

**Juvenile Diabetes Research  
Foundation Canada**

Consolidated Financial Statements  
**December 31, 2012, December 31, 2011 and  
January 1, 2011**



May 13, 2013

## **Independent Auditor's Report**

### **To the Directors of Juvenile Diabetes Research Foundation Canada**

We have audited the accompanying consolidated financial statements of Juvenile Diabetes Research Foundation Canada, which comprise the consolidated balance sheets as at December 31, 2012, December 31, 2011 and January 1, 2011 and the consolidated statements of public support, other revenues and expenses, net assets and cash flows for the years ended December 31, 2012 and December 31, 2011, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our qualified audit opinion.

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\*PwC\* refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



**Basis for qualified opinion**

In common with many not-for-profit organizations, Juvenile Diabetes Research Foundation Canada derives revenues from the general public in the form of campaigns and direct response revenues, 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 Juvenile Diabetes Research Foundation Canada. Therefore, we were not able to determine whether any adjustments might be necessary to campaigns and direct response revenues, (deficit) surplus and cash flows from operations for the years ended December 31, 2012 and December 31, 2011, current assets and net assets as at December 31, 2012, December 31, 2011 and January 1, 2011.

**Qualified opinion**

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Juvenile Diabetes Research Foundation Canada as at December 31, 2012, December 31, 2011 and January 1, 2011 and the results of its operations and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

*PricewaterhouseCoopers LLP*

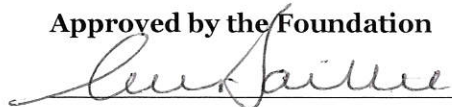
**Chartered Accountants, Licensed Public Accountants**

# Juvenile Diabetes Research Foundation Canada

## Consolidated Balance Sheets

	December 31, 2012 \$	December 31, 2011 \$ (note 2)	January 1, 2011 \$ (note 2)
<b>Assets</b>			
<b>Current assets</b>			
Cash	6,026,524	11,496,280	6,047,285
Short-term investments (note 4)	1,674,094	1,486,235	1,062,093
Accounts receivable	1,229,853	954,283	623,178
Grant receivable	2,211,504	418,415	691,177
Prepaid expenses and other assets	96,421	94,704	80,386
	11,238,396	14,449,917	8,504,119
<b>Capital assets</b> (note 5)	250,405	288,030	344,633
<b>Intangible assets</b> (note 6)	43,377	61,967	88,523
	11,532,178	14,799,914	8,937,275
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable, accrued liabilities and deferred support (note 7)	756,831	996,170	994,190
Deferred leasehold	284,527	210,026	232,732
	1,041,358	1,206,196	1,226,922
<b>Net Assets</b>			
<b>Unrestricted</b>	10,405,320	13,508,218	7,624,853
<b>Restricted for endowment purposes</b>	85,500	85,500	85,500
	10,490,820	13,593,718	7,710,353
	11,532,178	14,799,914	8,937,275
<b>Contingencies and commitments</b> (notes 8, 9 and 10)			

Approved by the Foundation



Director



Director

The accompanying notes are an integral part of these consolidated financial statements.

## Juvenile Diabetes Research Foundation Canada

Consolidated Statements of Public Support, Other Revenues and Expenses

For the years ended December 31, 2012 and December 31, 2011

	2012 \$	2011 \$ (note 2)
<b>Revenues</b>		
Campaigns	23,823,149	24,918,138
Direct response	115,641	104,003
CCTN grant revenue	6,355,477	15,806,203
	<u>30,294,267</u>	<u>40,828,344</u>
<b>Other income</b>		
Investment income	111,227	171,162
	<u>30,405,494</u>	<u>40,999,506</u>
<b>Direct expenses</b>	<u>4,724,954</u>	<u>5,042,349</u>
	<u>25,680,540</u>	<u>35,957,157</u>
<b>Other expenses</b> (note 13)		
Program services		
Research support	8,699,228	8,855,358
CCTN research	11,353,991	11,919,030
Public education and advocacy	4,345,216	4,169,239
	<u>24,398,435</u>	<u>24,943,627</u>
Supporting services		
Management and general	1,663,235	1,873,898
CCTN general	323,294	920,868
Fundraising	2,398,474	2,335,399
	<u>4,385,003</u>	<u>5,130,165</u>
	<u>28,783,438</u>	<u>30,073,792</u>
<b>(Deficit) surplus for the year</b>	<u>(3,102,898)</u>	<u>5,883,365</u>

