



June 5, 2014

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 sheet as at December 31, 2013 and the consolidated statements of public support, other revenues and expenses, changes in net assets and cash flows for the year then ended, 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 audit. We conducted our audit 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 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 campaigns and direct response 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, surplus (deficit) and cash flows from operations for the years ended December 31, 2013 and December 31, 2012, current assets as at December 31, 2013 and December 31, 2012 and net assets as at January 1 and December 31 for both 2013 and 2012 years. Our audit opinion on the financial statements for the year ended December 31, 2012 was modified accordingly because of the possible effects of this limitation in scope.

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, 2013 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Juvenile Diabetes Research Foundation Canada

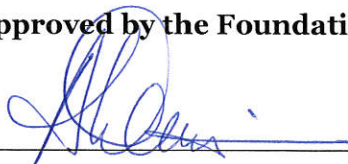
Consolidated Balance Sheet

As at December 31, 2013

	2013 \$	2012 \$
Assets		
Current assets		
Cash	9,777,529	6,026,524
Restricted cash (note 15)	1,100,000	-
Short-term investments (note 3)	284,158	144,931
Accounts receivable	742,885	1,229,853
Grant receivable (note 9)	-	2,211,504
Prepaid expenses and other assets	298,432	96,421
	<u>12,203,004</u>	<u>9,709,233</u>
Long-term investments (note 4)	1,556,919	1,529,163
Capital assets (note 5)	224,037	250,405
Intangible assets (note 6)	87,571	43,377
	<u>14,071,531</u>	<u>11,532,178</u>
Liabilities		
Current liabilities		
Accounts payable, accrued liabilities and deferred support (note 7)	1,151,437	756,831
Deferred leasehold	250,039	284,527
Deferred contributions (note 15)	1,100,000	-
	<u>2,501,476</u>	<u>1,041,358</u>
Net Assets		
Unrestricted	11,484,555	10,405,320
Restricted for endowment purposes	85,500	85,500
	<u>11,570,055</u>	<u>10,490,820</u>
	<u>14,071,531</u>	<u>11,532,178</u>

Contingencies and commitments (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 Statement of Public Support, Other Revenues and Expenses

For the year ended December 31, 2013

	2013 \$	2012 \$ (restated - note 14)
Revenues		
Campaigns (note 14)	23,064,417	23,340,092
Direct response	427,663	115,641
CCTN grant revenue	-	6,355,477
	<u>23,492,080</u>	<u>29,811,210</u>
Other income		
Investment income	<u>29,560</u>	<u>111,227</u>
	23,521,640	29,922,437
Direct expenses	<u>5,045,399</u>	<u>4,724,954</u>
	<u>18,476,241</u>	<u>25,197,483</u>
Other expenses (note 13)		
Program services		
Research support (note 14)	7,973,281	8,216,171
CCTN research	517,495	11,353,991
Public education and advocacy	4,350,500	4,345,216
	<u>12,841,276</u>	<u>23,915,378</u>
Supporting services		
Management and general	1,839,696	1,663,235
CCTN general	185,845	323,294
Fundraising	2,530,189	2,398,474
	<u>4,555,730</u>	<u>4,385,003</u>
	<u>17,397,006</u>	<u>28,300,381</u>
Surplus (deficit) for the year	<u>1,079,235</u>	<u>(3,102,898)</u>

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

Juvenile Diabetes Research Foundation Canada

Consolidated Statement of Changes in Net Assets

For the year ended December 31, 2013

	2013		
	Unrestricted	Restricted for endowment purposes	Total
	\$	\$	\$
Net assets - Beginning of year	10,405,320	85,500	10,490,820
Surplus for the year	1,079,235	-	1,079,235
Net assets - End of year	<u>11,484,555</u>	<u>85,500</u>	<u>11,570,055</u>
	2012		
	Unrestricted	Restricted for endowment purposes	Total
	\$	\$	\$
Net assets - Beginning of year	13,508,218	85,500	13,593,718
Deficit for the year	(3,102,898)	-	(3,102,898)
Net assets - End of year	<u>10,405,320</u>	<u>85,500</u>	<u>10,490,820</u>

