Fung Loy Kok Institute of Taoism (the "Institute") is a registered charitable organization incorporated under the Canada Not-for-profit Corporations Act as a corporation without share capital, operating throughout Canada. Its purpose is to promote Taoism and Taoist practices, including Taoist Tai Chi® arts as the third vehicle of the Taoist religion. The Institute observes the unified teachings of the three religions of Taoism, Confucianism, and Buddhism. Its mission is to deliver all from suffering, both the living and the dead, by pursuing the way of community service, rituals and ceremonies and the arts of internal transformation (internal alchemy).

The Institute is exempt from income tax in Canada as a registered charitable organization under the Income Tax Act.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / RÉSUMÉ DES PRINCIPALES MÉTHODES COMPTABLES

(a) Basis of Accounting

These non-consolidated financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations.

(b) Basis of Presentation

The Institute has a wholly-owned subsidiary, 24 (1) whose purpose is to hold trademarks and licensing certification marks for use within the Institute at no charge to qualifying organizations.

The Institute has not consolidated 24 (1) and will instead provide the required disclosures for 24 (1) (Note 5) in accordance with section 4450 of the CPA Handbook - Accounting (Part III).

The Institute controls the following organizations:

24 (1)

The Institute has not consolidated nor provided disclosure for the above organizations as the organizations are collectively immaterial and inactive in accordance with section 4450 of the CPA Handbook - Accounting (Part III).

**FUNG LOY KOK INSTITUTE OF TAOISM
L'INSTITUT DE TAOÏSME FUNG LOY KOK**

**NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
NOTES AUX ÉTATS FINANCIERS NON CONSOLIDÉS**

**DECEMBER 31, 2023
31 DÉCEMBRE 2023**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / RÉSUMÉ DES PRINCIPALES
MÉTHODES COMPTABLES (Continued / Suite)**

(c) Capital Assets

Capital assets are recorded at cost. Amortization is provided for over their estimated useful lives on the declining balance basis at the following annual rates:

| | |
|--------------------------------|-------|
| Buildings | - 5% |
| Furniture and equipment | - 20% |
| Computer software and hardware | - 30% |
| Vehicles | - 30% |

(d) Impairment of Long-Lived Assets

A long-lived asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

(e) Revenue Recognition

The Institute follows the deferral method of accounting for contributions.

Participant and retreat contributions are recognized when received.

Revenue from domestic and international fundraising activities is recognized when the services are provided.

Donations are recognized when received.

Donations-in-kind are recognized as revenue when received.

Rental income is recognized on a straight-line basis over the term of the lease.

(f) Estimates and Measurement Uncertainty

The preparation of financial statements in conformity 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, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the year. Significant items subject to such estimates and assumptions include the useful lives of capital assets and impairment of long-lived assets. Actual results could differ from these estimates.

**FUNG LOY KOK INSTITUTE OF TAOISM
L'INSTITUT DE TAOÏSME FUNG LOY KOK**

**NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
NOTES AUX ÉTATS FINANCIERS NON CONSOLIDÉS**

DECEMBER 31, 2023

31 DÉCEMBRE 2023

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / RÉSUMÉ DES PRINCIPALES
MÉTHODES COMPTABLES (Continued / Suite)**

(g) Donated Services

Donated services are not recognized in the non-consolidated financial statements because of the difficulty in determining their fair value.

(h) Financial Instruments

i) Measurement of Financial Instruments

The Institute initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

The Institute subsequently measures all of its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market which are measured at fair value. Changes in fair value are recognized in the non-consolidated statement of revenue and expenditures.

Financial assets measured at amortized cost include cash and mortgage receivable.

Financial assets measured at cost include investment in limited liability limited partnership.

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

The Institute has not designated any financial liabilities to be recorded at fair value.

ii) Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in results of operations.

**FUNG LOY KOK INSTITUTE OF TAOISM
L'INSTITUT DE TAOÏSME FUNG LOY KOK**

**NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
NOTES AUX ÉTATS FINANCIERS NON CONSOLIDÉS**

DECEMBER 31, 2023

31 DÉCEMBRE 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / RÉSUMÉ DES PRINCIPALES MÉTHODES COMPTABLES (Continued / Suite)

(i) Foreign Currency Translation

Foreign currency transactions have been translated into Canadian dollars using the temporal method. Under the temporal method, monetary assets and liabilities are translated at the exchange rate in effect at the statement of financial position date. Non-monetary assets and liabilities are translated at the rates in effect on the transaction date. Revenue and expenditures are translated at the rates in effect on the transaction date, except for amortization, which is translated at the same rates as the related assets. Gains or losses are included in the determination of results of operations for the year.