The accompanying notes are an integral part of these consolidated financial statements.

# Juvenile Diabetes Research Foundation Canada

## Consolidated Statements of Net Assets

For the years ended December 31, 2012 and December 31, 2011

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	<b>2012</b>		
	<b>Unrestricted \$</b>	<b>Restricted for endowment purposes \$</b>	<b>Total \$</b>
<b>Net assets - Beginning of year</b>	13,508,218	85,500	13,593,718
Deficit for the year	(3,102,898)	-	(3,102,898)
<b>Net assets - End of year</b>	<u>10,405,320</u>	<u>85,500</u>	<u>10,490,820</u>
	<b>2011</b>		
	<b>Unrestricted \$</b>	<b>Restricted for endowment purposes \$</b>	<b>Total \$ (note 2)</b>
<b>Net assets - Beginning of year</b>	7,624,853	85,500	7,710,353
Surplus for the year	5,883,365	-	5,883,365
<b>Net assets - End of year</b>	<u>13,508,218</u>	<u>85,500</u>	<u>13,593,718</u>

The accompanying notes are an integral part of these consolidated financial statements.

# Juvenile Diabetes Research Foundation Canada

## Consolidated Statements of Cash Flows

For the years ended December 31, 2012 and December 31, 2011

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	2012 \$	2011 \$ (note 2)
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
(Deficit) surplus for the year	(3,102,898)	5,883,365
Items not affecting cash		
Depreciation of capital assets	48,183	56,603
Amortization of intangible assets	18,590	26,556
Unrealized loss on short-term investments	9,977	71,571
Amortization of deferred leasehold	74,501	(22,706)
	<hr/>	<hr/>
	(2,951,647)	6,015,389
Changes in non-cash working capital items		
Increase in accounts receivable	(275,570)	(331,105)
Decrease (increase) in grant receivable	(1,793,089)	272,762
Increase in prepaid expenses and other assets	(1,717)	(14,318)
Increase (decrease) in accounts payable, accrued liabilities and deferred support	(239,339)	1,980
	<hr/>	<hr/>
	(5,261,362)	5,944,708
<b>Investing activities</b>		
Increase in short-term investments	(197,836)	(495,713)
Purchase of capital assets	(10,558)	-
	<hr/>	<hr/>
	(208,394)	(495,713)
<b>Increase (decrease) in cash during the year</b>	(5,469,756)	5,448,995
<b>Cash - Beginning of year</b>	<hr/>	<hr/>
	11,496,280	6,047,285
<b>Cash - End of year</b>	<hr/>	<hr/>
	6,026,524	11,496,280

The accompanying notes are an integral part of these consolidated financial statements.

# Juvenile Diabetes Research Foundation Canada

Notes to Consolidated Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

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## 1 Organization

The mission of the Juvenile Diabetes Research Foundation Canada (JDRFC) and its chapters is to find a cure for diabetes and its complications through the support of research.

JDRFC solicits contributions from the public and engages in various fundraising activities. Funds raised are used to support research, focusing primarily on Type 1 diabetes. In addition, JDRFC engages in public education and advocacy activities. It is a registered charity under Section 149 of the Income Tax Act (Canada) and, accordingly, is exempt from income taxes provided certain requirements of the Income Tax Act are met.