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

Juvenile Diabetes Research Foundation Canada

Consolidated Statement of Cash Flows

For the year ended December 31, 2013

	2013 \$	2012 \$
Cash provided by (used in)		
Operating activities		
Surplus (deficit) for the year	1,079,235	(3,102,898)
Items not affecting cash		
Amortization of capital assets	44,323	48,183
Amortization of intangible assets	23,109	18,590
Unrealized loss on short-term investments	83,090	9,977
Amortization of deferred leasehold	(34,488)	74,501
	<u>1,195,269</u>	<u>(2,951,647)</u>
Changes in non-cash working capital items		
Decrease (increase) in accounts receivable	486,968	(275,570)
Decrease (increase) in grant receivable	2,211,504	(1,793,089)
Increase in prepaid expenses and other assets	(202,011)	(1,717)
Increase (decrease) in accounts payable, accrued liabilities and deferred support	394,606	(239,339)
Increase in deferred contributions	1,100,000	-
	<u>5,186,336</u>	<u>(5,261,362)</u>
Investing activities		
Increase in investments	(250,073)	(197,836)
Purchase of capital assets	(17,955)	(10,558)
Purchase of intangible assets	(67,303)	-
	<u>(335,331)</u>	<u>(208,394)</u>
Increase (decrease) in cash during the year	4,851,005	(5,469,756)
Cash - Beginning of year	6,026,524	11,496,280
Cash - End of year	<u>10,877,529</u>	<u>6,026,524</u>
Cash consists of		
Cash	9,777,529	6,026,524
Restricted cash	1,100,000	-
	<u>10,877,529</u>	<u>6,026,524</u>

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

Juvenile Diabetes Research Foundation Canada

Notes to Consolidated Financial Statements

December 31, 2013

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 (FEDEV). This is a three-year partnership whereby the Government of Canada has committed \$20,000,000 and JDRFC made a matching contribution of \$13,952,467 over two years to further world-class research in southern Ontario through the implementation of a Clinical Trial Network for diabetes research. In 2013, the FEDEV partnership ended. Although collaboration between the two parties is ongoing, no formal renewal of support has been made as at December 31, 2013.

JDRFC will continue to 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 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).

Juvenile Diabetes Research Foundation Canada

Notes to Consolidated Financial Statements

December 31, 2013

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 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 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.

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.

Investments

Investments consist of cash, guaranteed investment certificates, government bonds and other bonds. Investments, other than cash, have interest rates ranging from 2.364% to 7.05% and maturity dates from June 2013 to June 2027. Investments with maturity dates within a year after year-end are classified as short-term investments. Investments with maturity dates more than a year after year-end are classified as long-term investments. Transactions are recorded on a settlement date basis and transaction costs are expensed as incurred.

Juvenile Diabetes Research Foundation Canada

Notes to Consolidated Financial Statements

December 31, 2013

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 and long-term investments which are recorded at fair value. Changes in fair value are recognized in the consolidated statement 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 accounts receivable, grant receivable, accounts payable and accrued liabilities and deferred contributions.

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.

Juvenile Diabetes Research Foundation Canada

Notes to Consolidated Financial Statements

December 31, 2013

3 Short-term investments

	2013 \$	2012 \$
Cash	43,542	52,799
Guaranteed investment certificates	69,949	-
Government bonds	98,566	92,132
Other bonds	72,101	-
	<u>284,158</u>	<u>144,931</u>

4 Long-term investments

	2013 \$	2012 \$
Guaranteed investment certificates	-	69,293
Government bonds	1,034,900	1,262,104
Other bonds	522,019	197,766
	<u>1,556,919</u>	<u>1,529,163</u>

5 Capital assets

	2013		
	Cost \$	Accumulated amortization \$	Net \$
Office equipment, furniture and fixtures	522,260	498,392	23,868
Computer hardware	313,615	278,061	35,554
Leasehold improvements	262,515	97,900	164,615
	<u>1,098,390</u>	<u>874,353</u>	<u>224,037</u>
	2012		
	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, 2013

6 Intangible assets

	2013		
	Cost \$	Accumulated amortization \$	Net \$
Computer software	874,493	786,922	87,571

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

7 Government remittances payable

At year-end, JDRFC had remittances payable to the government of \$nil (2012 - \$24,939) that are included in accounts payable and accrued liabilities.

