

Diabetes Research Institute Foundation, Canada, Inc.

2024 COMMUNICATION TO THE BOARD OF TRUSTEES
March 2025

Primary Contacts

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Chartered Professional Accountants
& Business Advisors

March 26, 2025

Diabetes Research Institute Foundation, Canada, Inc.
PO Box 833
Edmonton, AB, T5J 2L4

Attention:
Board of Trustees

Dear Sirs / Mesdames:

We have substantially completed our audit of the financial statements of Diabetes Research Foundation Institute, Canada, Inc. ("the Foundation") prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) for the year ended December 31, 2024. On behalf of **MOWBREY GIL LLP CHARTERED PROFESSIONAL ACCOUNTANTS & BUSINESS ADVISORS ("MOWBREY GIL")**, we are pleased to put forward this report to discuss the results of our audit of the financial statements of the Foundation.

We have prepared the accompanying report to assist you in your review of the financial statements. It includes an update on the status of our work, as well as a discussion on the significant audit, accounting and financial reporting matters dealt with during the audit process.

If questions arise on any matter noted, please do not hesitate to contact us.

We appreciate having the opportunity to meet with you and to respond to any questions you may have about our audit, and to discuss any other matters that may be of interest to you.

Yours truly,

MOWBREY GIL



Chris Jurkschat CPA, CA
Partner
MOWBREY GIL LLP
CHARTERED PROFESSIONAL ACCOUNTANTS & BUSINESS ADVISORS



Kendra Hunter CPA
Manager
MOWBREY GIL LLP
CHARTERED PROFESSIONAL ACCOUNTANTS & BUSINESS ADVISORS

| Status and Adjustment Summary

Status of the audit

We have substantially completed our audit of the 2024 financial statements.

Significant outstanding items at this time:

- Approval of the financial statements by the Board of Trustees;
- Receipt of the signed management representation letter and financial statements; and,
- Confirmation of any subsequent events up to the date of our audit report.

Summary of adjusted and unadjusted items

During the course of the audit there were adjusting journal entries based on current financial reporting policies in place, discussions held with management, and audit work performed.

Adjusted items consist of:

- To adjust foreign exchange currency to the year end exchange rate.
- To adjust uncategorized donations to appropriate donation account.
- To adjust inventory asset account to expense account.
- To record income earned from investments for 2024.
- To accrue 2024 bonus paid to Melanie Hibbard at year end.

During the course of the audit there was one unadjusted item noted. There was one unadjusted item noted in the prior year that would have a roll forward impact on the current year.

Unadjusted items consist of:

Overstatement (Understatement)	Assets	Liabilities	Net income	Equity
To accrue payroll for December 21-31, 2024 that is paid subsequent to year end.	---	(\$3,264)	\$3,264	\$3,264
Effect of uncorrected misstatements from prior periods			(\$2,346)	(\$2,346)
Totals	---	(\$3,264)	\$918	\$918

As a result of our audit, we did not identify any disclosure deficiencies.

In our opinion, the financial statements, taken as a whole, are free from material misstatement.



Audit Summary and Findings

Final Materiality

The final overall materiality was \$50,000 (no change from our planning materiality). Final overall materiality was determined using total expenses as the basis for calculation. This basis was chosen using professional judgment and while considering the needs of the users of the financial statements.

The overall materiality is used to assess the significance of misstatements, or omissions identified during the audit. Additionally, the overall materiality is used to determine the level of audit testing performed and to assist us in determining our sample size for testing.

In addition to the overall materiality, a materiality for specific circumstances may be chosen. This lower materiality for specific circumstances would address specific user expectations (if any) with regards to financial statement areas.

Difficulties Encountered

We have satisfactorily completed our audit procedures for each of the significant balances and transaction streams. No significant limitations were placed on the scope or timing of our audit.

We would like to formally acknowledge the cooperation and assistance we received from management and staff.

There were no disagreements between management and us with respect to the accounting policies or presentation and disclosure in the financial statements.

There were no contentious financial statement disclosure issues.

Management Representations

We have requested written representations from management in order to confirm oral representations given to us and reduce the possibility of misunderstanding. Specifically, we have requested written confirmation of significant representations provided on matters that are:

- Directly related to items that are material, either individually or in aggregate, to the financial statements;
- Not directly related to items that are material to the financial statements, but are significant either individually or in aggregate, to the engagement; and,
- Matters relevant to management judgments or estimates that are material, either individually or in the aggregate, to the financial statements.

Modifications to the Independent Auditor's Report

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, our 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 donations and major gifts revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2024, current assets and net assets as at December 31, 2024.

Independence

We confirm to the Board of Trustees that we are independent of the Foundation.

Accounting Recommendations

During the course of the audit, we encountered no significant internal control weaknesses.

Related Party Transactions

Related parties exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control, or common significant influence. Related party transaction would not include management compensation arrangements.

Related parties to the Foundation have been identified as including the Trustees of the Foundation.

Illegal Acts and Fraud

An audit conducted in accordance with Canadian generally accepted auditing standards does not provide assurance about the Foundation's compliance with the laws and regulations that may affect it. These standards include, however, a requirement that the nature, extent, and timing of the auditor's procedures should be designed so that, in the auditor's professional judgment, the risk of not detecting a material misstatement in the financial statements is reduced to an appropriately low level.

Due to the nature of illegal acts, an auditor conducting an audit in accordance with Canadian generally accepted auditing standards may not detect an illegal act, or recognize an act as being illegal, even if the effect of its consequences on the financial statements is material.

