



Financial Statements

**Canadian Diabetes Association (o/a
Diabetes Canada)**

December 31, 2021

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Independent auditor's report

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

Qualified Opinion

We have audited the financial statements of Canadian Diabetes Association (o/a Diabetes Canada) (the "Organization"), which comprise the statement of financial position as at December 31, 2021, the statements of revenue and expenses, changes in fund balances and cash flows for the year then ended, and notes to the 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 financial statements present fairly, in all material respects, the financial position of Canadian Diabetes Association (o/a Diabetes Canada) as at December 31, 2021, 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

In common with many charitable organizations, the Canadian Diabetes Association (o/a Diabetes Canada) derives revenue from donations, bequests and other fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Canadian Diabetes Association (o/a Diabetes Canada). 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, 2021 and 2020, current assets as at December 31, 2021 and 2020 and fund balances as at January 1 and December 31 for both 2021 and 2020. Our audit opinion on the financial statements for the year ended December 31, 2020 was modified accordingly because of the possible effects of this limitation in scope.

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 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 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 Financial Statements

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the 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.

Toronto, Canada
March 31, 2022

Grant Thornton LLP

Chartered Professional Accountants
Licensed Public Accountants

Canadian Diabetes Association (o/a Diabetes Canada)

Statement of financial position

As at December 31

(In thousands of dollars)

	2021	2020
Assets		
Current		
Cash	\$ 26,318	\$ 12,680
Restricted cash (Note 3)	3,009	2,863
Investments (Note 3)	2,237	2,235
Restricted investments (Note 3)	49	31
Accounts receivable	2,106	1,521
Amount due from National Diabetes Trust (Note 12)	4,324	3,260
Promissory note due from National Diabetes Trust (Note 12)	-	1,034
Prepaid expenses	811	578
Total current assets	38,854	24,202
Long-term		
Restricted investments (Note 3)	1,006	1,009
Property and equipment (Note 4)	2,823	2,091
Intangible assets (Note 5)	1,843	2,573
Total assets	\$ 44,526	\$ 29,875

Liabilities and fund balances

Current		
Accounts payable and accrued liabilities	\$ 1,971	\$ 1,556
Deferred revenue (Note 6)	1,318	2,446
Research grants and personnel awards payable	2,038	781
Total current liabilities	5,327	4,783
Long-term		
Deferred revenue (Note 6)	2,943	2,950
Employee future benefits (Note 8)	583	614
Total liabilities	8,853	8,347
Total fund balances (Page 6)	35,673	21,528
Total liabilities and fund balances	\$ 44,526	\$ 29,875

Commitments (Note 10)

Guarantees (Note 17)

Approved by the Board of Directors



 Dr. Peter Senior, Chair of the Board



 Laura Syron, Chief Executive Officer

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

Canadian Diabetes Association (o/a Diabetes Canada)

Statement of revenue and expenses

Year ended December 31

(In thousands of dollars)

	2021	2020
Revenue		
Support from the public	\$ 27,171	\$ 21,211
Income from National Diabetes Trust (Notes 1 and 12)	6,145	3,293
Government assistance (Note 18)	1,228	3,226
Education programs	404	441
Camp programs	-	6
Income from other charitable activities	965	757
Investment and other income (Note 13)	<u>287</u>	<u>287</u>
 Total revenue	 <u>36,200</u>	 <u>29,221</u>
Expenses		
Improving management and prevention	5,656	5,759
Research (Note 7)	2,858	933
Drive for excellence in diabetes care	1,585	1,303
Helping children and adults with T1D	<u>829</u>	<u>1,088</u>
 Total program expenses	 <u>10,928</u>	 <u>9,083</u>
Support		
Administration	2,461	2,040
Public relations and development	<u>8,697</u>	<u>8,078</u>
 Total support expenses	 <u>11,158</u>	 <u>10,118</u>
 Total expenses	 <u>22,086</u>	 <u>19,201</u>
Excess of revenue over expenses	<u>\$ 14,114</u>	<u>\$ 10,020</u>

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

Canadian Diabetes Association (o/a Diabetes Canada)

Statement of changes in fund balances

Year ended December 31, 2021

(In thousands of dollars)

	<u>Operating Fund</u>	<u>Charles H. Best Fund (Notes 2 & 7)</u>	<u>Endowments (Note 11)</u>	<u>2021 Total</u>	<u>2020 Total</u>
Balances, beginning of year	\$ 20,272	\$ -	\$ 1,256	\$ 21,528	\$ 11,506
Revenue	36,010	190	-	36,200	29,221
Expenses	(19,761)	(2,325)	-	(22,086)	(19,201)
Transfer between funds	(2,135)	2,135	-	-	-
Re-measurements and other items relating to employee future benefits	<u>31</u>	<u>-</u>	<u>-</u>	<u>31</u>	<u>2</u>
Balances, end of year	<u>\$ 34,417</u>	<u>\$ -</u>	<u>\$ 1,256</u>	<u>\$ 35,673</u>	<u>\$ 21,528</u>

