Grant Thornton

Consolidated Financial Statements

Juvenile Diabetes Research Foundation Canada

December 31, 2015

Contents

Grant Thornton

Independent Auditor's Report

Grant Thornton LLP
11th Floor
200 King Street West, Box 11
Toronto, ON
M5H 3T4

T +1 416 366 0100
F +1 416 360 4949
www.GrantThornton.ca

To the Members of
Juvenile Diabetes Research Foundation Canada

We have audited the accompanying consolidated financial statements of Juvenile Diabetes Research Foundation Canada, which comprise the consolidated statement of financial position as at December 31, 2015 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and 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.

Basis for qualified opinion

In common with many charitable organizations, Juvenile Diabetes Research Foundation Canada derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of this revenue 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 revenue from campaigns and direct response activities, the deficiency of revenue over expenses, and cash flows from operations for the years ended December 31, 2015 and 2014, current assets as at December 31, 2015 and 2014, and net assets as at January 1, 2015 and 2014 and December 31, 2015 and 2014.

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, 2015, 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.

Other matter

Without modifying our opinion, we note that the comparative balances of Juvenile Diabetes Research Foundation Canada at December 31, 2014 and for the year then ended were audited by another auditor, who expressed a qualified opinion, because of the possible effects of the limitation in scope described in the *Basis for qualified opinion* paragraph, on those consolidated financial statements dated May 7, 2015.

Grant Thornton LLP

Toronto, Canada
April 20, 2016

Chartered Professional Accountants
Licensed Public Accountants

Juvenile Diabetes Research Foundation Canada
Consolidated Statement of Operations
Year ended December 31,

	JDRFC (Note 1)	CCTN (Note 1)	**Total 2015**	Total 2014
Revenue				
Campaigns	$ 19,262,853	$ 117,436	**$ 19,380,289**	$ 20,202,971
Grants	-	625,000	**625,000**	705,000
Direct response	271,509	-	**271,509**	426,526
Investment income	128,380	-	**128,380**	235,383
Total revenue	19,662,742	742,436	**20,405,178**	21,569,880
Expenses (Note 10)				
Program costs				
Research support grants	7,236,562	625,000	**7,861,562**	8,709,567
Public education and advocacy	970,262	-	**970,262**	943,664
	8,206,824	625,000	**8,831,824**	9,653,231
Support costs				
Fundraising	9,757,367	-	**9,757,367**	9,839,204
Management and administration	3,449,157	873,586	**4,322,743**	4,087,055
Political activities	147,965	-	**147,965**	240,332
	13,354,489	873,586	**14,228,075**	14,166,591
Total expenses	21,561,313	1,498,586	**23,059,899**	23,819,822
Deficiency of revenue over expenses	$ (1,898,571)	$ (756,150)	**$ (2,654,721)**	$ (2,249,942)
Net assets, beginning of the year	$ 9,320,113	$ -	**$ 9,320,113**	$ 11,570,055
Deficiency of revenue over expenses	(1,898,571)	(756,150)	**(2,654,721)**	(2,249,942)
Support to CCTN from JDRFC (Note 11)	(756,150)	756,150	**-**	-
Net assets, end of year	$ 6,665,392	$ -	**$ 6,665,392**	$ 9,320,113

See accompanying notes to the consolidated financial statements.

Juvenile Diabetes Research Foundation Canada
Consolidated Statement of Changes in Net Assets
Year ended December 31,

	Unrestricted	Restricted for endowment purposes	**Total 2015**	Total 2014
Net assets, beginning of year	$ 9,234,613	$ 85,500	**$ 9,320,113**	$ 11,570,055
Deficiency of revenue over expenses	(2,654,721)	-	**(2,654,721)**	(2,249,942)
Net assets, end of year	$ 6,579,892	$ 85,500	**$ 6,665,392**	$ 9,320,113

See accompanying notes to the consolidated financial statements.

