Non-Consolidated Financial Statements

Canadian Diabetes Association (o/a Diabetes Canada)

December 31, 2023

Contents

Independent auditor's report

Grant Thornton LLP
Suite 400
123 Commerce Valley Dr E
Markham, ON
L3T 7W8

T +1 416 369 7099
F +1 905 475 8906
www.GrantThornton.ca

To the Members of
Canadian Diabetes Association (o/a Diabetes Canada)

Qualified Opinion

We have audited the non-consolidated financial statements of Canadian Diabetes Association (o/a Diabetes Canada) (the "Organization"), which comprise the non-consolidated statement of financial position as at December 31, 2023, the non-consolidated statements of revenue and expenses, changes in fund balances and cash flows for the year then ended, and notes to the non-consolidated 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 paragraph, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of Canadian Diabetes Association (o/a Diabetes Canada) as at December 31, 2023, 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.

Basis for Qualified Opinion

We were not able to complete audit procedures to satisfy ourselves concerning the completeness of revenue from donations, bequests and other fundraising activities for the year ended December 31, 2022. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to support from the public, excess of revenue over expenses, and cash flows from operations for the year ended December 31 2022, current assets as at December 31, 2022 and fund balances as at January 1 and December 31, 2022. Our audit opinion on the non-consolidated financial statements for the year ended December 31, 2022 was modified accordingly.

Our opinion on the current year's non-consolidated financial statements is also modified because of the possible effects of this matter on the comparability of the current year's figures and the corresponding figures.

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 Non-Consolidated Financial Statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the non-consolidated 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 opinion.

Responsibilities of Management and Those Charged with Governance for the Non-Consolidated Financial Statements

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

In preparing the non-consolidated financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated 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 non-consolidated 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 non-consolidated 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 Organization'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 Organization'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 non-consolidated 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 Organization to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated 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.

Grant Thornton LLP

Markham, Canada
April 13, 2024

Chartered Professional Accountants
Licensed Public Accountants

Canadian Diabetes Association (o/a Diabetes Canada)
Non-consolidated statement of financial position

As at December 31
(In thousands of dollars)

		2023		2022
Assets				
Current				
Cash	$	**23,188**	$	39,694
Investments (Note 3)		**11,279**		3,310
Accounts receivable		**2,632**		1,971
Amount due from National Diabetes Trust (Note 12)		**1,114**		693
Prepaid expenses		**457**		653
Total current assets		**38,670**		46,226
Long-term				
Investments (Note 3)		**6,622**		-
Property and equipment (Note 4)		**3,077**		3,065
Intangible assets (Note 5)		**989**		1,247
Total assets	**$**	**49,358**	$	50,633
Liabilities and fund balances				
Current				
Accounts payable and accrued liabilities	**$**	**3,232**	$	2,485
Deferred revenue (Note 6)		**1,050**		1,333
Research grants payable (Note 7)		**7,256**		5,850
Total current liabilities		**11,538**		9,668
Long-term				
Deferred revenue (Note 6)		**2,890**		2,822
Employee future benefits (Note 8)		**915**		860
Total liabilities		**15,343**		13,350
Total fund balances (Page 6)		**34,015**		37,283
Total liabilities and fund balances	**$**	**49,358**	$	50,633

Commitments (Note 10)

Guarantees (Note 17)

Approved by the Board of Directors

Peter Senior, Chair of the Board

Laura Syron, Chief Executive Officer

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

Canadian Diabetes Association (o/a Diabetes Canada)
Non-consolidated statement of revenue and expenses

Year ended December 31
(In thousands of dollars)

	2023	2022
Revenue		
Support from the public	**$ 26,720**	$ 27,425
Income from National Diabetes Trust (Notes 1 and 12)	**2,918**	4,223
Education services	**781**	753
Camp services	**1,088**	996
Government funding	**720**	821
Investment and other income (Note 13)	**2,320**	1,133
Total revenue	**34,547**	35,351
Expenses		
Improving management and prevention	**5,103**	5,671
Research	**7,731**	6,843
Drive for excellence in diabetes care	**4,709**	4,634
Helping children and adults with T1D	**3,774**	3,239
Total program expenses	**21,317**	20,387
Support		
Administration	**3,253**	2,608
Public relations and development	**13,200**	10,469
Total support expenses	**16,453**	13,077
Total expenses	**37,770**	33,464
(Deficiency) excess of revenue over expenses	**$ (3,223)**	$ 1,887

