

The Sharon Francis Institute for Regenerative Medicine
Financial Statements
December 31, 2020

The Sharon Francis Institute for Regenerative Medicine

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For the year ended December 31, 2020

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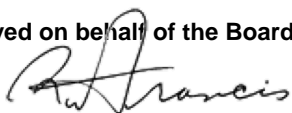
The Sharon Francis Institute for Regenerative Medicine

Statement of Financial Position

As at December 31, 2020

	2020	2019
Assets		
Current		
Cash	430,081	218,200
Short-term investments	-	803,061
Prepaid expenses	648	-
	430,729	1,021,261
Capital assets (Note 3)	500,000	-
	930,729	1,021,261
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 4)	30,607	7,782
Deferred contributions (Note 5)	20,000	-
	50,607	7,782
Net Assets	880,122	1,013,479
	930,729	1,021,261

Approved on behalf of the Board of Directors



Chairman Dr. Robert W. Francis



Executive Director Ana Padron

The accompanying notes are an integral part of these financial statements

The Sharon Francis Institute for Regenerative Medicine

Statement of Operations and Changes in Net Assets

For the year ended December 31, 2020

	2020	2019
Revenue		
Donations <i>(Note 4)</i>	132,543	172,684
Interest income	7,977	3,061
	140,520	175,745
Expenses		
Grants	110,000	90,000
Administration	66,357	72,466
Salaries and benefits	50,112	-
Occupancy <i>(Note 4)</i>	24,400	-
Professional fees	15,801	14,733
Bank charges and interest	1,847	1,282
	268,517	178,481
Deficiency of revenue over expenses before undernoted items	(127,997)	(2,736)
Other items		
Unrealized loss	(5,360)	-
Deficiency of revenue over expenses	(133,357)	(2,736)
Net assets beginning of year	1,013,479	1,016,215
Net assets, end of year	880,122	1,013,479

The accompanying notes are an integral part of these financial statements

The Sharon Francis Institute for Regenerative Medicine

Statement of Cash Flows

For the year ended December 31, 2020

	2020	2019
Cash provided by (used for) the following activities		
Operating		
Deficiency of revenue over expenses	(133,357)	(2,736)
Accrued interest on short-term investments	-	(3,061)
	(133,357)	(5,797)
Changes in working capital accounts		
Accounts receivable	-	24
Prepaid expenses	(648)	-
Accounts payable and accrued liabilities	22,825	(9,491)
Deferred contributions	20,000	-
	(91,180)	(15,264)
Investing		
Purchase of short-term investments	-	(800,000)
Disposal of short-term investments	803,061	-
Purchase of capital assets	(500,000)	-
	303,061	(800,000)
Increase (decrease) in cash	211,881	(815,264)
Cash, beginning of year	218,200	1,033,464
Cash, end of year	430,081	218,200

The accompanying notes are an integral part of these financial statements



The Sharon Francis Institute for Regenerative Medicine

December 31, 2020

Joseph Bates, CPA, CA

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Wherever business takes you

[MNP.ca](https://www.mnp.ca)



December 3, 2021

The Sharon Francis Institute for Regenerative Medicine
Suite 1605
181 University Avenue
Toronto, ON M5H 3M7

PRIVATE AND CONFIDENTIAL

Dear Padron:

RE: Fiscal Year-end December 31, 2020

We have completed our audit of the financial statements of The Sharon Francis Institute for Regenerative Medicine (the "Organization") for the year ended December 31, 2020 and enclose the following:

FINANCIAL STATEMENTS

1. Electronic copy the December 31, 2020 audited financial statements.

INFORMATION RETURNS

OTHER ENCLOSURES

1. Electronic copy of our Audit Findings report.
2. Electronic copy of our Independence Letter.
3. Electronic copy of the year-end journal entries as previously reviewed and electronic copy of the closing trial balance for your records. Please ensure that these journal entries are posted to your general ledger, the general ledger is properly closed and your retained earnings balance agrees to the enclosed financial statements.



All records and documents should be retained in safekeeping for a minimum of seven years in the event that the Canada Revenue Agency demands them for audit purposes. This seven-year period is by Statute and, even after this time, the Canada Revenue Agency's permission to destroy records should be obtained.

We thank you for appointing our Firm as your auditors. Please contact us at any time if you have questions on accounting, finance, tax or other general business concerns. We would also be pleased to discuss our suite of services with your friends and business associates. We appreciate your business and any referrals you may make to our Firm.

If you have any questions or comments, or if we can be of additional assistance, please feel free to call us at (416) 263-6933.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Bates', written in a cursive style.

Joseph Bates, CPA, CA
Partner, Assurance Services

encls.

To the Members of The Sharon Francis Institute for Regenerative Medicine:

Opinion

We have audited the financial statements of The Sharon Francis Institute for Regenerative Medicine (the "Organization"), which comprise the statement of financial position as at December 31, 2020, and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the 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 the Organization as at December 31, 2020, 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 Opinion

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 the Organization 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 opinion.

Other Matter

The financial statements of the Organization for the year ended December 31, 2019 were audited by another firm of licensed public accountants who issued an unmodified opinion on those statements on May 28, 2020.

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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 judgment 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 Organization'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 Organization'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 Organization 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.

Mississauga, Ontario

December 22, 2021

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

The Sharon Francis Institute for Regenerative Medicine

Notes to the Financial Statements

For the year ended December 31, 2020

1. Incorporation and nature of the organization

The Sharon Francis Institute for Regenerative Medicine (the "Organization") is a registered charitable organization incorporated without share capital; incorporated under the authority of the Canada not-for-profit Corporations Act.

