

**Loeys-Dietz Syndrome Foundation Canada /
Fondation du Syndrome Loeys-Dietz Canada**
Financial Statements
December 31, 2020

**Loeys-Dietz Syndrome Foundation Canada /
Fondation du Syndrome Loeys-Dietz Canada**

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For the year ended December 31, 2020

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Management's Responsibility

To the Board of Directors of Loeys-Dietz Syndrome Foundation Canada / Fondation du Syndrome Loeys-Dietz Canada:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit Committee are responsible for overseeing management in the performance of its financial reporting responsibilities. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee is also responsible for recommending the appointment of the Foundation's external auditors.

MNP SENCRL, srl is appointed by the Board of directors to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

Signed by:

President

Independent Auditor's Report

To the Board of Directors of Loeys-Dietz Syndrome Foundation Canada / Fondation du Syndrome Loeys-Dietz Canada:

Qualified Opinion

We have audited the financial statements of Loeys-Dietz Syndrome Foundation Canada / Fondation du Syndrome Loeys-Dietz Canada (the "Foundation"), which comprise the statement of financial position as at December 31, 2020, and the statements of operations, changes in deficiency of 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, 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 Foundation 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 Qualified Opinion

In common with many not-for-profit organizations, the Foundation derives revenue from donations, the completeness of which is not susceptible to satisfactory review procedures. Accordingly, our review of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to donations, excess of revenue over expenses, cash flows from operations, current assets and deficiency of net assets.

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 Foundation 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 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 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 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.

Montréal, Québec

June 28, 2021

MNP¹ SENCRL, S.F.

¹ CPA auditor, CA, public accountancy permit no. A121346

**Loeys-Dietz Syndrome Foundation Canada /
Fondation du Syndrome Loeys-Dietz Canada**
Statement of Financial Position

As at December 31, 2020

	2020	<i>2019 (Restated - Note 2)</i>
Assets		
Current		
Cash	1,378,479	263,881
Accounts receivable	11,069	205,253
Prepaid expenses	131,993	51,726
Sales taxes receivable	84,760	24,582
	1,606,301	545,442
Liabilities		
Current		
Accounts payable and accrued liabilities	103,955	208,026
Loan payable (Note 5)	212,695	45,777
	316,650	253,803
Loan payable (Note 5)	3,704,974	894,285
	4,021,624	1,148,088
Deficiency of Net Assets		
Unrestricted	(2,415,323)	(602,646)
	1,606,301	545,442

Approved on behalf of the Board of Directors

Director

Director

The accompanying notes are an integral part of these financial statements

**Loeys-Dietz Syndrome Foundation Canada /
Fondation du Syndrome Loeys-Dietz Canada**

Statement of Operations

For the year ended December 31, 2020

	2020	2019 <i>(Restated - Note 2)</i>
<hr/>		
Revenue		
Donations	47,094	37,823
Proceeds from donated life insurance policies	600,000	-
	<hr/>	<hr/>
	647,094	37,823
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Expenses		
Direct costs of insurance donations	2,039,703	569,778
Interest on loan payable	233,822	28,195
Professional fees	146,580	64,396
Software and web hosting fees	20,548	3,287
Office expenses	6,446	23,186
Advertising	5,999	17,061
Membership fees	2,802	100
Insurance	2,028	2,054
Bank charges and interest	1,497	1,901
Foreign exchange loss	302	255
Travel	44	161
	<hr/>	<hr/>
	2,459,771	710,374
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Deficiency of revenue over expenses	(1,812,677)	(672,551)
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The accompanying notes are an integral part of these financial statements

**Loeys-Dietz Syndrome Foundation Canada /
Fondation du Syndrome Loeys-Dietz Canada**
Statement of Changes in Deficiency of Net Assets
For the year ended December 31, 2020

	2020	2019 <i>(Restated - Note 2)</i>
Net assets (Deficiency of Net Assets), beginning of year	(602,646)	69,905
Deficiency of revenue over expenses	(1,812,677)	(672,551)
Deficiency of Net Assets, end of year	(2,415,323)	(602,646)

The accompanying notes are an integral part of these financial statements

**Loeys-Dietz Syndrome Foundation Canada /
Fondation du Syndrome Loeys-Dietz Canada**

Statement of Cash Flows

For the year ended December 31, 2020

	2020	2019 <i>(Restated - Note 2)</i>
Cash provided by (used for) the following activities		
Operating		
Deficiency of revenue over expenses	(1,812,677)	(672,551)
Changes in working capital accounts		
Accounts receivable	194,184	(179,276)
Prepaid expenses	(80,267)	(51,391)
Sales taxes receivable	(60,178)	(22,219)
Accounts payable and accrued liabilities	(104,071)	183,549
	(1,863,009)	(741,888)
Financing		
Advances from a company with a common director	3,074,682	940,062
Repayment of advances from a company with a common director	(97,075)	-
	2,977,607	940,062
Increase in cash resources	1,114,598	198,174
Cash resources, beginning of year	263,881	65,707
Cash resources, end of year	1,378,479	263,881
Supplementary cash flow information		
Non-cash transactions:		
Compounding interest included in loan payable	233,822	28,195
Compounding interest included in interest expense on loan payable	(233,822)	(28,195)

The accompanying notes are an integral part of these financial statements

**Loeys-Dietz Syndrome Foundation Canada /
Fondation du Syndrome Loeys-Dietz Canada**
Notes to the Financial Statements
For the year ended December 31, 2020

1. Incorporation and nature of the organization

Loeys-Dietz Syndrome Foundation Canada / Fondation du Syndrome Loeys-Dietz Canada (the "Foundation") was incorporated under the authority of Canada Corporation Act and is registered charity and thus is exempt from income taxes under the Income Tax Act ("the Act").