(j) Intangible Asset

Intangible asset is recognized at cost and not amortized since it has an indefinite life.

2. PROPERTY HELD FOR SALE / IMMEUBLES DESTINÉ À LA VENTE

| | <u>2023</u> | <u>2022</u> |
|---|-------------------|-------------------|
| 24 (1) - | \$ 221,989 | \$ - |
| 24 (1) | - | 145,763 |
| | <u>\$ 221,989</u> | <u>\$ 145,763</u> |

Subsequent to year end, the Institute has listed the Edmonton property for sale.

3. MORTGAGES RECEIVABLE / CRÉANCE HYPOTHÉCAIRE

In 2017, the Institute disposed of the property 24 (1) In exchange, the Institute agreed to take back a \$435,000 24 (1) mortgage. In prior years, the mortgage was renewed annually. During the year, the mortgage was renewed. The mortgage receivable is interest bearing at 8.50% (2022 - 7.00%) per annum, secured by the aforementioned property, with monthly interest payments and principal due at maturity on September 29, 2026.

FUNG LOY KOK INSTITUTE OF TAOISM
L'INSTITUT DE TAOÏSME FUNG LOY KOK

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
NOTES AUX ÉTATS FINANCIERS NON CONSOLIDÉS

DECEMBER 31, 2023
31 DÉCEMBRE 2023

4. CAPITAL ASSETS / IMMOBILISATIONS CORPORELLES

| | | 2023 | | 2022 |
|------|---------------------|-------------------|-------------------------------------|------------------|
| | | Cost | Accumulated Amortization | Net |
| i) | 24 (1) | | | |
| | Land | \$ 539,982 | \$ - | \$ 539,982 |
| | Building | <u>1,576,488</u> | <u>1,128,982</u> | <u>447,506</u> |
| | | <u>2,116,470</u> | <u>1,128,982</u> | <u>987,488</u> |
| ii) | 24 (1) (Note 2) | | | |
| | Land | - | - | 152,889 |
| | Building | - | - | <u>72,736</u> |
| | | - | - | <u>225,625</u> |
| iii) | 24 (1) | | | |
| | Land | 133,500 | - | 133,500 |
| | Building | <u>187,201</u> | <u>112,367</u> | <u>74,834</u> |
| | | <u>320,701</u> | <u>112,367</u> | <u>208,334</u> |
| iv) | 24 (1) | | | |
| | 24 (1) (Note 13(b)) | | | |
| | Land | 295,965 | - | 295,965 |
| | Building (i) | <u>16,813,345</u> | <u>8,404,531</u> | <u>8,408,814</u> |
| | | <u>17,109,310</u> | <u>8,404,531</u> | <u>8,704,779</u> |
| v) | 24 (1) | | | |
| | Land | 417,699 | - | 417,699 |
| | Building | <u>5,341,354</u> | <u>1,953,141</u> | <u>3,388,213</u> |
| | | <u>5,759,053</u> | <u>1,953,141</u> | <u>3,805,912</u> |
| vi) | 24 (1) | | | |
| | Land | 500,000 | - | 500,000 |
| | Building | <u>534,650</u> | <u>256,354</u> | <u>278,296</u> |
| | | <u>1,034,650</u> | <u>256,354</u> | <u>778,296</u> |
| vii) | 24 (1) | | | |
| | Land | 400,000 | - | 400,000 |
| | Building | <u>605,448</u> | <u>284,301</u> | <u>321,147</u> |
| | | <u>1,005,448</u> | <u>284,301</u> | <u>721,147</u> |