The Organization's charitable purposes are:

- (i) To advance education by conducting and/or funding research in the field of medicine including regenerative medicine, and disseminating the result of the research to the public
- (ii) To receive and maintain a fund or funds and to apply all or part of the principal and income therefrom, from time to time, to qualified donees as defined in subsection 149.1 (1) of the Income Tax Act (Canada); and
- (iii) To undertake activities ancillary and incidental to the attainment of the above purposes.

Impact on operations of COVID-19 (coronavirus)

In early March 2020 the impact of the global outbreak of COVID-19 (coronavirus) began to have a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders.

At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Organization as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Organization's business and financial condition.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada, which are part of Canadian generally accepted accounting principles, and include the following significant accounting policies:

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Contributed materials and services

Contributions of materials and services are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the Organization's operations and would otherwise have been purchased.

The Organization benefits from the receipt of services provided by volunteers. Due to the difficulty in measuring fair value, these services are not recognized in the financial statements.

Grants

Grants are made from time to time to qualified donees to meet the Organization's charitable disbursement quota as required by the Income Tax Act (Canada). Grants are recognized as an expense when the Organization has committed to provide the funding.

The Sharon Francis Institute for Regenerative Medicine

Notes to the Financial Statements

For the year ended December 31, 2020

2. Significant accounting policies (Continued from previous page)

Financial instruments

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with Section 3840 *Related Party Transactions* (refer to Note 4).

At initial recognition, the Organization may irrevocably elect to subsequently measure any financial instrument at fair value. The Organization has not made such an election during the year.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the deficiency of revenues over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

The Organizations's financial assets are comprised of cash; financial liabilities are comprised of accounts payable and accrued liabilities.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution plus all costs directly attributable to the acquisition.

Amortization is provided using the indicated method at rates intended to amortize the cost of assets over their estimated useful lives.

	Method	Years
Leasehold improvements	straight-line	10 years

Measurement uncertainty (use of estimates)

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 and 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.

Contributions received in kind are recognized at their estimated fair value when received.

By their nature, these judgments are subject to measurement uncertainty, and the effect on the financial statements of changes in such estimates and assumptions in future years could be material. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues over expenses in the years in which they become known.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution plus all costs directly attributable to the acquisition.

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

	Method	Years
Leasehold improvements	straight-line	term of the lease

The Sharon Francis Institute for Regenerative Medicine

Notes to the Financial Statements

For the year ended December 31, 2020

3. Capital assets

	<i>Cost</i>	<i>2020 Net book value</i>	<i>2019 Net book value</i>
Leasehold improvements	500,000	500,000	-

No amortization of this asset was recorded during the year as the assets were under development.

4. Related party transactions

Related parties of the Organization include its board members and management, and the organizations they control.

During the year, cash donations revenue in the amount of \$510 (2019 - \$1,535) were received from related parties.

Furthermore, during the year, a corporation related to one of the directors provided premises to the Organization, for which a reimbursement was not requested. The in-kind contribution of \$24,400 (2019 - \$36,280) is recognized as revenue along with the corresponding expenses in the same amount.

Included in accounts payable and accrued liabilities at year end is \$10,807 (2019 - \$Nil) due to the related corporation related to expenses they initially paid on the Organizations behalf. Balances due are unsecured, non-interest bearing and have no fixed terms of repayment.

5. Deferred contributions

The Organization received \$20,000 (2019 - \$nil) to support research. This contribution will be recognized as revenue when the related expenses are incurred.

6. Financial instruments

The Organization, as part of its operations, carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Organization holds a cash balances of CAD \$95,525 and earns interest income denominated in United States dollars (USD) which the related revenues and cash balances are subject to exchange rate fluctuations.

The amount held in USD has increased versus the previous year and, thus, the foreign currency exposure has as well.

A 10% increase in USD foreign exchange rates would increase Cash holdings by \$9,552, resulting in an increase to excess of revenue over expenses by the same amount.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The Organization was exposed to interest rate risk during the year primarily relating to short-term investments held. Exposure to this risk has declined significantly with the redemption of those investments.

November 22, 2021

The Board of Directors
The Sharon Francis Institute for Regenerative Medicine
Suite 1605
181 University Avenue
Toronto, ON M5H 3M7

Dear Sirs/Mesdames:

We have been engaged to audit the financial statements of The Sharon Francis Institute for Regenerative Medicine (the "Organization") as at December 31, 2020 and for the year then ended.

CAS 260 *Communication With Those Charged With Governance* requires that we communicate with you matters that are significant to our engagement. One such matter is relationships between the Organization and its related entities or persons in financial reporting oversight roles at the Organization and MNP LLP and any affiliates ("MNP") that, in our professional judgment, may reasonably be thought to bear on our independence. In determining which relationships to report, the Standard requires us to consider relevant rules and related interpretations prescribed by the appropriate professional accounting body and applicable legislation, covering such matters as:

- (a) Holding a financial interest, either directly or indirectly, in a client;
- (b) Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client or a related entity;
- (c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client or a related entity;
- (d) Economic dependence on a client; and
- (e) Provision of non-assurance services in addition to the audit engagement.

We are not aware of any relationship between the Organization and MNP that, in our professional judgment, may reasonably be thought to bear on our independence, which have occurred from January 1, 2020 to November 22, 2021.

We hereby confirm that MNP is independent with respect to the Organization within the meaning of the Code of Professional Conduct of the Chartered Professional Accountants of Ontario as of November 22, 2021.

This report is intended solely for the use of the Board of Directors, management and others within the Organization and should not be used for any other purposes.

We are happy to discuss and matters addressed in this letter as well as other matters that may be of interest to you. We will be prepared to answer any questions you may have regarding our independence as well as other matters.

Sincerely,



**Chartered Professional Accountants
Licensed Public Accountants**

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