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

Canadian Diabetes Association (o/a Diabetes Canada)
Non-consolidated statement of changes in fund balances
Year ended December 31, 2023
(In thousands of dollars)

	Operating Fund	Endowments (Note 11)	2023 Total	2022 Total
Balances, beginning of year	$ 36,027	$ 1,256	**$ 37,283**	$ 35,673
Revenue	34,547	-	**34,547**	35,351
Expenses	(37,770)	-	**(37,770)**	(33,464)
Transfer between funds	(40)	40	**-**	
Net appreciation on endowment investments	-	10	**10**	
Re-measurements and other items relating to employee future benefits	(55)	-	**(55)**	(277)
Balances, end of year	$ 32,709	$ 1,306	**$ 34,015**	$ 37,283

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

Canadian Diabetes Association (o/a Diabetes Canada)
Non-consolidated statement of cash flows

Year ended December 31
(In thousands of dollars)

		2023		2022
Operating activities				
(Deficiency) excess of revenue over expenses	**$**	**(3,223)**	$	1,887
Add non-cash items				
Amortization of property and equipment		**278**		294
Amortization of intangible assets		**513**		596
Amortization of deferred revenue related to capital assets		**(131)**		(105)
		(2,563)		2,672
Changes in non-cash operating items				
Amount due from National Diabetes Trust		**(421)**		3,631
Accounts receivable		**(661)**		135
Prepaid expenses		**196**		158
Accounts payable and accrued liabilities		**747**		514
Deferred revenue		**(84)**		(1)
Research grants payable		**1,406**		3,812
		(1,380)		10,921
Investing activities				
Purchase of property and equipment		**(290)**		(536)
Purchase of intangible assets		**(255)**		-
Increase in investments, net		**(14,591)**		(18)
		(15,136)		(554)
Financing activities				
Net appreciation on endowment investments		**10**		-
		10		-
(Decrease) increase in cash during the year		**(16,506)**		10,367
Cash, beginning of year		**39,694**		29,327
Cash, end of year	**$**	**23,188**	$	39,694

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

1. Description of the organization

Canadian Diabetes Association (the “Organization” or “Diabetes Canada”) is an independent, self-financing organization. Effective February 13, 2017, the Organization changed its operating name to Diabetes Canada. It was established as a federal non-profit corporation on January 14, 1953 and became a registered charity with Canada Revenue Agency on January 1, 1967, and thus not subject to income taxes. Diabetes Canada's vision is to create a world free of the effects of diabetes by sharing knowledge and creating connections for individuals and the health-care professionals who care for them, advocating through public policy and funding research to improve treatments and find a cure to end diabetes.

Controlled entities

National Diabetes Trust

On January 1, 2012, Diabetes Canada transferred its clothing collection and recycling operations to the National Diabetes Trust (the “Trust”), which was established to develop, invest and operate the clothing collection and recycling operations. The Trustee of the Trust is the National Diabetes Trustee Corp., a Canadian resident not-for-profit corporation without share capital established to carry out the fiduciary responsibilities of the National Diabetes Trust. The Trustee determines its projects, budgets and direction with a mandate to increase support for those affected by Diabetes.

The assets and liabilities of Diabetes Canada’s clothing collection and recycling operations as at January 1, 2012 were transferred from Diabetes Canada to the Trust at their carrying amounts as at that date.

The income and capital beneficiary of the Trust is Diabetes Canada, and the Trustee is required to transfer the net income for tax purposes of the Trust to Diabetes Canada in each year.

The investment in the Trust is accounted for using the equity method, of which the financial information is provided in Note 12.

2. Significant accounting policies

Basis of presentation

The non-consolidated financial statements have been prepared in accordance with accounting standards for not-for-profit organizations, using the deferral method of reporting restricted contributions.

Fund balances

Fund balances are comprised of the following:

<u>Endowment Fund</u>

Endowment funds represent funds received which are externally restricted, where the principal cannot be spent together with any designated unspent investment appreciation.

<u>Operating Fund</u>

The Operating Fund represents amounts to fund Diabetes Canada's activities that are not specifically restricted to research or endowments.

Revenue recognition

The Organization follows the deferral method of accounting for restricted donations. Donations, which have been restricted through specific direction from a contributor, are deferred and recorded as revenue when the related expense occurs.