Juvenile Diabetes Research Foundation Canada
Consolidated Statement of Financial Position

December 31,	**2015**	2014
Assets		
Current		
Cash	**$ 5,669,210**	$ 6,355,986
Restricted cash (Note 7)	**2,606,245**	2,002,158
Short-term investments (Note 3)	**140,075**	2,011,640
Accounts receivable	**449,949**	854,385
Prepaid expenses and other assets	**212,187**	461,925
	9,077,666	11,686,094
Investments held for endowment purposes (Note 3)	**85,500**	85,500
Capital assets (Note 4)	**211,833**	257,380
Intangible assets (Note 5)	**527,985**	118,840
	$ 9,902,984	$ 12,147,814
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	**$ 631,347**	$ 825,543
Deferred contributions (Note 7)	**2,606,245**	2,002,158
	3,237,592	2,827,701
Net assets		
Unrestricted	**6,579,892**	9,234,613
Restricted for endowment purposes	**85,500**	85,500
	6,665,392	9,320,113
	$ 9,902,984	$ 12,147,814

Commitments and contingencies (Notes 8 and 9)

On behalf of the Foundation

_____ Director _____ Director

See accompanying notes to the consolidated financial statements.

Juvenile Diabetes Research Foundation Canada
Consolidated Statement of Cash Flows

Year ended December 31,	**2015**	2014
Increase (decrease) in cash		
Operating		
Deficiency of revenue over expenses	**$ (2,654,721)**	$ (2,249,942)
Items not affecting cash		
Amortization of capital assets	**54,153**	53,373
Amortization of intangible assets	**35,647**	36,426
Change in fair value of investments	**(63,610)**	(83,818)
	(2,628,531)	(2,243,961)
Changes in non-cash working capital items		
Accounts receivable	**404,436**	(111,500)
Prepaid expenses and other assets	**249,738**	(163,493)
Accounts payable and accrued liabilities	**(194,196)**	(575,933)
Deferred contributions	**604,087**	902,158
	(1,564,466)	(2,192,729)
Investing		
Change in investments (net)	**1,935,175**	(172,245)
Purchase of capital assets	**(8,606)**	(86,716)
Purchase of intangible assets	**(444,792)**	(67,695)
	1,481,777	(326,656)
Decrease in cash	**(82,689)**	(2,519,385)
Cash		
Beginning of year	**8,358,144**	10,877,529
End of year	**$ 8,275,455**	$ 8,358,144

Cash consists of		
Cash	**$ 5,669,210**	$ 6,355,986
Restricted cash	**2,606,245**	2,002,158
	$ 8,275,455	$ 8,358,144

See accompanying notes to the consolidated financial statements.

1. Purpose of the organization

Juvenile Diabetes Research Foundation Canada (JDRFC) is a national charitable organization with chapters across Canada that are involved in various local and national activities. JDRFC's mission is to find a cure for diabetes and its complications through the support of research, focusing on Type 1 diabetes. JDRFC collaborates 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.

In addition, JDRFC engages in public education and advocacy activities.

JDRFC is one of seven affiliates of Juvenile Diabetes Research Foundation International (JDRFI). 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.

The consolidated financial statements include the financial activities and financial position of JDRFC and its fully-controlled subsidiary organization, JDRF-Canadian Clinical Trial Network (CCTN). This organization was created on April 13, 2010 to establish a clinical trial network for Type 1 diabetes research on a Canada-wide platform through the assistance of Southern Ontario Development Plan (SODP).

JDRFC and CCTN were incorporated under the Canada Corporations Act as not-for-profit organizations without share capital and continued under the Canada Not-for-profit Corporations Act in October 2014. JDRFC and CCTN are registered charities with the Canada Revenue Agency (CRA) under Section 149 of the Income Tax Act (Canada) and are exempt from income taxes, with the CRA registration numbers 118976604RR0001 and 812584068RR0001, respectively.

2. Summary of significant accounting policies

The consolidated financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO), the more significant of which are outlined below.

Changes in accounting policies

Commencing in 2015, management adopted the principles of fund accounting to present the operating activities of JDRFC and CCTN in separate funds in the statements of operations and changes in net assets. This change did not impact the statements of financial position or cash flows, the deficiency of revenue over expenses or the amounts presented in prior periods.

