Juvenile Diabetes Research Foundation Canada

Consolidated Financial Statements
December 31, 2014

May 7, 2015

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, 2014 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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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, excess (deficiency) of revenues over expenses and cash flows from operations for the years ended December 31, 2014 and December 31, 2013, current assets as at December 31, 2014 and December 31, 2013, and net assets as at January 1 and December 31 for both 2014 and 2013 years. Our audit opinion on the financial statements for the year ended December 31, 2013 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, 2014 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, 2014

	2014 $	2013 $
Assets		
Current assets		
Cash	6,355,986	9,777,529
Restricted cash (note 9)	2,002,158	1,100,000
Short-term investments (note 3)	119,589	284,158
Accounts receivable	854,385	742,885
Prepaid expenses and other assets	461,925	298,432
	9,794,043	12,203,004
Long-term investments (note 4)	1,977,551	1,556,919
Capital assets (note 5)	257,380	224,037
Intangible assets (note 6)	118,840	87,571
	12,147,814	14,071,531
Liabilities		
Current liabilities		
Accounts payable, accrued liabilities and deferred support (note 7)	609,992	1,151,437
Deferred leasehold	215,551	250,039
Deferred contributions (note 9)	2,002,158	1,100,000
	2,827,701	2,501,476
Net Assets		
Unrestricted	9,234,613	11,484,555
Restricted for endowment purposes	85,500	85,500
	9,320,113	11,570,055
	12,147,814	14,071,531

Contingencies and commitments (notes 8, 10 and 11)

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, 2014

	2014 $	2013 $
Revenues		
Campaigns	20,202,971	23,064,417
Direct response	426,526	427,663
CCTN grant revenue	705,000	-
	21,334,497	23,492,080
Other income		
Investment income	151,565	112,650
Total revenues	21,486,062	23,604,730
Expenses		
Charitable activities		
Research support	8,709,567	6,408,972
Public education and advocacy	276,259	369,090
	8,985,826	6,778,062
Supporting services		
Management and administration	3,253,233	3,438,485
Fundraising	11,384,427	12,095,738
Political activities	196,336	130,120
	14,833,996	15,664,343
	23,819,822	22,442,405
(Deficiency) excess of revenues over expenses before undernoted	(2,333,760)	1,162,325
Fair value change in investments	83,818	(83,090)
(Deficiency) excess of revenues over expenses for the year	(2,249,942)	1,079,235

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, 2014

			2014
	Unrestricted $	**Restricted for endowment purposes $**	**Total $**
Net assets - Beginning of year	11,484,555	85,500	11,570,055
Deficiency of revenue over expenses for the year	(2,249,942)	-	(2,249,942)
Net assets - End of year	9,234,613	85,500	9,320,113

			2013
	Unrestricted $	**Restricted for endowment purposes $**	**Total $**
Net assets - Beginning of year	10,405,320	85,500	10,490,820
Excess of revenues over expenses for the year	1,079,235	-	1,079,235
Net assets - End of year	11,484,555	85,500	11,570,055

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, 2014

	2014 $	2013 $
Cash provided by (used in)		
Operating activities		
(Deficiency) excess of revenues over expenses for the year	(2,249,942)	1,079,235
Items not affecting cash		
Amortization of capital assets	53,373	44,323
Amortization of intangible assets	36,426	23,109
Change in fair value of investments	(83,818)	83,090
Amortization of deferred leasehold	(34,488)	(34,488)
	(2,278,449)	1,195,269
Changes in non-cash working capital items		
Accounts receivable	(111,500)	486,968
Grant receivable	-	2,211,504
Prepaid expenses and other assets	(163,493)	(202,011)
Accounts payable, accrued liabilities and deferred support	(541,445)	394,606
Deferred contributions	902,158	1,100,000
	(2,192,729)	5,186,336
Investing activities		
Increase in investments	(172,245)	(250,073)
Purchase of capital assets	(86,716)	(17,955)
Purchase of intangible assets	(67,695)	(67,303)
	(326,656)	(335,331)
(Decrease) increase in cash during the year	(2,519,385)	4,851,005
Cash - Beginning of year	10,877,529	6,026,524
Cash - End of year	8,358,144	10,877,529
Cash consists of		
Cash	6,355,986	9,777,529
Restricted cash	2,002,158	1,100,000
	8,358,144	10,877,529