Sponsorships received in advance of the related expense are recorded as deferred revenue. Revenues received prior to year-end relating to fundraising projects not significantly complete by that date are recorded as deferred revenue until the project has been completed.

Donations and grants received specifically for the purchase of property and equipment are deferred and amortized to revenue on the same basis as the amortization of the related property and equipment.

Endowment contributions are recognized as direct increases in the fund balance.

Certain externally restricted contributions require the capital to be retained for a specified period of time. These contributions are recorded as deferred revenue. On expiry of the retention period, the contribution is recognized as revenue of the Operating Fund.

Other restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Restricted investment income is recognized as revenue in the year in which the related expenses are incurred.

All other donations, bequests and grants are recorded when received, unless the amounts have conditions requiring possible repayment, then they are deferred until such time as conditions no longer exist.

Service revenue is recognized as revenue in the year in which the service is performed.

2. Significant accounting policies (continued)

Revenue recognition (continued)

Other income is recognized as revenue when performance requirements have been met and collection is reasonably assured.

Diabetes Canada has contracted with the Ontario government to undertake the processing of claims for reimbursement of certain diabetes related expenses. All related expenses are funded by cash advances from the Provincial Government. Revenue is recognized as the related expenses are incurred. Cash received from the Provincial Government in advance is deferred.

Financial instruments

Diabetes Canada considers any contract creating a financial asset for one entity and a financial liability or equity instrument of another entity as a financial instrument, except in certain limited circumstances. Diabetes Canada accounts for the following as financial instruments:

- cash
- receivables
- investments
- payables

<u>Initial measurement</u>

Diabetes Canada's financial instruments are measured at fair value when issued or acquired.

<u>Subsequent measurement</u>

Investments are recorded at fair value based on the closing bid price at year end. Realized and unrealized gains and losses on investments are recognized as investment and other income in the statement of revenue and expenses. All other financial assets and liabilities are recorded at amortized cost at year end, less any impairment allowance in the case of financial assets. Any impairment loss is recognized in the statement of revenue and expenses.

Financial instruments (related party transactions)

Financial assets and financial liabilities in related party transactions are initially measured at cost. When the financial instrument has repayment terms, cost is determined using the undiscounted cash flows of the instrument less any impairment losses recognized by the transferor. When the financial instrument does not have repayment terms, the cost of the instrument is initially measured at the exchange or carrying amount of the consideration transferred.

Financial assets and financial liabilities obtained in related party transactions are subsequently measured based on how the Diabetes Canada initially measured the instrument.

2. Significant accounting policies (continued)

Investments

Investments are recorded and carried at fair market value. Unrealized gains and losses arising from the change in fair value of investments are recorded in the statement of revenue and expenses.

Short-term investments represent the amounts available to be utilized within one year. All other investments are considered long-term as they are intended to be held for long-term purposes and reinvestment.

Property and equipment

Property and equipment are recorded at cost, except for certain land, buildings and equipment, which are carried at a nominal value (Note 4). Buildings, furniture and equipment, and computer hardware are amortized on a straight-line basis over their average estimated useful lives, as follows:

Buildings	10 - 20 years
Furniture and equipment	3 - 20 years
Computer hardware	3 - 5 years

Leasehold improvements are amortized over the term of the related lease.

Amortization is charged from the date when the asset is put into use.

Intangible assets

Intangible assets consist of computer software and are recorded at cost. The assets are amortized on a straight-line basis over their average estimated useful lives of 3-10 years. Amortization is charged from the date when the asset is put into use.

Impairment of long-lived assets

The Organization tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected undiscounted future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent carrying value exceeds its fair value.

Research

Monies awarded to various individuals and organizations to complete research projects are recorded as liabilities upon authorization. Most multi-year grants are subject to annual review and approval, and expenses are recognized in the year of approval. Some multi-year grants may not have the annual approval requirement and will be fully expensed in the year the grant is awarded. Should any condition of the award not be met, the monies which have been recorded as payable are credited back to research grants expense.

