Loeys-Dietz Syndrome Foundation Canada /
Fondation du Syndrome Loeys-Dietz Canada
Financial Statements
December 31, 2021

Contents

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 LLP 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

MNP

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, 2021, 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, 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 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 24, 2022

MNP LLP[1]

[1] CPA auditor, public accountancy permit no. A121346

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

Statement of Financial Position

As at December 31, 2021

	2021	*2020*
Assets		
Current		
Cash	**3,571,749**	1,378,479
Accounts receivable	**6,373**	11,069
Sales taxes receivable	**134,793**	84,760
Prepaid expenses	**145,388**	131,993
	3,858,303	1,606,301
Capital assets *(Note 5)*	**12,842**	-
	3,871,145	1,606,301
Liabilities		
Current		
Accounts payable and accrued liabilities	**203,864**	103,955
Loan payable *(Note 6)*	**-**	212,695
	203,864	316,650
Loan payable *(Note 6)*	**8,265,899**	3,704,974
	8,469,763	4,021,624
Deficiency of Net Assets		
Unrestricted	**(4,598,618)**	(2,415,323)
	3,871,145	1,606,301

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, 2021

	2021	*2020*
Revenue		
Donations	**142,490**	47,094
Proceeds from donated life insurance policies	**2,150,875**	600,000
	2,293,365	647,094
Expenses		
Direct costs of insurance donations	**3,345,344**	2,039,703
Interest on loan payable	**629,891**	233,822
Professional fees	**257,616**	146,580
Salaries and benefits	**180,370**	5,849
Software and web hosting fees	**29,750**	20,548
Travel	**10,637**	44
Advertising	**6,473**	5,999
Office expenses	**6,098**	597
Membership fees	**4,484**	2,802
Amortization	**2,266**	-
Insurance	**2,072**	2,028
Bank charges and interest	**1,617**	1,497
Foreign exchange loss	**42**	302
	4,476,660	2,459,771
Deficiency of revenue over expenses	**(2,183,295)**	(1,812,677)

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, 2021

	2021	*2020*
Deficiency of net assets, beginning of year	**(2,415,323)**	(602,646)
Deficiency of revenue over expenses	**(2,183,295)**	(1,812,677)
Deficiency of net assets, end of year	**(4,598,618)**	(2,415,323)

The accompanying notes are an integral part of these financial statements

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	**(2,183,295)**	(1,812,677)
Amortization	**2,266**	-
Interest on loan payable	**629,891**	233,822
Changes in working capital accounts		
Accounts receivable	**4,696**	194,184
Sales taxes receivable	**(50,033)**	(60,178)
Prepaid expenses	**(13,395)**	(80,267)
Accounts payable and accrued liabilities	**99,909**	(104,071)
	(1,509,961)	(1,629,187)
Financing		
Advances of loan payable *(Note 6)*	**3,987,519**	2,840,860
Repayments of loan payable *(Note 6)*	**(269,180)**	(97,075)
	3,718,339	2,743,785
Investing		
Purchase of capital assets	**(15,108)**	-
Increase in cash resources	**2,193,270**	1,114,598
Cash resources, beginning of year	**1,378,479**	263,881
Cash resources, end of year	**3,571,749**	1,378,479

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. 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:

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.

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

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 declining balance method at rates intended to amortize the cost of assets over their estimated useful lives as follow:

	Method	Rate
Computer equipment	***declining balance***	***30%***

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 financial instruments when the Foundation becomes party to the contractual provisions of the financial instrument.

Arm's length financial instruments

Financial instruments originated in an arm’s length transaction (“arm’s length financial instruments”) are initially recorded at their fair value.

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

The Foundation 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 Foundation’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 Foundation 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.

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

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 (refer to Note 5). 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.

At initial recognition, the Foundation 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 Foundation 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. Financial instruments that were initially measured at cost and derivatives that are linked to, and must be settled by, delivery of unquoted equity instruments of another entity, are subsequently measured using the cost method less any reduction for impairment.

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.

Financial asset impairment

The Foundation assesses impairment of all its financial assets measured at cost or amortized cost. 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.