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

Canadian Diabetes Association (o/a Diabetes Canada)

Statement of cash flows

Year ended December 31

(In thousands of dollars)

	2021	2020
Operating activities		
Excess of revenue over expenses	\$ 14,114	\$ 10,020
Add non-cash items		
Amortization of property and equipment	297	414
Amortization of intangible assets	715	760
Amortization of deferred revenue related to capital assets	<u>(74)</u>	<u>(91)</u>
	15,052	11,103
Changes in non-cash operating items		
Amount due from National Diabetes Trust	(1,064)	(1,491)
Accounts receivable	(585)	(402)
Prepaid expenses	(233)	140
Accounts payable and accrued liabilities	415	(970)
Deferred revenue	(1,061)	819
Research grants and personnel awards payable	1,257	<u>(1,499)</u>
	13,781	<u>7,700</u>
Investing activities		
Decrease (increase) in promissory note due from National Diabetes Trust	1,034	(34)
Purchase of property and equipment	(1,014)	(242)
Purchase of intangible assets	-	(28)
(Increase) decrease in investments, net	(17)	<u>264</u>
	3	<u>(40)</u>
Increase in cash during the year	13,784	7,660
Cash, beginning of year	15,543	<u>7,883</u>
Cash, end of year	\$ 29,327	\$ 15,543
<hr/>		
Cash consists of:		
Cash	\$ 26,318	\$ 12,680
Restricted cash	3,009	<u>2,863</u>
Cash, end of the year	\$ 29,327	\$ 15,543

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

Canadian Diabetes Association (o/a Diabetes Canada)

Notes to the financial statements

December 31, 2021

(In thousands of dollars)

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 is established as a non-profit corporation under the Canada Not-for-profit Corporations Act and is a registered charity with Canada Revenue Agency, and thus not subject to income taxes. Diabetes Canada’s mission is to lead the fight against diabetes by helping those affected with diabetes to live healthy lives, preventing the onset and consequences of diabetes, while it works to discover a cure. Diabetes Canada is national, and membership based.

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.

Canadian Diabetes Association (o/a Diabetes Canada)

Notes to the financial statements

December 31, 2021

(In thousands of dollars)

2. Significant accounting policies

Basis of presentation

The 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:

Charles H. Best Fund

The Charles H. Best Fund ("Best Fund") represents amounts to finance research. Although the Best Fund has its own sources of revenue, if those sources are not sufficient to provide for the research commitments approved to date, funds are transferred from the Operating Fund to the Best Fund in order to cover the approved research commitments. During the year ended December 31, 2021, the Organization transferred \$2,135 (2020 - \$Nil) from the Operating Fund to the Best Fund.

Endowment Fund

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

Operating Fund

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.

The Organization recognizes government assistance towards current expenses in the statement of revenue and expenses. When government assistance relates to future expenses, the Organization defers the assistance and recognizes it in the statement of revenue and expenses as the related expenses are incurred.

Canadian Diabetes Association (o/a Diabetes Canada)

Notes to the financial statements

December 31, 2021

(In thousands of dollars)

2. Significant accounting policies (continued)

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 capital 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.

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
- promissory notes
- investments
- payables

Initial measurement

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

Canadian Diabetes Association (o/a Diabetes Canada)

Notes to the financial statements

December 31, 2021

(In thousands of dollars)

2. Significant accounting policies (continued)

Subsequent measurement

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.

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 to be realized within one year. All other investments are considered long-term.

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 at the time the grants are approved. Should any condition of the award not be met, the monies which have been recorded as payable are credited to research grants expense.

Canadian Diabetes Association (o/a Diabetes Canada)

Notes to the financial statements

December 31, 2021

(In thousands of dollars)

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

Canadian Diabetes Association (o/a Diabetes Canada)

Notes to the financial statements

December 31, 2021

(In thousands of dollars)

3. Investments

Investments may include GICs and cash equivalents, fixed income instruments and Canadian equities including common and preferred shares. The fixed income instruments have effective annual interest rates ranging from 0.9% to 2.22% (2020 – 0.9% to 2.25%) with maturity dates ranging from 6 months to 2.75 years (2020 - 4 months to 1.75 years).

a) Unrestricted investments

	<u>2021</u>	<u>2020</u>
Short-term investments		
GICs and cash equivalents	\$ 2,006	\$ 2,002
Canadian equities	<u>231</u>	<u>233</u>
	<u>\$ 2,237</u>	<u>\$ 2,235</u>

b) Restricted cash and investments

The following summarizes Diabetes Canada's restricted investments at December 31:

	<u>2021</u>	<u>2020</u>
Restricted cash	<u>\$ 3,009</u>	<u>\$ 2,863</u>
Restricted investments		
Short-term investments		
GICs and cash equivalents	<u>\$ 49</u>	<u>\$ 31</u>
Long-term investments		
Fixed income	<u>\$ 1,006</u>	<u>\$ 1,009</u>
Total restricted investments	<u>\$ 1,055</u>	<u>\$ 1,040</u>
Total restricted cash and investments	<u>\$ 4,064</u>	<u>\$ 3,903</u>

The amounts are restricted for the following:

	<u>2021</u>	<u>2020</u>
Government health programs	\$ 351	\$ 1,245
Research	1,886	847
Endowments and restricted donations	<u>1,827</u>	<u>1,811</u>
	<u>\$ 4,064</u>	<u>\$ 3,903</u>

Canadian Diabetes Association (o/a Diabetes Canada)

Notes to the financial statements

December 31, 2021

(In thousands of dollars)

4. Property and equipment

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2021 Net Book Value</u>	<u>2020 Net Book Value</u>
Land	\$ 25	\$ -	\$ 25	\$ 25
Buildings	3,906	1,387	2,519	1,671
Computer hardware	1,889	1,810	79	96
Furniture and equipment	1,509	1,317	192	278
Leasehold improvements	<u>1,420</u>	<u>1,412</u>	<u>8</u>	<u>21</u>
	<u>\$ 8,749</u>	<u>\$ 5,926</u>	<u>\$ 2,823</u>	<u>\$ 2,091</u>

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 \$988 (2020 - \$199) of property and equipment not being amortized at year end as they relate to projects not yet complete.

5. Intangible assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2021 Net Book Value</u>	<u>2020 Net Book Value</u>
Computer software	<u>\$ 6,190</u>	<u>\$ 4,347</u>	<u>\$ 1,843</u>	<u>\$ 2,573</u>

Diabetes Canada has \$Nil of computer software (2020 - \$91) not being amortized at year end as they relate to projects not yet complete.

Canadian Diabetes Association (o/a Diabetes Canada)

Notes to the financial statements

December 31, 2021

(In thousands of dollars)

6. Deferred revenue

Current

	<u>2021</u>	<u>2020</u>
Fundraising, bequests and other	\$ 972	\$ 1,357
Government health programs	277	952
Capital contributions	69	136
Government grants	<u>-</u>	<u>1</u>
	<u>\$ 1,318</u>	<u>\$ 2,446</u>

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.

The changes in the deferred revenue balance are as follows:

	<u>2021</u>	<u>2020</u>
Long-term deferred revenue, beginning balance	\$ 3,086	\$ 3,166
Additions	-	11
Revenue recognized	<u>(74)</u>	<u>(91)</u>
Long-term deferred revenue, ending balance	3,012	3,086
Current portion of deferred capital contributions	<u>(69)</u>	<u>(136)</u>
	<u>\$ 2,943</u>	<u>\$ 2,950</u>

7. Research program

Under the authority of the Board of Directors, through the budget process, Diabetes Canada awarded research grants and personnel awards in the amount of \$2,325 during the year ended December 31, 2021 (2020 - \$257) which are payable from the Best Fund. The research expense is inclusive of all costs associated with Diabetes Canada research programs. As the grants and awards are for varying lengths of time and are paid out in quarterly instalments, a payable, which reflects the difference between the amounts authorized and the amounts paid to date, is recorded.

Canadian Diabetes Association (o/a Diabetes Canada)

Notes to the financial statements

December 31, 2021

(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:

	<u>2021</u>	<u>2020</u>
Discount rate	2.8%	2.3%
Extended health care trend rates	8.0%	8.0%

For measurement purposes of health care benefits, the rate remained at 8.0% for 2021 and then is expected to decrease by 1.0% per annum to an ultimate 5.0% per annum in 2024.

The measurement date for the accrued benefit obligation, as calculated in Diabetes Canada's actuarial valuation for post-retirement benefits was performed as of December 31, 2018 and was extrapolated forward to December 31, 2021.

Accrued benefit liability	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 614	\$ 616
Service cost for year	1	1
Interest on accrued obligation	14	18
Benefit payments	(20)	(22)
Actuarial gains during the year	<u>(26)</u>	<u>1</u>
Balance, end of year	<u>\$ 583</u>	<u>\$ 614</u>

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 \$266 (2020 - \$274).