FUNG LOY KOK INSTITUTE OF TAOISM
L'INSTITUT DE TAOÏSME FUNG LOY KOK

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
NOTES AUX ÉTATS FINANCIERS NON CONSOLIDÉS

DECEMBER 31, 2023
31 DÉCEMBRE 2023

4. CAPITAL ASSETS / IMMOBILISATIONS CORPORELLES (Continued / Suite)

| | | 2023 | | | 2022 |
|-------|---------------------------------------|----------------------|-------------------------------------|----------------------|----------------------|
| | | Cost | Accumulated Amortization | Net | Net |
| viii) | ^{24 (1)} | | | | |
| | Land | 716,000 | - | 716,000 | 716,000 |
| | Building | <u>2,446,267</u> | <u>1,042,412</u> | <u>1,403,855</u> | <u>1,477,739</u> |
| | | <u>3,162,267</u> | <u>1,042,412</u> | <u>2,119,855</u> | <u>2,193,739</u> |
| ix) | ^{24 (1)} | | | | |
| | Land | 125,000 | - | 125,000 | 125,000 |
| | Building | <u>229,300</u> | <u>97,715</u> | <u>131,585</u> | <u>138,509</u> |
| | | <u>354,300</u> | <u>97,715</u> | <u>256,585</u> | <u>263,509</u> |
| x) | ^{24 (1)} | | | | |
| | Land | 10,000 | - | 10,000 | 10,000 |
| | Building | <u>106,736</u> | <u>45,561</u> | <u>61,175</u> | <u>64,391</u> |
| | | <u>116,736</u> | <u>45,561</u> | <u>71,175</u> | <u>74,391</u> |
| xi) | Furniture and equipment | <u>1,969,912</u> | <u>1,776,842</u> | <u>193,070</u> | <u>205,915</u> |
| xii) | Computer software and hardware | <u>507,088</u> | <u>413,392</u> | <u>93,696</u> | <u>130,452</u> |
| xiii) | Vehicles | <u>226,699</u> | <u>201,488</u> | <u>25,211</u> | <u>12,038</u> |
| | | <u>\$ 33,682,634</u> | <u>\$ 15,717,086</u> | <u>\$ 17,965,548</u> | <u>\$ 17,863,337</u> |

(i) Included in the ^{24 (1)} building costs are \$2,184,235 of cemetery renovations under construction that are not amortized.

5. INVESTMENT IN WHOLLY-OWNED SUBSIDIARY / PLACEMENT DANS UNE FILIALE EN PROPRIÉTÉ EXCLUSIVE

The Institute's wholly-owned subsidiary, ^{24 (1)} had no transactions during the year (2022 - no transactions) and has total assets and total equity of \$1, respectively, as at December 31, 2023 and December 31, 2022.

**FUNG LOY KOK INSTITUTE OF TAOISM
L'INSTITUT DE TAOÏSME FUNG LOY KOK**

**NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
NOTES AUX ÉTATS FINANCIERS NON CONSOLIDÉS**

DECEMBER 31, 2023

31 DÉCEMBRE 2023

**6. INVESTMENT IN LIMITED LIABILITY LIMITED PARTNERSHIP / PLACEMENTS
DANS UNE SOCIÉTÉ EN COMMANDITE**

On December 28, 2017, the Institute acquired 20 Class B units in [24 (1)], representing a 20% interest. In addition to the contribution of the western portion of the [24 (1)] property in the amount of \$5,622,872 (Note 7), the Institute incurred \$251,091 of transaction costs which have been capitalized to the cost of the investment. On December 31, 2018, the Institute disposed of 5 Class B units to [24 (1)] for proceeds of \$2,057,988. Transaction costs related to the sale were \$44,322.

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| Balance, beginning of year, being balance end of year | \$ <u>4,405,472</u> | \$ <u>4,405,472</u> |

7. INTANGIBLE ASSET / ACTIF INCORPOREL

In 2014, the Institute contributed \$3,337,343 to the [24 (1)]
[24 (1)] to allow [24 (1)] to purchase property located at [24 (1)].
[24 (1)]

The [24 (1)] property was purchased solely to allow the Institute to carry out its charitable objectives internationally. Prior to the purchase, the Institute and [24 (1)] entered into a Services Agreement (the "Agreement") which set out the terms and conditions for the use of the property on behalf of the Institute. Based on the terms of the Agreement, the Institute has absolute direction and control over the use of the [24 (1)] property. An additional agreement provides for an indefinite option for the Institute to purchase the [24 (1)] property for \$10. As a result of the terms of these two agreements, this meets the definition of an indefinite life intangible asset.

In 2015, 2016 and 2017, the Institute contributed an additional \$679,717, \$2,457,944 and \$352,388, respectively, to the [24 (1)] property. Total additions to the [24 (1)] property are \$6,827,392. The allocation of the additions is \$5,622,872 (Note 6) and \$1,204,520 between the western and eastern portion of the property.

On December 28, 2017, the western portion of the [24 (1)] property was contributed to the [24 (1)] [24 (1)] in exchange for an investment in the partnership (Note 6). The eastern portion of the [24 (1)] property remains with [24 (1)] to carry out the Institute's charitable objectives.