Our testing of the Foundation's financial records did not reveal any illegal, improper, or questionable payments or acts, nor any acts committed with the intent to deceive, involving either misappropriation of assets or misrepresentation of financial information.

Subsequent Events, Contingencies, Commitments and Guarantees

There are no subsequent events, contingencies, commitments or guarantees which would impact the financial statements have come to our attention.

We would like to reconfirm that the Board of Trustees is not aware of any such events that might affect the financial statements.

Diabetes Research Institute Foundation, Canada, Inc.

PO Box 833 Stn Main

Edmonton, AB

T5J 2L4

Attention: The Board of Trustees

Dear Sirs / Mesdames:

The objective of our audit was to obtain reasonable assurance that the financial statements were free of material misstatement; our audit was not designed for the purpose of identifying matters to communicate. Accordingly, our audit would not usually identify all such matters that may be of interest to you and it is inappropriate to conclude that no such matters exist.

During the course of our audit of Diabetes Research Institute Foundation, Canada, Inc. for the year ended December 31, 2024, we did not identify any of the following matters: misstatements, other than trivial errors; fraud; misstatements that may cause future financial statements to be materially misstated; illegal or possibly illegal acts, other than ones considered inconsequential; or significant weaknesses in internal control.

This communication is prepared solely for the information of management and is not intended for any other purpose. We accept no responsibility to a third party who uses this communication.

Yours truly:

MOWBREY GIL

Chris Jurkschat, CPA, CA

Partner

MOWBREY GIL LLP

CHARTERED PROFESSIONAL ACCOUNTANTS & BUSINESS ADVISORS

CAJ/tjk

Diabetes Research Institute Foundation, Canada, Inc.

Financial Statements

Year Ended December 31, 2024

Draft for discussion purposes only

Preparer TJK 2/19/25	Reviewer KWH 3/10/25	Partner CAJ 3/19/25	-
-	Scan / Printed	Delivered	Published

Diabetes Research Institute Foundation, Canada, Inc.
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Year Ended December 31, 2024

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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, 2024, 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, 2024, 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, 2024, current assets and net assets as at December 31, 2024. Our audit opinion on the financial statements for the year ended December 31, 2023 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.

(continues)

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.

Diabetes Research Institute Foundation, Canada, Inc.
Statement of Financial Position
December 31, 2024

	2024	2023
Assets		
Current		
Cash	\$ 539,359	\$ 420,794
Short term investments	81,673	-
Goods and services tax recoverable	440	1,384
Prepaid expenses	-	8,661
	<u>\$ 621,472</u>	<u>\$ 430,839</u>
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	\$ 17,885	\$ 11,713
Net assets	<u>603,587</u>	<u>419,126</u>
	<u>\$ 621,472</u>	<u>\$ 430,839</u>

ON BEHALF OF THE BOARD

_____ Director

_____ Director

Printed: March 26, 2025 10:29 AM

Prep _____ Added _____ Approved _____

Diabetes Research Institute Foundation, Canada, Inc.
Statement of Revenues and Expenses
Year Ended December 31, 2024

	2024	2023
Revenues		
Major gifts	\$ 2,122,042	\$ 1,535,036
Donations	440,319	756,594
Interest income	11,997	242
	<u>2,574,358</u>	<u>2,291,872</u>
Expenses		
Research funding	2,187,500	2,040,000
Salaries and wages	125,823	114,780
Office and general	30,269	29,995
Advertising and promotion	26,817	18,768
Professional fees	12,246	11,026
Insurance	7,184	6,886
Interest and bank charges	58	83
Amortization	-	1,715
	<u>2,389,897</u>	<u>2,223,253</u>
Excess of revenues over expenses for the year	\$ 184,461	\$ 68,619

Diabetes Research Institute Foundation, Canada, Inc.
Statement of Changes in Net Assets
Year Ended December 31, 2024

	2024	2023
Net assets - beginning of year	\$ 419,126	\$ 350,507
Excess of revenues over expenses	184,461	68,619
Net assets - end of year	\$ 603,587	\$ 419,126

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Diabetes Research Institute Foundation, Canada, Inc.

Statement of Cash Flows

Year Ended December 31, 2024

	2024	2023
Operating activities		
Excess of revenues over expenses for the year	\$ 184,461	\$ 68,619
Item not affecting cash:		
Amortization	-	1,715
	<u>184,461</u>	<u>70,334</u>
Changes in non-cash working capital:		
Goods and services tax recoverable	944	(492)
Prepaid expenses	8,661	(6,523)
Accounts payable and accrued liabilities	6,172	(2,759)
	<u>15,777</u>	<u>(9,774)</u>
	<u>200,238</u>	<u>60,560</u>
Investing activities		
Purchase of equipment	-	(1,715)
Short term investments	(81,673)	-
	<u>(81,673)</u>	<u>(1,715)</u>
Increase in cash flow	118,565	58,845
Cash - beginning of year	<u>420,794</u>	<u>361,949</u>
Cash - end of year	\$ 539,359	\$ 420,794

1. Purpose of the Foundation

Diabetes Research 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.

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. Short term investments

Short term investments consist of a Canadian Money Market Fund with a high interest savings account earning interest at 2.80% per annum.

4. 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, short term investments, 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, 2024.

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 and interest 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.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The Foundation is exposed to interest rate risk on its short term investments.

5. Comparative figures

Some of the comparative figures have been reclassified to conform to the current year's presentation. The reclassification of certain balances has no impact on net assets.