Financial statements of

Canadian Diabetes Association

December 31, 2014

Canadian Diabetes Association
December 31, 2014

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Deloitte.

Deloitte LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor's Report

To the Members of
The Canadian Diabetes Association

We have audited the accompanying financial statements of the Canadian Diabetes Association, which comprise the statement of financial position as at December 31, 2014, the statements of revenue and expenses, changes in fund balances and cash flows for the 16 month period then ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Canadian Diabetes Association derives revenue from the general public in the form of donations, bequests and other fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Canadian Diabetes Association and we were not able to determine whether any adjustments might be necessary to individual giving and direct marketing, bequests and events revenue, excess of revenue over expenses, and cash flows from operations for the 16 month period ended December 31, 2014 and the fiscal year ended August 31, 2013, and current assets and fund balances as at December 31, 2014, August 31, 2013, September 1, 2013 and September 1, 2012.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Canadian Diabetes Association as at December 31, 2014, and the results of its operations and its cash flows for the 16 month period then ended in accordance with Canadian accounting standards for not-for-profit-organizations.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
March 26, 2015

Canadian Diabetes Association

Statement of financial position
as at December 31, 2014

(In thousands of dollars)

	December 31, 2014	August 31, 2013 (Restated - Note 2)
	$	$
Assets		
Current		
Cash	**2,385**	1,824
Short-term investments (Note 4)	**6,304**	7,829
Restricted cash and short-term investments (Note 4)	**5,178**	3,942
Accounts receivable	**2,504**	1,453
Other receivables (Note 5)	**1,047**	52
Amount due from National Diabetes Trust (Note 17)	**1,796**	3,619
Prepaid expenses	**566**	1,213
Inventories	**288**	266
Total current assets	**20,068**	20,198
Long-term		
Long-term investments (Note 4)	**520**	4,563
Restricted long-term investments (Note 4)	**811**	804
Other receivables (Note 5)	**442**	636
Capital assets (Note 6)	**5,902**	3,513
Total assets	**27,743**	29,714
Liabilities and fund balances		
Current		
Accounts payable and accrued liabilities (Note 7)	**2,892**	4,503
Deferred revenue (Note 8)	**6,404**	6,696
Research grants and personnel awards payable (Note 10)	**3,093**	4,993
Total current liabilities	**12,389**	16,192
Long-term		
Deferred revenue (Note 9)	**723**	1,051
Research grants payable (Note 10)	**40**	278
Employee future benefits (Notes 2 and 11)	**1,918**	2,060
Total liabilities	**15,070**	19,581
Total fund balances (Page 5)	**12,673**	10,133
Total liabilities and fund balances	**27,743**	29,714

Approved by the Board of Directors

_________________________ Chair of the Board

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

Canadian Diabetes Association

Statement of revenue and expenses
16 month period ended December 31, 2014

(In thousands of dollars)

	2014 (16 months)	2013 (Restated - Note 2) (12 months)
	$	$
Revenue		
Support from the public		
Individual giving and direct marketing	**14,846**	10,213
Income from National Diabetes Trust (Notes 1 and 17)	**11,504**	8,859
Bequests	**9,250**	8,103
Corporate giving	**6,726**	5,794
Events	**4,940**	4,287
Gaming	**463**	190
Car recycling	**206**	62
Total support from the public	**47,935**	37,508
Government health programs (Note 12)	**5,972**	4,868
Services	**4,980**	3,563
Support from other charities and charitable foundations	**3,700**	2,558
Administrative services and interest - National Diabetes Trust (Note 17)	**1,790**	1,348
Government grants	**1,589**	1,107
Other income (Note 18)	**1,043**	795
Total revenue	**67,009**	51,747
Expenses		
Programs		
Services	**27,598**	20,942
Research	**6,651**	7,160
Government health programs	**6,007**	4,902
Total program expenses	**40,256**	33,004
Support		
Fundraising	**14,546**	12,205
Administration (Note 19)	**10,108**	6,000
Total support expenses	**24,654**	18,205
Total expenses	**64,910**	51,209
Excess of revenue over expenses	**2,099**	538

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

Canadian Diabetes Association

Statement of changes in fund balances

16 month period ended December 31, 2014

(In thousands of dollars)