JDRFC is affiliated with the Juvenile Diabetes Research Foundation International (JDRFI). JDRFC operates chapters across Canada that are individually involved in various local and national fundraising activities.

In 2010, JDRFC entered into a partnership with the Government of Canada through the Federal Economic Development Agency of Southern Ontario. This is a three-year partnership whereby the Government of Canada has committed \$20,000,000 and JDRFC will be making a matching contribution of \$33,952,467 over two years to further world-class research in southern Ontario through the implementation of a Clinical Trial Network for diabetes research.

JDRFC will collaborate with southern Ontario universities and research institutions to create a world-class clinical research platform focused on:

- speeding advances in cures and therapies for diabetes and its complications;
- conducting and executing clinical trials in Canada;
- positioning southern Ontario as an international hub for translational research; and
- attracting the best international scientists and institutions to Ontario.

## 2 Transition to accounting standards for not-for-profit organizations

Effective January 1, 2012, JDRFC elected to adopt Canadian accounting standards for not-for-profit organizations (Part III of The Canadian Institute of Chartered Accountants (CICA) Handbook) (ASNPO), as issued by the Canadian Accounting Standards Board. The accounting policies selected under this framework have been applied consistently and retrospectively as if these policies had always been in effect. JDRFC has not utilized any transitional exemptions on the adoption of ASNPO.

There were no adjustments to the consolidated financial statements as a result of the transition to ASNPO.

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the 2012 financial statements.



# Juvenile Diabetes Research Foundation Canada

Notes to Consolidated Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

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## 3 Summary of significant accounting policies

### Basis of presentation

These consolidated financial statements include the financial activities and financial position of JDRFC and its chapters, which include the following: Toronto Region, South Central Ontario Region, Southwestern Ontario Region, British Columbia - Yukon Region, Southern Alberta Region, North Central Alberta and Northwest Territories Region, Prairie Region, Northeastern Ontario Region, Quebec Region and Atlantic Region.

In addition to the entities mentioned above, the consolidated financial statements include the financial activities and financial position of JDRF Canadian Clinical Trial Network (CCTN). This organization was incorporated and commenced operating on April 13, 2010 and was created to establish a clinical trial network for Type 1 diabetes research on a Canadian wide platform through the assistance of Southern Ontario Development Plan (SODP).

The consolidated financial statements of JDRFC disclose the activities of the unrestricted operating fund associated with JDRFC's day-to-day operations, as well as the net assets restricted for the endowment funds.

The consolidated financial statements have been prepared by management in accordance with ASNPO. The financial statements include the following significant policies.

### Revenue recognition

JDRFC follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenues when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions received in respect of future events are deferred until the related expenses are incurred. CCTN grant revenue is recognized as the related costs are incurred. Endowment contributions are recognized as direct increases in net assets. The income from these contributions is to be used for general purposes, unless otherwise specified by the donor or to fund specific programs.

### Research grants

Research grants, which are included in research support, are made to research applicants as approved by both JDRFC and JDRFI. These grants as well as CCTN grants are recorded as payments when funds are advanced by JDRFC.

### Charity casino and bingo events

Revenues earned from charity casino and bingo events are recorded as campaign revenue net of direct expenses, as JDRFC has no control or influence over the revenues and direct expenses associated with these events.

# Juvenile Diabetes Research Foundation Canada

Notes to Consolidated Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

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## Investment income

Investment income, which includes interest, dividends and any change in gains or losses on sales of investments, is recognized as revenue when earned.

## Cash

Cash includes cash on hand and balances with banks.

## Short-term investments

Short-term investments consist of cash, guaranteed investment certificates, government bonds and other bonds. Short-term investments, other than cash, have interest rates ranging from 3.68% to 7.05% and maturity dates from June 2013 to June 2027. Transactions are recorded on a settlement date basis and transaction costs are expensed as incurred.