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:

	\$
2014	457,004
2015	415,868
2016	369,827
2017	303,373
2018	202,045
Thereafter	471,411
	<u>2,219,528</u>

9 Grant commitment

During the year, research expenditures of \$nil were approved and executed by CCTN Board of Directors (2012 - \$411,008). As of December 31, 2013, \$nil (2012 - \$2,211,504) was receivable from FedDev Ontario to complete the \$20 million contribution to the partnership.

In December 2012, JDRFC signed an agreement to receive a total contribution of \$3 million over three years from 2013 to 2015 towards research support in the cure therapeutic area for CCTN. A grant of \$1 million was received during the year under this agreement and recorded as deferred contributions.

Juvenile Diabetes Research Foundation Canada

Notes to Consolidated Financial Statements

December 31, 2013

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, 2013 (2012 - \$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, 2013, no amounts have been drawn against this facility (2012 - \$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.

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, short-term (note 3) and long-term investments (note 4). JDRFC places its cash, short-term and long-term investments with high quality institutions to mitigate this risk.

Juvenile Diabetes Research Foundation Canada

Notes to Consolidated Financial Statements

December 31, 2013

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:

	2013						
	Research support \$	CCTN research \$	Public education and advocacy \$	Management and general \$	CCTN general \$	Fundraising \$	Total \$
Research support	6,408,972	-	-	-	185,845	-	6,594,817
Chapter activity	232,941	-	2,329,410	698,823	-	1,397,646	4,658,820
Support services	904,630	-	725,071	917,284	-	774,706	3,321,691
Marketing and outreach	261,875	-	785,625	-	-	-	1,047,500
National programs and major donors	164,863	-	192,498	109,116	-	357,837	824,314
Public education and advocacy	-	-	82,146	-	-	-	82,146
CCTN research support	-	517,495	235,750	114,474	-	-	867,719
	<u>7,973,281</u>	<u>517,495</u>	<u>4,350,500</u>	<u>1,839,697</u>	<u>185,845</u>	<u>2,530,189</u>	<u>17,397,007</u>
	2012						
	Research support \$	CCTN research \$	Public education and advocacy \$	Management and general \$	CCTN general \$	Fundraising \$	Total \$
Research support	6,702,481	10,836,288	-	-	323,294	-	17,862,063
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>8,216,171</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>28,300,381</u>

14 Related party transactions and restatement of prior year comparatives

In 2012, JDRFC facilitated the collection of certain research grants on behalf of JDRFI from a third party (iCo Therapeutics Inc.) and remitted these research grants to JDRFI. The receipt and remittance of these research grants in the amount of \$483,057 have been mistakenly recorded as campaigns revenue and the program services research support expense respectively, however the receipt should have been recorded as a payable to related party and remittance as a reduction of that payable. As a result, the financial statements for the year then ended were restated as follows:

Juvenile Diabetes Research Foundation Canada

Notes to Consolidated Financial Statements

December 31, 2013

	As reported \$	Adjustments \$	As restated \$
Campaigns revenue	23,823,149	483,057	23,340,092
Programs services research support	8,699,228	483,057	8,216,171

The research grants received in the current year in the amount of \$1,336,369 have been recorded as payable to related party and have subsequently been remitted.

15 Deferred contributions and restricted cash

In December 2012, JDRFC signed an agreement to receive a total contribution of \$3 million over three years. The funds are designated for research support in the cure therapeutic area for CCTN. A contribution of \$1 million was received during the year and recorded as deferred contributions as the funds have not yet been spent as of year-end.

During the year, JDRFC received \$100,000 to fund a research fellowship program - Clinical Translation in Type 1 Diabetes. The research fellowship funding will support two fellows for one year in the amount of \$50,000 each. No funds were disbursed during 2013 for this fellowship and as a result, \$100,000 of this funding is deferred on the balance sheet as of year-end.

16 Comparative figures

Certain 2012 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2013.