2. Significant accounting policies (continued)

Employee future benefits

Diabetes Canada provides extended health care and life insurance benefits to current retirees of Diabetes Canada and for eligible employees retiring before August 5, 2017. This plan is accounted for as a defined benefit plan. The accrued benefit obligation is calculated using the projected benefit method, pro-rated on service. The cost of Diabetes Canada's defined benefit plan is determined periodically by an independent actuary. Diabetes Canada uses an accounting valuation performed every three years for measuring its defined benefit plan obligations. The estimated cost of future retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service, and management's best estimate of expected extended health care and life insurance cost. Experience gains or losses are recognized as a direct charge to the operating fund in the statement of changes in fund balances.

Use of estimates

The presentation of Diabetes Canada's non-consolidated financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts in the non-consolidated financial statements and the disclosure in the notes thereto. Actual results could differ from those estimates used in preparing the non-consolidated financial statements. Balances which require some degree of estimation are valuation of investments, property and equipment and intangibles (amortization), accounts payable and accrued liabilities, employee future benefits and allocated expenses.

(In thousands of dollars)

3. Investments

	2023	2022
Short-term investments		
GICs and cash equivalents	**$ 9,235**	$ 3,310
Fixed income	**2,044**	-
	$ 11,279	$ 3,310
Long-term investments		
GICs and cash equivalents	**$ 1,130**	-
Fixed income	**2,193**	-
Equities:		
Canadian equities	**1,338**	-
US equities	**1,403**	-
Foreign equities	**559**	-
	$ 6,622	$ -

	2023	2022
Long-term investments represent:		
Unrestricted long-term investments	**5,316**	-
Restricted long-term investments (Note 11)	**1,306**	-
	$ 6,622	$ -

During 2023, Diabetes Canada implemented a new investment strategy in line with the Board approved investment policy. This strategy included movement of cash held to cover operating and research reserves to short-term investment accounts, and movement of cash held for endowments and other long-term needs of the Organization to long-term investment accounts.

The fixed income instruments have effective annual interest rates ranging from 0.75% to 5.20% (2022 – 1.01% to 4.45%) with maturity dates ranging from 1 month to 2.33 years (2022 - 1 months to 1.75 years).

4. Property and equipment

			2023	2022
	Cost	Accumulated Amortization	**Net Book Value**	Net Book Value
Land	$ 25	$ -	**$ 25**	$ 25
Buildings	4,438	1,736	**2,702**	2,791
Computer hardware	2,164	1,929	**235**	116
Furniture and equipment	1,524	1,414	**110**	129
Leasehold improvements	1,425	1,420	**5**	4
	$ 9,576	$ 6,499	**$ 3,077**	$ 3,065

(In thousands of dollars)

4. Property and equipment (continued)

In 1981, Diabetes Canada was granted a parcel of land in Foxtrap, Newfoundland by the Province of Newfoundland and Labrador and in 1993 acquired ownership of the land, buildings and equipment comprising Camp Huronda in Huntsville, Ontario. These assets are being carried at a nominal value of one dollar. In 2002, Diabetes Canada was the recipient of a parking lot adjacent to Banting House, which was recorded in Diabetes Canada's financial records for two dollars.

Diabetes Canada has $Nil (2022 - $188) of property and equipment not being amortized at year end as they relate to projects not yet complete.

5. Intangible assets

			2023	2022
	Cost	Accumulated Amortization	**Net Book Value**	Net Book Value
Computer software	$ 6,445	$ 5,456	**$ 989**	$ 1,247

Diabetes Canada has $121 (2022 - $Nil) of computer software not being amortized at year end as they relate to projects not yet complete.

6. Deferred revenue

Current

	2023	2022
Fundraising, bequests and other	**$ 549**	$ 902
Government health programs	**367**	307
Capital contributions	**134**	124
	$ 1,050	$ 1,333

Long-term

Long-term deferred revenue is comprised of deferred revenue related to each of property and equipment and donations. Deferred revenue relating to property and equipment represents restricted donations made for the renovation of buildings and various other property and equipment purchases.

(In thousands of dollars)

6. Deferred revenue (continued)

The changes in the deferred revenue balance are as follows:

		2023		2022
Long-term deferred revenue, beginning balance	$	**2,946**	$	3,012
Contributions		**209**		39
Revenue recognized		**(131)**		(105)
Long-term deferred revenue, ending balance		**3,024**		2,946
Current portion of deferred capital contributions		**(134)**		(124)
	$	**2,890**	$	2,822

7. Research grants payable

Research expenses

Under the authority of the Board of Directors, Diabetes Canada awarded research grants during the year in the amount of $6,848 (2022 - $6,385). These amounts are included as research expenditures in the statement of revenues and expenses combined with other associated costs which are related to supporting the Organization's research program activities.