## Capital assets

Capital assets are recorded at cost if purchased, or recorded at their fair value if donated. Amortization is provided at the following rates:

Office equipment	30% declining balance
Computer hardware	30% declining balance
Leasehold improvements	straight-line over the lease term

## Intangible assets

Intangible assets acquired individually or as a part of a group of other assets are initially recognized and measured at cost. Amortization commences in the year the asset is purchased or put in use. The amortization method and estimated useful lives of intangible assets are reviewed annually. JDRFC's intangible assets consist of computer software and are amortized on a 30% declining balance.

## Financial assets and financial liabilities

JDRFC initially measures all its financial assets and financial liabilities at fair value and subsequently at amortized cost except for short-term investments which are recorded at fair value. Changes in fair value are recognized in the consolidated statements of public support, other revenues and expenses. Financial assets are tested for impairment at the end of each reporting period where there are indicators that the assets may be impaired.

Financial assets and liabilities measured at amortized cost include cash, accounts receivable, grant receivable and accounts payable, accrued liabilities and deferred support.

# Juvenile Diabetes Research Foundation Canada

## Notes to Consolidated Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

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### Allocation of expenses

JDRFC engages in providing research support and advocacy and public education services. The costs of each service include the costs of personnel, premises and other expenses that are directly related to providing the services. JDRFC also incurs a number of general support expenses common to the administration of JDRFC and each of its services.

JDRFC allocates certain of its general support expenses in proportion to an estimate of the time spent by each department in relation to the activities relating to program services, management and general services and fundraising (note 13).

The allocation percentages are reviewed by management and are similar to those used by JDRFI.

### Use of estimates

The preparation of consolidated financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## 4 Short-term investments

	2012 \$	2011 \$
Cash	34,800	32,484
Guaranteed investment certificates	69,293	68,644
Government bonds	1,354,236	1,158,107
Other bonds	215,765	227,000
	<u>1,674,094</u>	<u>1,486,235</u>

## 5 Capital assets

	<u>2012</u>		
	Cost \$	Accumulated amortization \$	Net \$
Office equipment	522,261	488,163	34,098
Computer hardware	295,658	266,672	28,986
Leasehold improvements	262,516	75,195	187,321
	<u>1,080,435</u>	<u>830,030</u>	<u>250,405</u>

# Juvenile Diabetes Research Foundation Canada

Notes to Consolidated Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

	2011		
	Cost \$	Accumulated amortization \$	Net \$
Office equipment	520,215	473,987	46,228
Computer hardware and software	287,146	256,073	31,073
Leasehold improvements	262,516	51,787	210,729
	<u>1,069,877</u>	<u>781,847</u>	<u>288,030</u>

## 6 Intangible assets

	2012		
	Cost \$	Accumulated amortization \$	Net \$
Computer software	807,190	763,813	43,377

	2011		
	Cost \$	Accumulated amortization \$	Net \$
Computer software	807,190	745,223	61,967

## 7 Government remittances payable

At year-end, JDRFC had remittances payable to the government of \$24,939 (2011 - \$16,388) that are included in accounts payable, accrued liabilities and deferred support.

## 8 Commitments

The minimum annual lease payments under operating leases for rental of premises and equipment, for the next five years and thereafter, are approximately as follows:

	\$
2013	469,233
2014	417,592
2015	373,161
2016	326,266
2017	257,725
Thereafter	<u>622,176</u>
	<u>2,466,153</u>

# Juvenile Diabetes Research Foundation Canada

Notes to Consolidated Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

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## 9 Grant commitment

During the year, CCTN Board of Directors has approved and executed ongoing research expenditures of \$411,008 (2011 - \$33,952,467). The increase of \$411,008 in additional research expenditure was in excess of the original agreement with the Federal Economic Development Agency for Southern Ontario (FedDev Ontario). As of December 31, 2012, \$2,211,504 was receivable from FedDev Ontario to complete the \$20 million contribution to the partnership. The receivable is comprised of the 10% hold holdback (as per the Contribution Agreement) and a \$211,504 internal expense claim which was submitted to FedDev Ontario and approved prior to March 31, 2012. The receivable was received by CCTN in January 2013. Subsequent to December 31, 2012, CCTN signed a new agreement with WB Family Foundation for a total of \$3 million over a three-year period.