The eastern portion of the [24 (1)] property is pledged as security for [24 (1)] bank loan (Note 13(a)).

8. CREDIT FACILITIES / FACILITÉS DE CRÉDIT

The Institute has credit facilities as follows:

- (a) Facility (1) - A non-revolving facility, with an aggregate authorized maximum amount of \$1,268,536 (2022 - \$1,268,536) for the acquisition and renovation of commercial real estate properties within Canada by the Institute. The facility bears interest at the bank prime rate plus 1.55% per annum (2022 - 1.55%). As at December 31, 2023, \$Nil (2022 - \$Nil) of the facility was utilized.

**FUNG LOY KOK INSTITUTE OF TAOISM
L'INSTITUT DE TAOÏSME FUNG LOY KOK**

**NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
NOTES AUX ÉTATS FINANCIERS NON CONSOLIDÉS**

**DECEMBER 31, 2023
31 DÉCEMBRE 2023**

8. CREDIT FACILITIES / FACILITÉS DE CRÉDIT (Continued / Suite)

- (b) Facility (2) - A revolving demand facility with an aggregate authorized maximum amount of \$1,000,000 (2022 - \$1,000,000) to finance day-to-day operating expenditures and to bridge receivables of and donations to the Institute. This facility is available by way of loans bearing interest at the bank prime rate plus 0.45% per annum (2022 - 0.45%), letters of credit or letters of guarantee. As at December 31, 2023, \$Nil (2022 - \$Nil) of the facility was utilized.
- (c) Facility (3) - A revolving facility with an aggregate authorized maximum amount of \$4,000,000 (2022 - \$4,000,000) to finance the construction and renovation of the ^{24 (1)} property (Note 7). This facility bears interest at the bank prime rate plus 1.00% (2022 - 1.00%) and is repayable at the earlier of 1 year after draw-down or date of first borrowing under Facility (4). As at December 31, 2023, \$Nil (2022 - \$Nil) of the facility was utilized.
- (d) Facility (4) - A non-revolving facility with an aggregate authorized maximum amount of \$4,000,000 (2022 - \$4,000,000) to repay the borrowings under Facility (3) in full. This facility is available by way of loans bearing a fixed interest rate determined at the time of borrowing and bankers' acceptances, and is repayable commencing 30 days after draw-down by consecutive monthly blended payments of principal and interest based on a maximum amortization of 15 years and a maximum term of 5 years. As at December 31, 2023, \$Nil (2022 - \$Nil) of the facility was utilized.

The total borrowings under Facilities (3) and (4) must not exceed at any time the sum of \$4,000,000 (2022 - \$4,000,000).

Security for the above facilities is provided as follows:

- (i) General security agreement constituting a first-ranking security interest in all personal property of the Institute.
- (ii) A collateral charge mortgage in the amount of \$20,000,000 constituting a first fixed charge on four of the Institute's properties. The carrying amount of these properties is \$13,706,513.
- (iii) Postponement of the Society's option to purchase the ^{24 (1)} (Note 13(b)).
- (iv) Postponement of the Society's right to first refusal in respect of the ^{24 (1)} (Note 13(b)).
- (v) Assignment of all fire insurance policies in respect of the secured properties in (ii) above.
- (vi) Certificate of insurance evidencing fire and other perils coverage on each of the secured properties in (ii) above.

The above facilities require, among other things, that the Institute adhere to a specified covenant. As at December 31, 2023, the Institute was not in compliance with this covenant. As at the report date, no action has been taken by the bank.

**FUNG LOY KOK INSTITUTE OF TAOISM
L'INSTITUT DE TAOÏSME FUNG LOY KOK**

**NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
NOTES AUX ÉTATS FINANCIERS NON CONSOLIDÉS**

**DECEMBER 31, 2023
31 DÉCEMBRE 2023**

9. SIGNIFICANTLY INFLUENCED ORGANIZATIONS / ORGANISATIONS SOUS INFLUENCE NOTABLE

The Institute has significant influence over the Taoist Tai Chi organizations both in Canada and abroad, collectively the "Organization." The Organization adheres to the Institute's guidance and is dedicated to promoting and advancing the teachings of Taoism through one or more of the following means:

- 1) The practice, study and advancement of the doctrines, observances, practices, Taoist scriptures, rituals, philosophy and traditions associated with the Taoist religion including the Taoist internal arts;
- 2) The practice, study and advancement of the Taoist Tai Chi® arts as a Taoist discipline of health and longevity; and
- 3) The practice, study and advancement of other Taoist disciplines of health and longevity such as Taoist meditation, Lok Hup and other related disciplines.