With the exception of related party debt instruments and related party equity instruments initially measured at cost, 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 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 Foundation 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 Foundation 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 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 deficiency of revenue over expenses in the year the reversal occurs.

3. Change in accounting policies

Financial instruments

Financial instruments in a related party transaction, risk disclosures and other amendments

Effective January 1, 2021 (hereafter referred to as the "initial date of application"), the Foundation adopted the Accounting Standards Board's revised recommendations for the measurement and disclosure of financial instruments in a related party transaction, as well as revisions to risk disclosures, in Section 3856 *Financial Instruments.* The revised standard provides additional guidance and requirements for the measurement of financial instruments originated/acquired or issued/assumed in a related party transaction ("related party financial instruments").

Revised Section 3856 clarifies that an entity must provide relevant entity-specific information to enable users to evaluate the nature and extent of each type of risk arising from financial instruments. The amendments remove the requirement to separately disclose the risks arising from derivatives from the risks arising from other financial instruments.

Revised Section 3856 requires the following related party financial instruments to be initially measured 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 and dividend 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.

At initial recognition, the Foundation 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. If the election is not made, these instruments are subsequently measured at amortized cost. Subsequently investments in equity instruments quoted in an active market and derivatives 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, are measured at fair value. All other financial instruments arising in a related party transaction are subsequently measured using the cost method.

Previously, the Foundation initially measured related party financial instruments at either the carrying amount or exchange amount in accordance with Section 3840 *Related Party Transactions.* Subsequent to initial recognition, related party financial instruments were measured in accordance with extant Section 3856.

Transition

For financial instruments exchanged in a related party transaction that existed at the initial date of application the Foundation applied the changes in accounting policies resulting from the adoption of revised Section 3856 retrospectively and assessed if prior periods restatement is applicable. Financial instruments exchanged in a related party transaction that do not exist at the date of initial application and were impaired or modified in the immediately preceding fiscal year have not been restated in accordance with Section 3856. In addition, the following transitional provisions were applied to related party financial instruments that exist at the date of initial application:

- The cost of a financial instrument that has repayment terms is determined using the undiscounted cash flows, excluding interest and dividend payments, of the instrument less any impairment, as at the beginning of the earliest comparative period presented in these financial statements
- The cost of a financial instrument that does not have repayment terms is deemed to be the carrying amount of the instrument in the financial statements of the entity less any impairment, at the beginning of the earliest comparative period presented in these financial statements

3. Change in accounting policies *(Continued from previous page)*

- Fair value of a financial instrument that is an investment in debt or equity instruments that are quoted in active market; a debt instrument where inputs significant to the determination of fair value of the instrument are observable; or, a derivative contract, is determined at the beginning of the earliest comparative period presented in these financial statements.

The application of these changes in accounting policies did not have an impact on the results of operations and financial condition of the Foundation for both the current and prior periods and did not result in prior periods restatement.

4. Donation tax receipt

During the year, the Foundation issued tax receipts for non-cash gifts of $8,219,334 (2020 - $13,890,160) based on the donated insurance policies' fair market value.

5. Capital assets

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Computer equipment	**15,108**	**2,266**	**12,842**	-
	15,108	**2,266**	**12,842**	-
	15,108	**2,266**	**12,842**	-

6. Loan payable

During the year, a net loan of $3,718,339 (2020 – $2,743,785) 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 loan payable is $885,697 (2020 - $255,806). 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.

7. 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:

	2021	2020
Company with a common director		
Accounts receivable	**-**	1,791
Office expenses	**1,137**	11,293
Companies whose shareholder is related to one of the directors of the Foundation		
Accounts payable	**93,581**	83,530
Direct costs of insurance donations	**1,646,742**	1,037,864
Office expenses	**5,356**	-
Partnership whose general partner is related to one of the directors of the Foundation		
Interest expense on loan payable	**629,891**	233,822

8. 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, 2021, the following items are denominated in USD currency:

	2021	*2020*
Cash	**7,253**	7,357

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.

9. 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.

10. Comparative figures

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