

DIABETES RESEARCH INSTITUTE FOUNDATION, CANADA, INC.

Financial Statements

Year Ended December 31, 2021

DIABETES RESEARCH INSTITUTE FOUNDATION, CANADA, INC.
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Year Ended December 31, 2021

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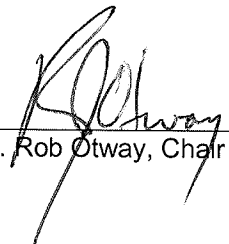
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Diabetes Research Institute Foundation, Canada, Inc. have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The integrity and reliability of Diabetes Research Institute Foundation, Canada, Inc.'s reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board and meets periodically with management and the members' auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Audit Committee reports to the Board of Directors prior to its approval of the financial statements. The Committee also considers, for review by the Board and approval by the members, the engagement or re-appointment of the external auditors.

The financial statements have been audited on behalf of the members by Faber LLP, in accordance with Canadian generally accepted auditing standards.



Mr. Rob Otway, Chair

April 25, 2022



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Accountants

INDEPENDENT AUDITOR'S REPORT

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, 2021, 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, 2021, and the results of its operations and 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, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification 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 contributions, excess of revenues over expenses, current assets and 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 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 audit opinion.

Other Matter

The financial statements for the year ended December 31, 2020 were audited by another auditor who expressed a qualified opinion on those financial statements on June 14, 2021 for the reasons described in the *Basis for Qualified Opinion* section.

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 ASNPO, 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.

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Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

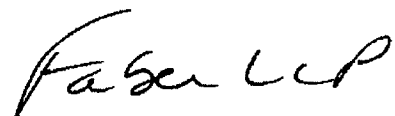
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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
April 25, 2022



CHARTERED PROFESSIONAL ACCOUNTANTS

DIABETES RESEARCH INSTITUTE FOUNDATION, CANADA, INC.

Statement of Financial Position

December 31, 2021

	2021	2020
ASSETS		
CURRENT		
Cash	\$ 333,597	\$ 258,318
Accounts receivable	-	47,165
Goods and services tax recoverable	957	-
Prepaid expenses	1,268	-
	335,822	305,483
PROPERTY AND EQUIPMENT (Note 3)	978	331
	\$ 336,800	\$ 305,814
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 12,656	\$ 16,410
Employee deductions payable	1,916	1,071
	14,572	17,481
NET ASSETS		
INVESTED IN CAPITAL ASSETS	978	331
UNRESTRICTED	321,250	288,002
	322,228	288,333
	\$ 336,800	\$ 305,814

ON BEHALF OF THE BOARD

_____ Director

_____ Director

The accompanying notes are an integral part of these financial statements

DIABETES RESEARCH INSTITUTE FOUNDATION, CANADA, INC.

Statement of Operations
Year Ended December 31, 2021

	2021	2020
REVENUES		
Major gifts	\$ 842,148	\$ 439,296
Donations and fundraising	649,014	678,385
Gaming proceeds	-	20,606
	1,491,162	1,138,287
EXPENSES		
Research funding	1,338,688	843,975
Salaries and wages	75,876	75,045
Advertising and promotion	16,834	12,171
Professional fees	11,058	15,580
Office and general	8,114	4,840
Insurance	4,413	4,410
Business taxes, licenses and memberships	1,468	7,714
Amortization	430	237
Sponsorship	200	-
Interest and bank charges	190	170
Gifts-in-kind	-	650
Board development and meetings	-	989
	1,457,271	965,781
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	33,891	172,506
OTHER INCOME		
Government subsidies and assistance	-	11,343
Interest Income	4	-
	4	11,343
EXCESS OF REVENUES OVER EXPENSES	\$ 33,895	\$ 183,849

The accompanying notes are an integral part of these financial statements

DIABETES RESEARCH INSTITUTE FOUNDATION, CANADA, INC.

