

**Diabetes Research Institute Foundation, Canada, Inc.**  
**Financial Statements**  
*December 31, 2019*

Draft - For Management Only

## Management's Responsibility

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To the Members of Diabetes Research Institute Foundation, Canada, Inc.:

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 is composed primarily of Directors who are neither management nor employees of the Foundation. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Foundation's external auditors.

MNP LLP is appointed by the members 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 Board and management to discuss their audit findings.

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Audit Committee Member

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Audit Committee Member

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# Independent Auditors' Report

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To the Members of Diabetes Research Institute Foundation, Canada, Inc.:

## Qualified Opinion

We have audited the financial statements of Diabetes Research Institute Foundation, Canada, Inc. (the "Foundation"), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, 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, except for the possible 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, 2019, 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 charitable organizations, the Foundation derives revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to donations and fundraising revenue, excess (deficiency) of revenue over expenses and cash flows from operations for the years ended December 31, 2019 and 2018, current assets as at December 31, 2019 and 2018, and net assets as at January 1 and December 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended December 31, 2018 was also modified accordingly because of the possible effects of this limitation in scope.

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.

Edmonton, Alberta

Chartered Professional Accountants

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**Diabetes Research Institute Foundation, Canada, Inc.**  
**Statement of Financial Position**

*As at December 31, 2019*

	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
<b>Current</b>		
Cash (Note 3)	275,573	92,608
Source deductions receivable	1,007	1,007
Prepaid expenses and deposits	-	274
Inventory	-	3,845
	<b>276,580</b>	<b>97,734</b>
<b>Capital assets (Note 4)</b>	<b>568</b>	<b>989</b>
	<b>277,148</b>	<b>98,723</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accruals (Note 5)	15,162	9,748
Deferred contributions	157,500	-
<b>Subsequent events (Note 9)</b>		
<b>Net Assets</b>		
Unrestricted	103,918	87,986
Invested in capital assets	568	989
	<b>104,486</b>	<b>88,975</b>
	<b>277,148</b>	<b>98,723</b>

Approved on behalf of the Board of Directors

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 Director

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 Director

*The accompanying notes are an integral part of these financial statements*

# Diabetes Research Institute Foundation, Canada, Inc.

## Statement of Operations

For the year ended December 31, 2019

	2019	2018
<b>Revenue</b>		
Major gifts (Note 6)	300,000	180,000
Donations and fundraising	127,548	115,098
Gifts-in-kind	1,180	715
Gaming proceeds	-	45,000
Interest	-	5
	<b>428,728</b>	<b>340,818</b>
<b>Expenses</b>		
Research funding	300,000	250,000
Salaries, wages and benefits	72,818	74,643
Accounting fees	14,419	8,711
Advertising and marketing	8,888	2,674
Office expenses	7,630	1,471
Insurance	4,406	2,050
Board development and meetings	3,301	1,059
Gifts-in-kind	1,180	715
Amortization	421	283
Bank and interest charges	154	865
Donations	-	1,800
	<b>413,217</b>	<b>344,271</b>
<b>Excess (deficiency) of revenue over expenses</b>	<b>15,511</b>	<b>(3,453)</b>

The accompanying notes are an integral part of these financial statements

**Diabetes Research Institute Foundation, Canada, Inc.**  
**Statement of Changes in Net Assets**  
*For the year ended December 31, 2019*

	<i>Unrestricted</i>	<i>Invested in capital assets</i>	<b>2019</b>	<i>2018</i>
<b>Net assets, beginning of year</b>	<b>87,986</b>	<b>989</b>	<b>88,975</b>	92,428
<b>Excess (deficiency) of revenue over expenses</b>	<b>15,932</b>	<b>(421)</b>	<b>15,511</b>	(3,453)
<b>Net assets, end of year</b>	<b>103,918</b>	<b>568</b>	<b>104,486</b>	88,975

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# Diabetes Research Institute Foundation, Canada, Inc.

