The Sharon Francis Institute for Regenerative Medicine
Financial Statements
December 31, 2021

Contents

For the year ended December 31, 2021

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, 2021, 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, 2021, 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.

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.

MNP LLP

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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.

MNP LLP

Mississauga, Ontario | Chartered Professional Accountants

September 27, 2022 | Licensed Public Accountants

The Sharon Francis Institute for Regenerative Medicine
Statement of Financial Position
As at December 31, 2021

	2021	*2020*
Assets		
Current		
Cash	**287,503**	430,081
Sales taxes recoverable	**1,313**	-
Prepaid expenses	**648**	648
Note receivable *(Note 3), (Note 4)*	**500,000**	-
	789,464	430,729
Capital assets *(Note 4)*	**-**	500,000
	789,464	930,729
Liabilities		
Current		
Accounts payable and accrued liabilities *(Note 3)*	**40,214**	30,607
Deferred contributions *(Note 5)*	**20,000**	20,000
	60,214	50,607
Net Assets	**729,250**	880,122
	789,464	930,729

Approved on behalf of the Board of Directors

e-Signed by Dr. Robert Francis
2022-09-28 07:52:07:07 MDT

Chairman

e-Signed by Linda Goldsack
2022-09-26 10:30:57:57 MDT

Director

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, 2021

	2021	*2020*
Revenue		
Donations *(Note 3)*	**121,949**	132,543
Interest income	**-**	7,977
	121,949	140,520
Expenses		
Administration	**150,257**	66,357
Salaries and benefits	**86,225**	50,112
Occupancy *(Note 3)*	**11,114**	24,400
Professional fees	**13,594**	15,801
Grants	**10,000**	110,000
Bank charges and interest	**986**	1,847
	272,176	268,517
Deficiency of revenue over expenses before undernoted items	**(150,227)**	(127,997)
Other items		
Unrealized loss	**(645)**	(5,360)
Deficiency of revenue over expenses	**(150,872)**	(133,357)
Net assets beginning of year	**880,122**	1,013,479
Net assets, end of year	**729,250**	880,122

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, 2021

	2021	*2020*
Cash provided by (used for) the following activities		
Operating		
Deficiency of revenue over expenses	**(150,872)**	(133,357)
	(150,872)	(133,357)
Changes in working capital accounts		
Sales taxes recoverable	**(1,313)**	-
Prepaid expenses	**-**	(648)
Accounts payable and accrued liabilities	**9,607**	22,825
Deferred contributions	**-**	20,000
	(142,578)	(91,180)
Investing		
Disposal of short-term investments	**-**	803,061
Purchase of capital assets	**-**	(500,000)
	-	303,061
Increase (decrease) in cash	**(142,578)**	211,881
Cash, beginning of year	**430,081**	218,200
Cash, end of year	**287,503**	430,081

The accompanying notes are an integral part of these financial statements

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)
The impact of the global outbreak of COVID-19 (coronavirus) has had 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.

2. Significant accounting policies *(Continued from previous page)*

Financial instruments

The Organization recognizes financial instruments when the Organization becomes party to the contractual provisions of the financial instrument.

Arm's length financial instruments

Financial instruments originated/acquired or issued/assumed in an arm's length transaction ("arm's length financial instruments") are initially recorded at their fair value.

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

The Organization subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those designated in a qualifying hedging relationship or that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost less impairment. With the exception of financial liabilities indexed to a measure of the Organization's performance or value of its equity and those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost.

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 deficiency of revenue over expenses. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Related party financial instruments

The Organization initially measures the following financial instruments originated/acquired or issued/assumed in a related party transaction ("related party financial instruments") at fair value:

- Investments in equity instruments quoted in an active market
- Debt instruments quoted in an active market
- Debt instruments when the inputs significant to the determination of its fair value are observable (directly or indirectly)
- Derivative contracts.

All other related party financial instruments are measured at cost on initial recognition. When the financial instrument has repayment terms, cost is determined using the undiscounted cash flows, excluding interest, dividend, variable and contingent payments, less any impairment losses previously recognized by the transferor. When the financial instrument does not have repayment terms, but the consideration transferred has repayment terms, cost is determined based on the repayment terms of the consideration transferred. When the financial instrument and the consideration transferred both do not have repayment terms, the cost is equal to the carrying or exchange amount of the consideration transferred or received (refer to Note 3).

At initial recognition, the Organization may elect to subsequently measure related party debt instruments that are quoted in active market, or that have observable inputs significant to the determination of fair value, at fair value.

The Organization has not made such an election during the year, thus all such related party debt instruments are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of related party financial instruments are immediately recognized in deficiency of revenue over expenses.

2. Significant accounting policies *(Continued from previous page)*

Financial asset impairment

The Organization assesses impairment of all its financial assets measured at cost or amortized cost. The Organization groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group. Management considers whether the issuer is having significant financial difficulty; whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Organization determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year.

With the exception of related party debt instruments and related party equity instruments initially measured at cost, the Organization reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets at the statement of financial position date; and the amount expected to be realized by exercising any rights to collateral held against those assets.

For related party debt instruments initially measured at cost, the Organization reduces the carrying amount of the asset (or group of assets), to the highest of: the undiscounted cash flows expected to be generated by holding the asset, or group of similar assets, excluding the interest and dividend payments of the instrument; the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets at the statement of financial position date; and the amount expected to be realized by exercising any rights to collateral held against those assets.

For related party equity instruments initially measured at cost, the Organization reduces the carrying amount of the asset (or group of assets), to the amount that could be realized by selling the asset(s) at the statement of financial position date.

Any impairment, which is not considered temporary, is included in current year deficiency of revenue over expenses.

The Organization reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in deficiency of revenue over expenses in the year the reversal occurs.

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.

3. 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 $Nil (2020 - $510) 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 $11,114 (2020 - $24,400) is recognized as revenue along with the corresponding expenses in the same amount.

Included in accounts payable and accrued liabilities at year end is $20,415 (2020 - $10,807) 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.

Note receivable is due to related corporation is unsecured, non-interest bearing and no terms of repayment.

4. Change in accounting estimate

During the year, the new information became available which resulted in change in treatment of capital assets to note receivable (Note 3). This change was applied prospectively and prior year results have not been restated. For the year ended December 31, 2021, the change resulted in an increase of $500,000 in note receivable and decrease of $500,000 in capital asset.

5. Deferred contributions

In fiscal 2020, The Organization received $20,000 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 $94,880 (2020 - 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 decreased versus the previous year and, thus, the foreign currency exposure has as well.

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.