Statement of Changes in Net Assets

Year Ended December 31, 2021

	Invested in Capital Assets	Unrestricted	2021	2020
NET ASSETS - BEGINNING OF YEAR	\$ 331	\$ 288,002	\$ 288,333	\$ 104,484
Excess (deficiency) of revenues over expenses	(430)	34,325	33,895	183,849
Investment in capital assets	1,077	(1,077)	-	-
NET ASSETS - END OF YEAR	\$ 978	\$ 321,250	\$ 322,228	\$ 288,333

The accompanying notes are an integral part of these financial statements

DIABETES RESEARCH INSTITUTE FOUNDATION, CANADA, INC.

Statement of Cash Flows
Year Ended December 31, 2021

	2021	2020
OPERATING ACTIVITIES		
Cash receipts from contributions	\$ 1,538,327	\$ 932,972
Cash paid to suppliers and employees	(1,460,828)	(950,057)
Goods and services tax	(957)	-
Interest received	4	-
Interest paid	(190)	(170)
Cash flow from (used by) operating activities	76,356	(17,255)
INVESTING ACTIVITY		
Purchase of property and equipment	(1,077)	-
INCREASE (DECREASE) IN CASH FLOW	75,279	(17,255)
Cash - beginning of year	258,318	275,573
CASH - END OF YEAR	\$ 333,597	\$ 258,318

The accompanying notes are an integral part of these financial statements

1. NATURE AND PURPOSE OF THE FOUNDATION

Diabetes Research Institute Foundation, Canada, Inc. (the "Foundation") is a not-for-profit organization of Alberta. As a registered charity the Foundation is exempt from the payment of income tax under Subsection 149(1) of the Income Tax Act.

The Foundation operates to provide funds to qualified recipients for research into the cause, diagnosis, management, control and cure of diabetes in Canada.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) and, in management's opinion, with consideration of materiality and within the framework of the following accounting policies:

Cash

Cash includes cash on deposit at Canadian financial institutions. Cash Subject to restrictions that prevent its use for current purposes is included in restricted cash.

Property and equipment

Property and equipment is stated at cost or deemed cost less accumulated amortization and is amortized over its estimated useful life at the following rates and methods:

Computer equipment	45-55% declining balance method
Furniture and fixtures	20% declining balance method

The Foundation regularly reviews its property and equipment to eliminate obsolete items.

Property and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

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, those requirements have been met.

Revenue recognition

Diabetes Research Institute Foundation, Canada, Inc. 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 services and materials

The operations of the Foundation depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)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 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 of revenue over expenses.

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

3. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Computer equipment	\$ 2,233	\$ 1,303	\$ 930	\$ 271
Furniture and fixtures	1,620	1,572	48	60
	\$ 3,853	\$ 2,875	\$ 978	\$ 331

4. HEADING to 2022

HEADING to 2022 is a grassroots initiative of the Foundation. The Foundation's goal is to attract one million people to donate \$22 each to help fund the cure for diabetes. The total amount raised in 2021 was \$557,960 (2020 - \$608,263).

5. PLEDGED AMOUNTS

On September 6, 2018, a major donor of the Foundation pledged \$500,000 towards the Polyclonal Regulatory T Cell (PolyTreg) Immunotherapy in Islet Transplantation research. As at December 31, 2021, \$275,000 of this pledge has been received (\$150,000 in 2020 and \$125,000 in 2019).

6. FINANCIAL INSTRUMENTS

The Foundation utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the Foundation is not exposed to significant interest rate, market, currency, liquidity, or credit risks arising from these financial instruments, and the carrying amounts approximate fair value.

7. COVID-19

In March 2020, the World Health Organization (WHO) declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to spread in Canada and around the world.

The Foundation is closely monitoring the situation and in overall effects of this event on the Foundation. The operations will continue with slight modifications to accommodate physical distancing and other COVID-19 infection prevention protocols. However, management believes this event does not significantly affect the Foundation's ongoing operations.

8. COMPARATIVE FIGURES

The prior year comparative figures were audited by another firm of public accountants.

Some of the comparative figures have been reclassified to conform to the current year's presentation.

9. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by the Board of Directors.