Research grants payable

As research grants are for varying lengths of time and are paid out in installments, a payable is recorded, which reflects the difference between amounts authorized and the amount paid to date. The changes in the research grants payable balance are outlined below:

		2023		2022
Research grants, opening balance	$	**5,850**	$	2,038
Additional grants authorized and recognized as expense		**6,848**		6,385
Expenditures during the year		**(5,442)**		(2,573)
Research grants, closing balance	$	**7,256**	$	5,850

Donations received and designated for research in 2023 total $1,605 (2022 - $4,227). Remaining research expenditures are funded by general undesignated donations.

(In thousands of dollars)

8. Employee future benefits

The significant actuarial assumptions adopted in measuring Diabetes Canada's accrued benefit obligation for the non-pension post-retirement benefit plans is as follows:

	2023	2022
Discount rate	**4.7%**	5.1%
Extended health care trend rates	**7.0%**	7.0%

For measurement purposes, a 7.0% annual rate of covered health care benefits was assumed for 2023 (2022 –7.0%). The rate is assumed to decrease linearly to an ultimate rate of 4.0% in 2042.

The measurement date for the accrued benefit obligation, as calculated in Diabetes Canada's actuarial valuation for post-retirement benefits, was performed as of October 31, 2022 and was extrapolated forward to December 31, 2023.

Accrued benefit liability	**2023**	2022
Balance, beginning of year	**$ 860**	$ 583
Service cost for year	**1**	1
Interest on accrued obligation	**43**	16
Benefit payments	**(26)**	(24)
Actuarial losses during the year	**37**	284
Balance, end of year	**$ 915**	$ 860

9. Pension plan

Substantially all full time, permanent employees participate in a defined contribution pension plan. Diabetes Canada's contribution to employee plans for the year amounted to $372 (2022 - $308).

10. Commitments

Operating leases

Diabetes Canada rents premises and operating equipment under various lease agreements. The minimum annual lease payments are as follows:

2024	$ 971
2025	249
2026	20
2027	6
2028	5
	$ 1,251

In addition, Diabetes Canada is committed to its share of realty taxes and operational costs for its rented premises.

(In thousands of dollars)

11. Endowments

		2023		2022
Jamie Malcolm endowment	$	1,013	$	1,013
Camp endowment		52		50
Research endowment		241		193
	$	1,306	$	1,256

The Jamie Malcolm Endowment Fund was established to assist people who meet certain criteria in the management of their diabetes. The purpose of the Fund was amended in December 2014 to benefit children and youth affected by diabetes. The original capital of $1,000 is to be held in perpetuity and invested, and the investment income is to be expended in accordance with the purpose of the Fund.

The Camp Endowment Fund consists of a $52 endowment gift and was established to support camp subsidies in Manitoba. The original capital of $50, together with $2 of capital appreciation, is to be held in perpetuity and invested, and the investment income is to be expended in accordance with the purpose of the Fund.

The Research Endowment Fund consists of $241 in endowment gifts and was established to support diabetes research and research projects for Type 1 diabetes. The original capital of $233, together with $8 of capital appreciation, is to be held in perpetuity and invested, and the investment income is to be expended in accordance with the purpose of the Fund.

Investment income earned on endowments amounted to $39 (2022 - $19). Amounts were expended in accordance with the respective endowment fund requirements during the year, and as such investment income has been recognized in investment and other income on the statement of revenue and expenses.

12. Related parties

Diabetes Ontario Trust

The Organization entered into an agreement with the Juvenile Diabetes Research Foundation to form Diabetes Canada in 1982. As of 2016, the organization changed its operating name to Diabetes Ontario Trust. On September 29, 2023, the organization legally changed its name to Diabetes Ontario Trust. Diabetes Ontario Trust was established to raise funds to be used to promote medical research and a greater understanding of diabetes. Effective September 30, 1991, Diabetes Ontario Trust ceased active fundraising operations with the exception of fundraising from the Ontario Federated Health Campaign.

Under the terms of the trust agreement, Diabetes Canada receives a portion of the net proceeds from fundraising according to a formula determined by the Diabetes Ontario Trust Board. Included in support from the public is $85 (2022 - $76) representing Diabetes Canada’s share of net proceeds from fundraising by Diabetes Ontario Trust.