The member affiliates of the Organization include: Australia, Belgium, Canada, Costa Rica, Czech Republic, Denmark, France, Germany, Great Britain, Hungary, Ireland, Italy, Malaysia, Mexico, Netherlands, New Zealand, Norway, Poland, Slovakia, Spain, Sweden, Switzerland, Ukraine and the United States of America. All organizations are associations or corporations and are exempt from income taxes in their respective countries.

10. RELATED PARTY TRANSACTIONS / OPÉRATIONS ENTRE APPARENTÉS

During the year, the Institute had transactions with parties related by virtue of significant influence and control. The particulars of these transactions are as follows:

| | <u>2023</u> | <u>2022</u> |
|--------------------------------------|-------------|-------------|
| Transactions during the year: | | |
| International fundraising activities | \$ 19,136 | \$ 39,599 |
| Cash donated by the Society | \$ 188,058 | \$ - |

These transactions are recorded at the exchange amount which is the amount established and agreed to by the related parties.

**FUNG LOY KOK INSTITUTE OF TAOISM
L'INSTITUT DE TAOÏSME FUNG LOY KOK**

**NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
NOTES AUX ÉTATS FINANCIERS NON CONSOLIDÉS**

**DECEMBER 31, 2023
31 DÉCEMBRE 2023**

11. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS / RISQUES ASSOCIÉS AUX INSTRUMENTS FINANCIERS

(a) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Institute is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed interest rate instruments subject the Institute to a fair value risk since fair value fluctuates inversely to changes in market interest rates. Floating interest rate instruments subject the Institute to changes in related future cash flows. Credit facilities bear interest at the bank prime plus basis. Changes in the bank's prime lending rate can cause fluctuations in interest payments and cash flows. The Institute does not use derivative financial instruments to reduce its exposure to interest rate risk.

(b) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Institute is exposed to credit risk in the event of non-performance by counterparties in connection with its mortgage receivable.

(c) Liquidity Risk

Liquidity risk is the risk that the Institute will encounter difficulty in meeting obligations associated with financial liabilities. The Institute is exposed to liquidity risk arising primarily from accounts payable and accrued liabilities. The Institute's ability to meet obligations depends on the receipt of funds from its operating activities.

(d) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Institute's investments in publicly traded securities exposes the Institute to market risk as such investments are subject to price changes in the open market. The Institute does not use derivative financial instruments to alter the effects of this risk.

**FUNG LOY KOK INSTITUTE OF TAOISM
L'INSTITUT DE TAOÏSME FUNG LOY KOK**

**NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
NOTES AUX ÉTATS FINANCIERS NON CONSOLIDÉS**

**DECEMBER 31, 2023
31 DÉCEMBRE 2023**

12. COMMITMENTS / ENGAGEMENTS CONTRACTUELS

- (a) The Institute has operating leases for premises in Quebec and Ontario, which expire on March 31, 2024 and September 30, 2027. Minimum lease payments in the aggregate and for the next four fiscal years are as follows:

| | |
|------|------------------|
| 2024 | \$ 20,476 |
| 2025 | 14,400 |
| 2026 | 14,400 |
| 2027 | <u>10,800</u> |
| | <u>\$ 60,076</u> |

- (b) The Institute has entered into a contract, which expires on May 31, 2025, for the maintenance of a web-based and mobile platform for donor relationship management. Minimum payments in the aggregate and for the next two fiscal years are as follows:

| | |
|------|------------------|
| 2024 | \$ 24,147 |
| 2025 | <u>10,061</u> |
| | <u>\$ 34,208</u> |

13. CONTINGENCIES AND GUARANTEE / ÉVENTUALITÉS ET CAUTIONNEMENT

- (a) The eastern portion of the ^{24 (1)} property (Note 7) is part of a general security agreement on all assets of ^{24 (1)} pledged as security for the ^{24 (1)} bank loan. As at December 31, 2023, the loan balance is U.S.\$1,841,898 (2022 - U.S.\$2,067,098).
- (b) The Society has an option to purchase the ^{24 (1)} for the sum of \$1 and right to first refusal of the sale of the ^{24 (1)} (Note 4iv), which has been postponed in favour of the Institute's credit facilities (Note 8).