Canadian Diabetes Association (o/a Diabetes Canada)

Notes to the financial statements

December 31, 2021

(In thousands of dollars)

10. Commitments

Operating leases

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

2022	\$	1,399
2023		1,173
2024		975
2025		222
Thereafter		<u>14</u>
	\$	<u>3,783</u>

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

11. Endowments

	<u>2021</u>	<u>2020</u>
Jamie Malcolm endowment	\$ 1,013	\$ 1,013
Camp endowment	50	50
Research endowment	<u>193</u>	<u>193</u>
	<u>\$ 1,256</u>	<u>\$ 1,256</u>

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 \$50 endowment gift and was established to support camp subsidies in Manitoba. The original capital of \$50 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 was established to support diabetes research and research projects for Type 1 diabetes. The capital of \$193 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 \$3 (2020 - \$10). Amounts were expended in accordance with the respective endowment fund requirements during the year, and as such interest income has been recognized in investment and other income on the statement of revenue and expenses.

Canadian Diabetes Association (o/a Diabetes Canada)

Notes to the financial statements

December 31, 2021

(In thousands of dollars)

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, this organization is now 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 \$76 (2020 - \$67) representing Diabetes Canada's share of net proceeds from fundraising by Diabetes Ontario Trust.

National Diabetes Trust

The financial information of National Diabetes Trust is as follows:

Balance sheet

	<u>2021</u>	<u>2020</u>
Assets	<u>\$ 6,930</u>	<u>\$ 8,442</u>
Liabilities	<u>\$ 8,326</u>	<u>\$ 9,659</u>
Deficit	<u>(1,396)</u>	<u>(1,217)</u>
	<u>\$ 6,930</u>	<u>\$ 8,442</u>

Liabilities include \$4,324 (2020 - \$3,260) 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

	<u>2021</u>	<u>2020</u>
Revenue	<u>\$ 31,520</u>	<u>\$ 25,984</u>
Expenses	<u>25,554</u>	<u>22,856</u>
Net income before distribution to Diabetes Canada	<u>5,966</u>	<u>3,128</u>
Distribution of income to Diabetes Canada	<u>(6,145)</u>	<u>(3,293)</u>
Net loss for the year	<u>\$ (179)</u>	<u>\$ (165)</u>

Included in expenses are administrative services provided by Diabetes Canada in the amount of \$1,182 (2020 - \$1,227), 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.

Canadian Diabetes Association (o/a Diabetes Canada)

Notes to the financial statements

December 31, 2021

(In thousands of dollars)

12. Related parties (continued)

National Diabetes Trust (continued)

Statement of cash flows

	<u>2021</u>	<u>2020</u>
Cash flows from		
Operating activities	\$ 1,036	\$ 6,119
Financing activities	(1,587)	(1,171)
Investing activities	<u>(49)</u>	<u>(163)</u>
Net increase (decrease) in cash and cash equivalents during the year	(600)	4,785
Cash and cash equivalents (bank indebtedness), beginning of year	<u>4,651</u>	<u>(134)</u>
Cash and cash equivalents (bank indebtedness), end of year	<u>\$ 4,051</u>	<u>\$ 4,651</u>

Promissory notes due from National Diabetes Trust

	<u>2021</u>	<u>2020</u>
Promissory note, interest at prime rate of a Canadian Chartered Bank + 0.25% per annum	<u>\$ -</u>	<u>\$ 1,034</u>

13. Investment and other income

	<u>2021</u>	<u>2020</u>
Investment income – unrestricted	\$ 109	\$ 146
Investment income – externally restricted (Note 11)	3	10
Advertising and royalty income	152	100
Miscellaneous revenue	<u>23</u>	<u>31</u>
	<u>\$ 287</u>	<u>\$ 287</u>

Canadian Diabetes Association (o/a Diabetes Canada)

Notes to the financial statements

December 31, 2021

(In thousands of dollars)

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:

	<u>2021</u>	<u>2020</u>
Programs	\$ 5,866	\$ 6,420
Public relations and development	4,514	5,761
Administration	<u>1,561</u>	<u>127</u>
	<u>\$ 11,941</u>	<u>\$ 12,308</u>

15. Line of credit

Diabetes Canada has an unused line of credit of \$3,200 (2020 - \$3,200) at the bank's prime rate plus 0.25%. 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, promissory notes and fixed income investments.

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.

Canadian Diabetes Association (o/a Diabetes Canada)

Notes to the financial statements

December 31, 2021

(In thousands of dollars)

16. Financial instruments (continued)

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, 2021, the Trust is in compliance with the agreements. The total future lease commitments as at December 31, 2021 is \$1,258. Historically, the Organization has not made any payments under such guarantee and therefore, no amount has been accrued in the financial statements with respect to these agreements.

18. Impact of COVID-19

During the year ended December 31, 2021, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, organizations and businesses are being forced to cease or limit operations for indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to organizations worldwide, resulting in an economic slowdown. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. As a result of the pandemic, the Organization was eligible to apply for and receive federal wage subsidies in order to minimize the impact of the pandemic on its employees. Government subsidies of \$1,228 (2020 - \$3,226) have been recognized as revenue in the statement of revenue and expenses.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Organization for future periods.