## 10 Contingent liabilities

Occasionally, JDRFC has arranged for letters of credit to be issued in favour of various provincial agencies governing lotteries on behalf of its local chapters. JDRFC is contingently liable with respect to these letters of credit. However, there are no letters of credit outstanding at December 31, 2012 (2011 - \$nil).

## 11 Banking arrangements

JDRFC has a line of credit of \$1,000,000 available for its use with its principal bank. The facility bears interest on the outstanding amount at the bank's prime rate and is secured by an assignment of the fluctuating amounts on deposit with the bank, by all of the chapters and the head office. As at December 31, 2012, no amounts have been drawn against this facility \$nil (2011 - \$nil).

## 12 Financial risk management

The main risks to which JDRFC's financial instruments are exposed are interest rate risk, market risk and credit risk. It is management's opinion that JDRFC is not exposed to significant foreign exchange risk and cash flow risk.

### Interest rate risk

Interest rate risk arises from fluctuations in interest rates.

The bonds and guaranteed investment certificates bear interest at fixed rates and, as such, the interest rate risk is low.

### Market risk

Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of JDRFC. JDRFC manages its risk by investing only in high quality bonds. In addition, the Finance Committee reviews any significant changes to the investment mix.

# Juvenile Diabetes Research Foundation Canada

## Notes to Consolidated Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

### Credit risk

Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject JDRFC to credit risk consist principally of cash and short-term investments (note 4). JDRFC places its cash and short-term investments with high quality institutions to mitigate this risk. Investments are primarily composed of donated investments.

JDRFC is exposed to credit risk on accounts receivable from the public. JDRFC's accounts receivable risk is considered to be low as receivables are recognized only if it is certain the monies will be received.

### 13 Allocation of expenses

Based on the estimated time spent on each activity by department, program and supporting service costs have been allocated as follows:

	2012						
	Research support \$	CCTN research \$	Public education and advocacy \$	Management and general \$	CCTN general \$	Fundraising \$	Total \$
Research support	7,185,538	10,836,288	-	-	323,294	-	18,345,120
Chapter activity	207,684	-	2,076,837	623,051	-	1,246,101	4,153,673
Support services	907,183	-	749,930	830,526	-	786,879	3,274,518
Marketing and outreach	231,053	-	693,158	-	-	-	924,211
National programs and major donors	167,770	-	196,229	109,355	-	365,494	838,848
Public education and advocacy	-	-	407,096	-	-	-	407,096
CCTN research support	-	517,703	221,966	100,303	-	-	839,972
	<u>8,699,228</u>	<u>11,353,991</u>	<u>4,345,216</u>	<u>1,663,235</u>	<u>323,294</u>	<u>2,398,474</u>	<u>28,783,438</u>
	2011						
	Research support \$	CCTN research \$	Public education and advocacy \$	Management and general \$	CCTN general \$	Fundraising \$	Total \$
Research support	7,374,883	11,256,240	-	-	920,868	-	19,551,991
Chapter activity	218,033	-	2,180,331	654,099	-	1,308,198	4,360,661
Support services	896,111	-	677,957	960,979	-	704,872	3,239,919
Marketing and outreach	220,580	-	661,740	-	-	-	882,320
National programs and major donors	145,751	-	171,676	88,997	-	322,328	728,752
Public education and advocacy	-	-	199,223	-	-	-	199,223
CCTN research support	-	662,790	278,313	169,823	-	-	1,110,926
	<u>8,855,358</u>	<u>11,919,030</u>	<u>4,169,240</u>	<u>1,873,898</u>	<u>920,868</u>	<u>2,335,398</u>	<u>30,073,792</u>