In addition, during 2015, management reviewed and adjusted its expense allocation policy to better reflect the underlying time spent on its activities. The new basis of expense allocation was retrospectively applied to the prior period. There was no impact on the statements of financial position or cash flows, the deficiency of revenue over expenses, or the amounts presented in prior periods, other than the changes in expense balances, as described in Note 10.

2. Summary of significant accounting policies (continued)

Fund accounting

The organization uses fund accounting to present its consolidated financial statements whereby resources for particular purposes are classified for accounting and reporting purposes into one of the following funds:

JDRFC

JDRFC discloses the activities of the unrestricted operating fund associated with JDRFC's day-to-day operations, as well as the net assets restricted for endowment purposes.

JDRFC includes the financial activities and financial position of the JDRFC head office and its chapters, which include: Toronto, South Central Ontario, Southwestern Ontario, British Columbia - Yukon, Southern Alberta, North Central Alberta and Northwest Territories, Prairies, Northeastern Ontario, Quebec and Atlantic.

CCTN

CCTN discloses the activities associated with CCTN's day-to-day operations, which are supported by JDRFC (Note 11). CCTN's net asset balance is $Nil (2014 - $Nil).

Interfund transfers

Transfers between JDRFC and CCTN are completed when resources of one have been approved to finance activities and acquisitions in the other.

Revenue recognition

JDRFC uses the deferral method of recognizing externally restricted contributions. Under the deferral method, externally restricted contributions, other than endowments, are recognized as revenue in the year in which the related expenses are incurred. Endowments are recognized as a direct increase to net assets. Unrestricted contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Investment income is recognized as revenue when earned. The income from endowments is to be used for general purposes, unless otherwise specified by the donor.

Deferred contributions

Deferred contributions represent externally restricted funds received for research and grant commitments. These funds are deferred until such time as the commitments are paid or the funds are used for the designated purpose.

Charity casino and bingo events

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

2. Summary of significant accounting policies (continued)

Contributed services

The work of JDRFC benefits from a substantial number of volunteers who have made significant contributions of their time to JDRFC and its purpose. Since these services are not normally purchased by JDRFC and because of the difficulty of determining their fair value, the value of this contributed time is not reflected in these consolidated financial statements.

Allocation of expenses

JDRFC allocates salaries and benefits, rent, and office and other expenses to public education and advocacy, fundraising, management and administration, and political activities. Allocations are based on the time spent by the employees on each function. The details of the allocation are disclosed in Note 10.

Research support grants

Research support grants are made by JDRFC and CCTN to research applicants as approved by both JDRFC and JDRFI. These grants are recorded as an expense when funds are advanced.

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 operations.

Financial assets are tested for impairment at the end of each reporting period when there are indicators the assets may be impaired.

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:

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

Intangible assets

Intangible assets (Note 5) 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 basis.

2. Summary of significant accounting policies (continued)

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 revenue and expenses during the reporting period. The most significant estimates relate to the collectability of accounts receivable and the estimated useful lives of capital and intangible assets. Actual results could differ from those estimates.

3. Investments

	2015	2014
Cash	**$ 154,188**	$ 48,837
Guaranteed investment certificates	**71,387**	675,245
Government bonds	**-**	1,373,058
	225,575	2,097,140
Less: short-term investments	**140,075**	2,011,640
Investments held for endowment purposes	**$ 85,500**	$ 85,500

4. Capital assets

			2015	2014
	Cost	Accumulated Amortization	**Net Book Value**	Net Book Value
Leasehold improvements	$ 265,005	$ 143,884	**$ 121,121**	$ 144,191
Computer hardware	402,662	327,573	**75,089**	96,481
Office equipment, furniture and fixtures	526,045	510,422	**15,623**	16,708
	$ 1,193,712	$ 981,879	**$ 211,833**	$ 257,380

5. Intangible assets

			2015	2014
	Cost	Accumulated Amortization	**Net Book Value**	Net Book Value
Computer software	$ 1,386,979	$ 858,994	**$ 527,985**	$ 118,840

During the year, JDRFC began the installation of a new constituent relationship management system and costs of $444,792 (2014 - $Nil) were incurred. Amortization will commence upon completion of the installation in 2016.

6. Government remittances payable

Included in accounts payable and accrued liabilities are remittances payable to the government of $1,858 (2014 - $1,457).