The Foundation's purpose is

- (a) To carry out research concerning the cause, treatment and potential cure of Loeys-Dietz Syndrome;
- (b) To support individuals affected by Loeys-Dietz Syndrome, and their families, by promoting, with regard to Loeys-Dietz Syndrome, a sharing of information that is as accessible as possible to the general public;
- (c) To receive and maintain a fund or funds and to apply from time to time all or part of thereof and the income derived therefrom to qualified donees in accordance with the Income Tax Act (Canada).

2. Correction of an error

During the year, it was determined that the Foundation did not record the origination and administrative fees for one of the insurance policies that were donated resulting in an understatement of direct costs of insurance donations and accounts payable.

The impact of this correction has resulted in a increase in accounts payable of \$48,329 and a increase in direct costs of insurance donations of \$48,329.

The following table summarizes the corrections on each of the affected financial statement line items:

	<i>2019 previously reported</i>	<i>Restatement of prior year</i>	<i>2019 restated</i>
Statement of Financial Position as at December 31, 2019:			
Current liabilities			
Accounts payable and accrued liabilities	159,697	48,329	208,026
Net Assets (Deficiency of Net Assets)			
Unrestricted Net Assets (Deficiency of Net Assets)	(554,317)	(48,329)	(602,646)
Statement of Operations at December 31, 2019:			
Direct costs of insurance donations	521,449	48,329	569,778
Deficiency of revenue over expenses	(624,222)	(48,329)	(672,551)

3. 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 and include the following significant accounting policies:

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

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 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 receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

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 periods could be significant. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues over expenses in the periods in which they become known.

Revenue recognition

The Foundation follows the deferral method of accounting for contributions. Contributions may include cash donations, donated life insurance policies, sponsorships, and other donations. Unrestricted contributions are recorded as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Donated life insurance policies are recorded when the insurance proceeds following the death of the insured are deposited in the Foundation account.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Contributed goods and services

Donated goods and services are not recorded.

Volunteers contribute time to assist the Foundation in carrying out some of its activities. Due to the difficulty in determining their fair value, contributed services from volunteers are not recognized in these financial statements.

Foreign currency translation

These financial statements have been presented in Canadian dollars, the principal currency of the Foundation's operations.

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and monetary liabilities reflect the exchange rates at the statement of financial position date. Gains and losses on translation or settlement are included in the determination of excess of revenues over expenses for the current period.

Financial instruments

The Foundation recognizes its financial instruments when the Foundation 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* (Note 6).

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

The financial assets subsequently measured at amortized cost include cash and contributions receivable. The financial liabilities subsequently measured at amortized cost include accounts payable and accrued liabilities.

**Loeys-Dietz Syndrome Foundation Canada /
Fondation du Syndrome Loeys-Dietz Canada**
Notes to the Financial Statements
For the year ended December 31, 2020

3. Significant accounting policies (Continued from previous page)

Financial asset impairment

The Foundation assesses impairment of all of its financial assets measured at cost or amortized cost. The Foundation 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 Foundation determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Foundation 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; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year deficiency of revenues over expenses.

The Foundation 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 the excess of deficiency in the year the reversal occurs.

4. Donation tax receipts

During the year, the Foundation issued tax receipts for non-cash gifts of \$13,890,160 (2019 - \$5,566,856) based on the donated insurance policies' fair market value.

5. Loan payable

During the year, a net loan of \$2,977,607 (2019 – \$734,389) was received from a Partnership whose general partner is related to one of the directors of the Foundation. The loan bears interest at 12%, per annum, compounded annually, and is secured by the donated insurance policies which are pledged as collateral. Accrued compounded interests included in the net loan payable is \$255,806 (2019 - \$29,457). The Partnership has a first-ranking registered security on the policies. The accrued interest and principal value of the loan is due to be repaid to the Partnership at the time the donated insurance policy pays out on the death of the insured individual, which, is the earliest of when payout occurs and five years.

Subsequent to year-end, there was a death of an insured individual, therefore a portion of the loan payable has been reclassified to current portion as at December 31, 2020.

6. Related party transactions

During the year, the Foundation had transactions and balances with related parties. These transactions were conducted in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The balances are subject to normal terms of trade. The related party transactions and balances are summarized as follow:

	2020	2019
Company with a common director		
Accounts payable	-	15,871
Accounts receivable	1,791	-
Office expenses	11,293	8,984
Partnership whose general partner is related to one of the directors of the Foundation		
Accounts payable	83,530	112,942
Direct costs of insurance donations	1,037,864	315,307
Interest expense on loan payable	233,822	28,195

**Loeys-Dietz Syndrome Foundation Canada /
Fondation du Syndrome Loeys-Dietz Canada**
Notes to the Financial Statements
For the year ended December 31, 2020

7. Financial instruments

The Foundation, as part of its operations, carries a number of financial instruments. It is management's opinion that the Foundation 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 Foundation receives donations denominated in USD currency for which the related revenues and contribution receivable are subject to exchange rate fluctuations. As at December 31, 2020, the following items are denominated in USD currency:

	2020	2019
Cash	7,357	7,466

Liquidity risk

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting obligations associated with financial liabilities. The Foundation received loans from a related party for which repayment is required at various maturity dates.

8. Significant event

During the year, there was a global outbreak of COVID-19 (coronavirus), which 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 Foundation 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 ultimate geographic spread of the disease, and 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.

9. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.