## Statement of Cash Flows

For the year ended December 31, 2019

	2019	2018
<b>Cash provided by (used for) the following activities</b>		
<b>Operating</b>		
Cash received from contributions	585,048	340,813
Cash paid for program service expenses	(326,721)	(268,693)
Cash paid for salaries and benefits	(75,362)	(76,530)
Interest income	-	5
	<b>182,965</b>	<b>(4,405)</b>
<b>Investing</b>		
Purchase of capital assets	-	(1,155)
<b>Decrease in cash resources</b>	<b>182,965</b>	<b>(5,560)</b>
<b>Cash resources, beginning of year</b>	<b>92,608</b>	<b>98,168</b>
<b>Cash resources, end of year</b>	<b>275,573</b>	<b>92,608</b>

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The accompanying notes are an integral part of these financial statements

**Diabetes Research Institute Foundation, Canada, Inc.**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2019*

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**1. Incorporation and nature of the organization**

Diabetes Research Institute Foundation, Canada, Inc. (the "Charity") provides funds to qualified recipients for research into the cause, diagnosis, management, control and cure of diabetes.

**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 using the following significant accounting policies:

***Fund accounting***

The Foundation maintains two funds in accordance with the principles of fund accounting: Unrestricted fund and Invested in capital assets fund.

The Unrestricted fund is used to account for all revenue and expenses related to general and ancillary operations of the Foundation.

The Invested in capital assets fund is used to account for all capital assets of the Foundation and to present the flow of funds related to their acquisition and disposal and unspent capital resources.

***Revenue recognition***

The Foundation 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. Endowment contributions are recognized as direct increases in net assets.

***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 Charity's operations and would otherwise have been purchased. During the year, gifts-in-kind of \$nil (2018 - \$715) were recorded and recognized as revenue with an offsetting expense. No contributed services were recognized in the year.

***Cash resources***

Cash resources include balances with banks. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash (see Note 3).

***Capital assets***

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

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

In the year of acquisition, amortization is taken at one half of the below rates.

	<b>Method</b>	<b>Rate</b>
Computer equipment	declining balance	45 %
Furniture and fixtures	declining balance	20 %

***Income Taxes***

The Foundation is registered as a not-for profit organization under the Income Tax Act (the "Act") and as such is exempt from income taxes. In order to maintain its status as a registered not-for-profit organization under the Act, the Foundation must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

**Diabetes Research Institute Foundation, Canada, Inc.**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2019*

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

**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.

Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess (deficiency) of revenues and expenses in the periods in which they become known.

**Financial instruments**

All financial instruments are initially recorded at their fair value, excluding certain financial assets and liabilities originated and issued in a related party transaction measured at their carrying or exchange amount in accordance with Section 3840 *Related Party Transactions*. 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 Foundation subsequently measures investments in equity instruments quoted in an active market at fair value. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to financial instruments subsequently measured at fair value are immediately recognized in excess (deficiency) of revenue over expenses for the current period. Transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

The Foundation assesses impairment of all of its financial assets measured at cost or amortized cost when there is an indication of impairment. Any impairment which is not considered temporary is included in current year excess (deficiency) of revenue over expenses.

**3. Cash resources**

	<b>2019</b>	<b>2018</b>
Unrestricted cash	<b>266,426</b>	90,961
Restricted cash	<b>9,147</b>	1,647
	<b>275,573</b>	92,608

**4. Capital assets**

	<b>Cost</b>	<b>Accumulated amortization</b>	<b>2019 Net book value</b>	<b>2018 Net book value</b>
Computer equipment	<b>1,156</b>	<b>663</b>	<b>493</b>	896
Furniture and fixtures	<b>1,620</b>	<b>1,545</b>	<b>75</b>	93
	<b>2,776</b>	<b>2,208</b>	<b>568</b>	989

**5. Accounts payable and accruals**

Included in accounts payable and accruals are government remittances payable of \$1,031 (2018 - \$1,750).

**Diabetes Research Institute Foundation, Canada, Inc.**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2019*

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**6. Deferred contributions**

Deferred contributions consist of major gifts of \$150,000 (2018 - \$nil) and gaming proceeds of \$7,000 (2018 - \$nil) externally restricted for research funding.

**7. Pledged amounts**

On September 6, 2018 a major donor of the Organization pledged \$500,000 towards the Polyclonal Regulatory T Cell (PolyTreg) Immunotherapy in Islet Transplantation research. As at December 31, 2019, \$275,000 of this pledge has been received, with \$nil (2018 - \$125,000) being recognized as revenue for the year and \$150,000 (2018 - \$nil) deferred to a future period at December 31. The remaining balance of the pledge will be recognized when the funds are received.

**8. Financial instruments**

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

**9. Subsequent event**

Subsequent to year-end, 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, the full extent of the impact that the COVID-19 outbreak may have on the Foundation is unknown, 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. While the extent of the impact is unknown, it is expected that this outbreak will cause reduced donation and fundraising revenues, which could negatively impact the Foundation's operations and financial condition.

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