(In thousands of dollars)

12. Related parties (continued)

National Diabetes Trust

The financial information of National Diabetes Trust is as follows:

Balance sheet

		2023		2022
Assets	**$**	**4,105**	$	3,569
Liabilities	**$**	**5,774**		5,256
Deficit		**(1,669)**		(1,687)
	$	**4,105**	$	3,569

Liabilities include $1,114 (2022 - $693) that is payable to Diabetes Canada and is shown as due from the Trust on Diabetes Canada's statement of financial position. The amount is due on demand and is non-interest bearing. Diabetes Canada’s investment in the National Diabetes Trust is recorded at $Nil since its equity is in a deficit position.

Statement of income

		2023		2022
Revenue	**$**	**45,821**	$	42,228
Expenses		**42,885**		38,296
Net income before distribution to Diabetes Canada		**2,936**		3,932
Distribution of income to Diabetes Canada		**(2,918)**		(4,223)
Net income (loss) for the year	**$**	**18**	$	(291)

Included in expenses are administrative services provided by Diabetes Canada in the amount of $1,475 (2022 - $1,404), in accordance with an agreement dated January 1, 2012 between Diabetes Canada and the Trust, whereby Diabetes Canada agreed to provide certain services to the Trust. The agreement is for an indefinite term but may be terminated by either party providing 90 days or more notice to the other party. The administration costs are estimates based on usage of IT, human resources and other staff time required to run the Trust in a cost-efficient manner.

Statement of cash flows

		2023		2022
Cash flows from				
Operating activities	**$**	**1,302**	$	(2,345)
Financing activities		**232**		38
Investing activities		**(1,322)**		(1,011)
Net increase (decrease) in cash during the year		**212**		(3,318)
Cash, beginning of year		**733**		4,051
Cash, end of year	**$**	**945**	$	733

(In thousands of dollars)

13. Investment and other income

	2023	2022
Investment income	$ **2,066**	$ 870
Advertising and royalty income	**106**	126
Miscellaneous revenue	**148**	137
	$ **2,320**	$ 1,133

14. Allocation of expenses

Diabetes Canada allocates common expenses consisting of salaries, occupancy costs and other administrative expenses based on the estimated time spent on each activity. Such allocations are reviewed regularly by management. Common expenses are essential for programming to exist and hence a portion of these expenses are directly allocated to programs and public relations and development.

All costs of fundraising are included in public relations and development; none are allocated to programs.

Diabetes Canada has allocated its common expenses as follows:

	2023	2022
Programs	$ **6,756**	$ 6,482
Public relations and development	**7,305**	5,290
Administration	**1,776**	1,744
	$ **15,837**	$ 13,516

15. Line of credit

Diabetes Canada has an unused line of credit of $5,000 (2022 - $3,200) at the bank's prime rate. The line of credit is secured by the assets of Diabetes Canada. The line of credit was not utilized during the year.

16. Financial instruments

Diabetes Canada is exposed to various financial risks through transactions in financial instruments.

Credit risk

Credit risk arises as a result of the potential non-performance by counterparties of contract obligations which could lead to a financial loss to Diabetes Canada. Diabetes Canada’s credit risk relates to its receivables and fixed income investments.

16. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that Diabetes Canada will encounter difficulty in meeting its obligations. Diabetes Canada meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.

Market risk

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

Interest rate risk

Interest rate risk is the risk that the fair value of or future cash flows from a financial instrument will fluctuate because of market changes in interest rates. Diabetes Canada is subject to interest rate risk on its fixed income investments.

Foreign currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Diabetes Canada is exposed to currency risk on its investments held in foreign currencies.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Diabetes Canada is exposed to other price risk through its investments quoted in an active market.

17. Guarantees

Diabetes Canada has provided a guarantee on any of the obligations and liabilities imposed on National Diabetes Trust under the terms of the Trust’s vehicle lease service agreements. The guarantee provided by Diabetes Canada exists for the duration of the lease agreements in place. As at December 31, 2023, the Trust is in compliance with the agreements. The total future lease commitments as at December 31, 2023 is $8,133 (2022 - $4,120). Historically, the Organization has not made any payments under such guarantee and therefore, no amount has been accrued in the non-consolidated financial statements with respect to these agreements.

18. Comparatives

Comparative figures have been adjusted to conform to the current year presentation.