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

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 one of seven Juvenile Diabetes Research Foundation International's (JDRFI) affiliates. As such, in the pursuit of the joint mission to find a cure for Type 1 diabetes, JDRFI establishes a global research strategy and joint decisions are made to fund the best research in Canada and internationally. Additionally, JDRFC is licensed to use the JDRF brand to support its efforts to secure donations. JDRFC operates chapters across Canada that are individually involved in various local and national fundraising activities.

JDRFC will continue to collaborate with Canadian 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 Canada as an international hub for translational research; and
- attracting the best international scientists and institutions to Canada.

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, South Central Ontario, Southwestern Ontario, British Columbia - Yukon, Southern Alberta, North Central Alberta and Northwest Territories, Prairies, Northeastern Ontario, Quebec and Atlantic.

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 Canadian accounting standards for not-for-profit organizations (Part III of the Chartered Professional Accountants of Canada 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 and dividends, is recognized as revenue when earned.

Investments

Investments primarily 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 2016 to December 2045. 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.

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 when there are indicators the assets may be impaired.

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.

3 Short-term investments

	2014 $	2013 $
Cash	48,837	43,542
Guaranteed investment certificates	70,752	69,949
Government bonds	-	98,566
Other bonds	-	72,101
	119,589	284,158

4 Long-term investments

	2014 $	2013 $
Government bonds	1,373,058	1,034,900
Other bonds	604,493	522,019
	1,977,551	1,556,919

5 Capital assets

	2014			2013
	Cost $	Accumulated amortization $	Net $	Net $
Office equipment, furniture and fixtures	522,260	505,552	16,708	23,868
Computer hardware	397,842	301,361	96,481	35,554
Leasehold improvements	265,004	120,813	144,191	164,615
	1,185,106	927,726	257,380	224,037

6 Intangible assets

	2014			2013
	Cost $	Accumulated amortization $	Net $	Net $
Computer software	942,187	823,347	118,840	87,571

7 Government remittances payable

At year-end, JDRFC had remittances payable to the government of $1,457 (2013 - $nil) 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 as follows:

	$
2015	524,788
2016	504,154
2017	426,994
2018	298,907
2019	188,209
Thereafter	292,272
	2,235,324

9 Deferred contributions and restricted cash

	2014 $	2013 $
Balance - Beginning of year	1,100,000	-
Amount received during the year	1,607,158	1,100,000
Amounts recognized as revenue during the year	(705,000)	-
Balance - End of year	2,002,158	1,100,000

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 as at December 31, 2014 (2013 - $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, 2014, no amounts have been drawn against this facility (2013 - $nil).

12 Financial risk management

The main risks to which JDRFC's financial instruments are exposed are interest rate risk, market risk, credit risk and liquidity 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.

Liquidity risk

Liquidity risk is the risk JDRFC will not be able to meet its financial obligations as they fall due. JDRFC manages its liquidity risk by forecasting cash flows from operations and anticipating activities to ensure it has sufficient available funds to meet current and foreseeable financial requirements.

13 Related party transactions

In 2014, JDRFC facilitated the collection of certain research grants in the amount of $604,687 (2013 - $1,336,369) on behalf of JDRFI from a third party (iCo Therapeutics Inc.) and remitted these research grants to JDRFI.

A member of the senior management team is on contract with JDRFC. Total management fees of $45,900 were paid in 2014.

14 Comparative figures

Certain 2013 comparative figures have been reclassified to conform to the consolidated financial statement presentation adopted for 2014.