7. Deferred contributions and restricted cash

	2015	2014
Balance, beginning of year	**$ 2,002,158**	$ 1,100,000
Amounts received during the year	**1,229,087**	1,607,158
Amounts recognized as revenue during the year	**(625,000)**	(705,000)
Balance, end of year	**$ 2,606,245**	$ 2,002,158

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:

2016	$ 587,408
2017	518,461
2018	395,672
2019	291,622
2020	250,572
Thereafter	45,028
	$ 2,088,763

8. Commitments (continued)

Subsequent to year end, JDRFC committed to research support grants as follows:

2016	$ 200,000
2017	200,000
	$ 400,000

9. Banking arrangements

JDRFC has a line of credit of $1,000,000 available for its use with its principal bank. The facility bears interest at the bank's prime rate and is secured by an assignment of amounts on deposit with the bank, by all of the chapters and the head office. As at December 31, 2015, no amounts have been drawn against this facility (2014 - $Nil).

10. Allocation of expenses in JDRFC

Allocated expenses	Public education and advocacy	Fundraising	Management and administration	Political activities	**Total 2015**
Salaries and benefits	$ 653,302	$ 5,526,255	$ 1,524,508	$ 88,587	**$ 7,792,652**
Office and other expenses	50,792	200,261	808,338	6,078	**1,065,469**
Rent	118,744	283,076	199,548	10,885	**612,253**
	822,838	6,009,592	2,532,394	105,550	**9,470,374**
Direct expenses	147,424	3,747,775	916,763	42,415	**4,854,377**
Total	$ 970,262	$ 9,757,367	$ 3,449,157	$ 147,965	**$ 14,324,751**

Allocated expenses	Public education and advocacy	Fundraising	Management and administration	Political activities	Total 2014
Salaries and benefits	$ 568,931	$ 5,503,896	$ 1,362,108	$ 63,070	$ 7,498,005
Office and other expenses	60,531	236,422	748,122	7,831	1,052,906
Rent	125,564	283,646	260,677	13,188	683,075
	755,026	6,023,964	2,370,907	84,089	9,233,986
Direct expenses	188,638	3,815,240	894,985	156,243	5,055,105
Total, as restated	$ 943,664	$ 9,839,204	$ 3,265,892	$ 240,332	$ 14,289,092
Total, as previously stated (Note 2)	$ 276,259	$ 11,384,427	$ 2,432,070	$ 196,336	$ 14,289,092

10. Allocation of expenses in JDRFC (continued)

Expenses were allocated as follows: 9% to public education and advocacy (2014 – 8%), 63% to fundraising (2014 – 65%), 27% to management and administration (2014 - 26%), and 1% to political activities (2014 – 1%).

11. Support to CCTN from JDRFC

JDRFC and its Board of Directors agree to support the operations of CCTN as an independent entity on a year over year basis as required.

During the year, JDRFC transferred $756,150 (2014 - $821,163) to CCTN to cover its administrative expenses, which included an allocation of salaries and benefits costs of $351,870 (2014 - $358,800) for services provided to CCTN.

12. Related party transactions

In 2015, JDRFC facilitated the collection of certain research grants in the amount of $Nil (2014 - $604,687) on behalf of JDRFI from a third party and remitted these research grants to JDRFI.

13. 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 currency exchange risk.

Interest rate risk

Interest rate risk is the risk that the fair value (price risk) or future cash flows (cash flow risk) of a financial instrument will fluctuate because of changes in market interest rates. JDRFC is exposed to price risk with respect to investments with fixed interest rates, and is not exposed to significant cash flow risk.

Market risk

Market risk arises from the possibility that changes in market prices will affect the value of the financial assets of JDRFC. JDRFC manages its risk by investing only in high quality fixed income investments. 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, investments (Note 3), and accounts receivable. JDRFC places its cash and investments with high quality institutions to mitigate this risk. JDRFC manages credit risk related to its accounts receivable through regular monitoring of balances and communication with debtors.

13. Financial risk management (continued)

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.

14. Comparative figures

Certain comparative figures have been reclassified to conform to the consolidated financial statement presentation adopted for 2015.