	Operating Fund	Charles H. Best Fund (Note 3)	Endowments (Note 15)	Invested in capital assets	2014 (16 months) Total	2013 (Restated - Note 2) (12 months) Total
	$	$	$	$	$	$
Balances, beginning of year, as restated	**5,732**	**-**	**1,597**	**2,804**	**10,133**	9,472
Excess of revenue over expenses (expenses over revenue)	**5,600**	**(2,214)**	**-**	**(1,287)**	**2,099**	538
Transfers between funds (Note 3)	**(2,045)**	**2,214**	**(169)**	**-**	**-**	-
Contributions and investment income	**-**	**-**	**60**	**-**	**60**	48
Remeasurements and other items relating to employee future benefits	**381**	**-**	**-**	**-**	**381**	75
Deferred revenue for capital assets	**117**	**-**	**-**	**(117)**	**-**	-
Additions to capital assets	**(3,823)**	**-**	**-**	**3,823**	**-**	-
Balances, end of year	**5,962**	**-**	**1,488**	**5,223**	**12,673**	10,133

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

Canadian Diabetes Association

Statement of cash flows
16 month period ended December 31, 2014
(In thousands of dollars)

	2014 (16 months)	2013 (12 months)
	$	$
Operating activities		
Excess of revenue over expenses	2,099	538
Add non-cash items		
Amortization of capital assets	1,144	467
Loss on disposal of capital assets	290	-
Amortization of deferred revenue related to capital assets	(147)	(134)
Adjustment for employee future benefits	239	268
Amortization of deferred rent	(272)	(192)
	3,353	947
Changes in non-cash operating items		
Amount due from National Diabetes Trust	1,823	(765)
Accounts and other receivable	(1,852)	687
Prepaid expenses	647	(398)
Inventories	(22)	34
Accounts payable and accrued liabilities	(1,798)	770
Deferred revenue	(166)	(2,105)
Research grants and personnel awards payable	(2,138)	(158)
	(153)	(988)
Investing activities		
Purchase of capital assets	(3,636)	(2,352)
Increase in deferred revenue - capital assets	117	110
Decrease in deferred revenue - charitable remainder trust	(152)	-
Long-term investments	4,036	4,721
	365	2,479
Financing activity		
Endowment contributions and investment income (Note 15)	60	48
Increase in cash and short-term investments during the year	272	1,539
Cash and short-term investments, beginning of year	13,595	12,056
Cash and short-term investments, end of year	13,867	13,595
Cash and short-term investments consist of:		
Cash	2,385	1,824
Short-term investments	6,304	7,829
Restricted cash and short-term investments	5,178	3,942
	13,867	13,595

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

1. Description of the organization

Canadian Diabetes Association (the “Association”) is a national, independent, self-financing organization. It is established as a non-profit corporation under the *Canada Corporations Act* and is a registered charity with Canada Revenue Agency. The Association's mission is to lead the fight against diabetes by helping people with diabetes live healthy lives while it works to find a cure. The Association is national and membership based.

Under the *Income Tax Act*, the Association is classified as a registered charity and is not subject to income taxes.

In April 2014, the Board of Directors approved a change in the fiscal year end of the Association from August 31 to December 31, effective for calendar year 2014. The 16 month period ended December 31, 2014 represents the financial reporting period required to transition from the August 31 year end date to December 31.

Controlled entities

Diabetes Association (Foothills) (“Foothills”)

Diabetes Association (Foothills) was incorporated on September 23, 1993 as a not-for-profit organization under the Alberta Charitable Fundraising Act, and was a charitable organization within the meaning of the Income Tax Act.

The Association became the sole member of Foothills on April 15, 2011 and controlled it, since the Association determined its projects and direction.

Foothills’ operations were wound up by the Association during the 2012 fiscal year, and the net assets transferred to the Association.

Articles of dissolution were filed on December 6, 2012 voluntarily dissolving Foothills pursuant to Section 211 of the Business Corporations Act (Alberta), and registration as a charity under the income Tax Act (Canada) was voluntarily revoked on July 20, 2013.

Foothills was revived on March 4, 2014 as a not-for-profit organization under the Alberta Charitable Fundraising Act in order to continue to receive gifts left under Last Wills and Testaments. The objectives were amended on September 19, 2014 to support scientific research for a cure for diabetes. Foothills has applied for charitable registration status under the Income Tax Act (Canada) on September 8, 2014.

The financial statements of Foothills have been consolidated in these financial statements, as allowed under Canadian generally accepted accounting principles.

National Diabetes Trust

On January 1, 2012, the Association transferred its Clothesline operations to the National Diabetes Trust (the “Trust”), which was established to develop, invest and operate the Clothesline 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 is controlled by the Association, since the Association determines its projects and direction.

The assets and liabilities of the Association’s clothesline operations as at January 1, 2012 were transferred from the Association to the Trust at their carrying amounts as at that date.

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

Financial information of this controlled entity is provided in Note 17.

