Diabetes Research Institute Foundation, Canada, Inc.

Financial Statements

Year Ended December 31, 2023

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, 2023, and the statements of revenues and expenses, 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, 2023, 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 (ASNPO).

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Foundation derives revenue from donations and major gifts, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues 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 donation or major gift revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2023, current assets and net assets as at December 31, 2023. Our audit opinion on the financial statements for the year ended December 31, 2022 was modified accordingly because of the possible effects of this limitation of 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 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.

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.

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

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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.

Mowbrey Gil LLP

Edmonton, Alberta
February 22, 2024

CHARTERED PROFESSIONAL ACCOUNTANTS

Diabetes Research Institute Foundation, Canada, Inc.
Statement of Financial Position
December 31, 2023

	2023	2022
Assets		
Current		
Cash	**$ 420,794**	$ 361,949
Goods and services tax recoverable	**1,384**	892
Prepaid expenses	**8,661**	2,138
	$ 430,839	$ 364,979
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	**$ 11,713**	$ 14,472
Net assets	**419,126**	350,507
	$ 430,839	$ 364,979

ON BEHALF OF THE BOARD

__________________________________ *Director*

__________________________________ *Director*

Diabetes Research Institute Foundation, Canada, Inc.
Statement of Revenues and Expenses
Year Ended December 31, 2023

	2023	2022
Revenues		
Major gifts	**$ 1,535,278**	$ 649,268
Donations	**738,486**	792,130
	2,273,764	1,441,398
Expenses		
Research funding	**2,040,000**	1,250,000
Salaries and wages	**114,780**	115,985
Office and general	**29,995**	8,631
Advertising and promotion	**18,768**	19,058
Professional fees	**11,026**	11,598
Insurance	**6,886**	6,701
Interest and bank charges	**83**	168
Amortization	**1,715**	978
	2,223,253	1,413,119
Excess of revenues over expenses from operations	**50,511**	28,279
Foreign exchange gain	**18,108**	-
Excess of revenues over expenses for the year	**$ 68,619**	$ 28,279

Diabetes Research Institute Foundation, Canada, Inc.
Statement of Changes in Net Assets
Year Ended December 31, 2023

		2023		2022
Net assets - beginning of year	**$**	**350,507**	$	322,228
Excess of revenues over expenses		**68,619**		28,279
Net assets - end of year	**$**	**419,126**	$	350,507

		2023		2022
Operating activities				
Excess of revenues over expenses for the year	**$**	**68,619**	$	28,279
Item not affecting cash:				
Amortization		**1,715**		978
		70,334		29,257
Changes in non-cash working capital:				
Goods and services tax recoverable		**(492)**		65
Prepaid expenses		**(6,523)**		(870)
Accounts payable and accrued liabilities		**(2,759)**		(100)
		(9,774)		(905)
		60,560		28,352
Investing activity				
Purchase of equipment		**(1,715)**		-
Increase in cash flow		**58,845**		28,352
Cash - beginning of year		**361,949**		333,597
Cash - end of year	**$**	**420,794**	$	361,949

1. Purpose of the Foundation

Diabetes Reasearch Institute Foundation, Canada, Inc. (the Foundation) is a not-for-profit organization incorporated under the Societies Act of Alberta. The Foundation was formed to fund the Edmonton Protocol and diabetes research done by the University of Alberta and Dr. Shapiro. The Foundation is a registered charity and qualifies as a not-for-profit organization within the context of the Income Tax Act, Canada; the Foundation is therefore exempt from paying income taxes.

2. Summary of significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The precise determination of many assets and liabilities is dependent on future events. As a result, the preparation of financial statements for a period involves the use of estimates and approximations which have been made using careful judgment. Actual results could differ from those estimates and approximations. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized as follows:

Cash

Cash consists of demand deposits held with a financial institution.

Equipment

Equipment is stated at cost less accumulated amortization and is amortized over its estimated useful life at the following rates and methods:

Computer equipment	100%	declining balance method

The Foundation regularly reviews its equipment to eliminate obsolete items.

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.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

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.

3. Financial instruments

Financial instruments are defined as contractual rights to receive or deliver cash or another financial asset. The Foundation's financial instruments consist of recorded amounts of cash and accounts payable and accrued liabilities.

The Foundation is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Foundation's risk exposure and concentration as of December 31, 2023.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Foundation is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, in order to repay its accounts payable and accrued liabilities.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The Foundation is mainly exposed to currency rate risk.

Currency risk

Currency risk is the risk to the Foundation's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Foundation is exposed to foreign currency exchange risk on cash held in U.S. dollars. The Foundation does not use derivative instruments to reduce its exposure to foreign currency risk.