2. Change in accounting policy

Effective September 1, 2013, the Association adopted the requirements of the CPA Canada Handbook (“Handbook”), Part III Accounting for Not-For-Profit organizations Section 3463 *Reporting Employee Future Benefits by Not-For-Profit Organizations* (“Section 3463”). In accordance with the transitional provisions of this section, the Association retrospectively applied the revised standard. The 2013 corresponding figures and notes have been restated.

Section 3463 eliminated the deferral and amortization method as a policy choice for accounting for defined benefit plans and the three-month window for measuring plan assets and obligations. The standard requires that changes in the fair value of plan assets and in the measurement of the plan obligation, including past service costs, actuarial gains and losses, and curtailment/settlement gains and losses (remeasurement and other items), will be recognized as a component of fund balances. As a result, the defined benefit asset or liability on the balance sheet reflects the defined benefit obligation, net of the fair value of any plan assets, adjusted for any valuation allowance as of the balance sheet date.

The retrospective application of the new standard resulted in transition adjustment of $75 in 2013.

3. Significant accounting policies

Basis of presentation

The financial statements have been prepared in accordance with accounting standards for not-for-profit organizations published by the Chartered Professional Accountants of Canada, using the deferral method of reporting restricted contributions.

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, these 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 16 month period ended December 31, 2014, a transfer of $2,045 (year ended August 31, 2013 - $3,851) from the Operating Fund to the Best Fund was undertaken.

Operating Fund

The Operating Fund represents amounts to fund the Association’s activities that are not specifically restricted to research.

Endowments

Endowment funds represent funds received which are externally endowed, together with any designated unspent interest.

Revenue recognition

Donations, which have been restricted through specific direction from a contributor, are deferred and recorded as revenue when the related expense occurs. Sponsorships and monies for the Monitors for Health Program received in advance of the related expense are recorded as deferred revenue. Revenues received prior to December 31 (2013 - August 31) 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 capital assets are deferred and amortized to revenue on the same basis as the amortization of the related capital assets. All other donations, bequests and grants are recorded when received.

3. Significant accounting policies (continued)

Revenue recognition (continued)

Donations received by way of Charitable Remainder Trusts/Gifts of Residual Interest vest irrevocably with the Association. These donations are tax receipted by the Association and are recorded as contributions receivable and offsetting deferred revenue at the present value of the contribution. At the time of transfer, the face value of the trust's assets will be recognized as revenue, provided no further restriction on their use exists.

Endowment contributions are recognized as direct increases in the fund balance. Certain endowment contributions require the capital to be retained for a specified period of time. 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.

Pledges which can be reasonably estimated and where collection is reasonably assured are recorded as accounts receivable.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the Association becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost, except for investments. The Association has elected to use the fair value option to measure investments, with any subsequent changes in fair value recorded in the statement of revenue and expenses.

Investments

Restricted and unrestricted short-term and long-term investments are comprised of fixed income certificates and are recorded at fair value. Transactions are recorded on a settlement date basis. Investment income, which consists of interest and realized and unrealized gains and losses, is recorded in the statement of revenue and expenses.

Inventories

Inventories are stated at the lower of average cost and net realizable value.

Capital assets

Capital assets are recorded at cost, except for certain land, buildings and equipment, which are carried at a nominal value (see Note 6). Buildings, furniture and equipment, and computer hardware and software are amortized on a straight-line basis over their average estimated useful lives, as follows:

Buildings	20 years
Furniture and equipment	5 years
Computer hardware and software	3 years

Leasehold improvements are amortized over the term of the leases.

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

Additions to collections

Additions to collections are expensed as incurred.

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.

(In thousands of dollars)

3. Significant accounting policies (continued)

Deferred rent

Deferred rent consisting of lease inducements and free rent is amortized on a straight-line basis over the term of the lease.

Employee future benefits

The cost of the Association's defined benefit plan is determined periodically by an independent actuary. The Association 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 component of the operating fund balance.

Use of estimates

The presentation of the Association'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 capital assets (amortization), amounts payable and accrued liabilities, employee future benefits and allocated expenses.

Controlled profit-oriented enterprise

The Association accounts for its investment in the Trust using the equity method.

4. Cash and investments

Investments are comprised of fixed income certificates. These fixed income instruments have effective annual interest rates ranging from 1.2% to 4.6% (2013 - 1.2% to 4.6%) with maturity dates ranging from 4 months to 5 years (August 31, 2013 - 3 months to 5 years).

a) *Restricted cash and investments*

	December 31, 2014	August 31, 2013
	$	$
Restricted cash and short-term investments		
Cash	**4,978**	3,741
Short-term investments	**200**	201
Total restricted cash and short-term investments	**5,178**	3,942
Restricted long-term investments	**811**	804
Total restricted cash and investments	**5,989**	4,746

(In thousands of dollars)

4. Cash and investments (continued)

a) Restricted cash and investments (continued)

The amounts are restricted for the following:

	December 31, 2014	August 31, 2013
	$	$
Government health programs	**2,286**	3,177
Research	**2,237**	145
Endowments	**1,466**	1,424
	5,989	4,746

b) Unrestricted investments

	December 31, 2014	August 31, 2013
	$	$
Short-term investments	**6,304**	7,829
Long-term investments	**520**	4,563

5. Other receivables

Contribution receivable

The Association is the beneficiary under irrevocable Charitable Remainder Trusts representing investments bearing a capital value of $35 (August 31, 2013 - $483). The income of the trusts will be paid to the donors during their lifetime. Title to these assets will pass to the Association upon the donors' death. The contributions were recorded at their present value of $26 (August 31, 2013 - $177), which was based on independent actuarial valuations (Note 9).

Claims deposit

The Association has made advance payments in the amount of $251 (August 31, 2013 - $249) under a long-term contract with the benefits supplier for the Alberta Monitors for Health program. This contract is automatically renewed annually unless either party gives 60 days written notice.

Promissory notes

	December 31, 2014	August 31, 2013
	$	$
Promissory note (a)	**216**	260
Promissory note (b)	**996**	-
Total	**1,212**	260
Less: current portion	**1,047**	52
Long term portion	**165**	208

(In thousands of dollars)

5. Other receivables (continued)

Promissory notes (continued)

(a) Promissory note

The balance relates to the transfer of the Association's Clothesline operations to the Trust (Notes 1 and 17). The balance is payable in 60 equal monthly instalments commencing on January 1, 2013, bears interest at 4% per annum and is secured by the present and after acquired assets of the Trust.

As at December 31, 2014, the total outstanding balance on the promissory note was $216 (August 31, 2013 - $260).

(b) Promissory note

The Association loaned $995 to the Trust on December 23, 2014. The promissory note was paid in full on January 12, 2015 and had an interest of 4% per annum.

As at December 31, 2014 the total outstanding balance on the promissory note was $996. (August 31, 2013 - $Nil)

6. Capital assets

			December 31, 2014	August 31, 2013
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
Land	**25**	**-**	**25**	25
Buildings	**1,622**	**489**	**1,133**	690
Computer hardware and software	**4,488**	**853**	**3,635**	1,461
Furniture and equipment	**731**	**419**	**312**	550
Leasehold improvements	**1,775**	**978**	**797**	787
	8,641	**2,739**	**5,902**	3,513

In 1981, the Association 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. During the year ended August 31, 2002, the Association was the recipient of a parking lot, adjacent to Banting House, which was recorded in the Association's financial records for two dollars.

During the year ended August 31, 2013, the Association contracted for the implementation of a new customer relationship management system; $2,953 has been incurred by December 31, 2014 (August 31, 2013 - $764), and is included in Computer hardware and software. The system went live on July 1, 2014 and amortization commenced at that time.

The Association has capital assets of $187 (August 31, 2013 - $Nil) included in accounts payable and accrued liabilities.

7. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include $2 (August 31, 2013 - $2) with respect to amounts owing to the Government.

(In thousands of dollars)

8. Deferred revenue - current

	December 31, 2014	August 31, 2013
	$	$
Fundraising and other	**3,486**	2,437
Government health programs	**2,256**	3,262
Restricted donations	**93**	166
Government grants	**503**	639
	6,338	6,504
Deferred rent	**66**	192
	6,404	6,696

9. Deferred revenue - long-term

Long-term deferred revenue is comprised of deferred revenue related to each of capital assets, donations and rent. Deferred revenue relating to capital assets represents restricted donations made for the renovation of buildings and various other capital asset purchases.

The changes in the deferred revenue balance are as follows:

	December 31, 2014	August 31, 2013
	$	$
Capital assets, balance, beginning of year	**709**	733
Additions	**117**	110
Amortization to revenue	**(147)**	(134)
Capital assets, balance, end of year	**679**	709
Deferred donations	**26**	177
Deferred rent	**18**	165
	723	1,051

Deferred donations relate to gifts received by way of Charitable Remainder Trusts (Note 5).

10. Research grants and personnel awards payable

Under the authority of the Board of Directors, through the budget process, the Association awarded research grants and personnel awards in the amount of $5,841 during the fiscal period ended December 31, 2014 (August 31, 2013 - $6,503) which are payable from the Best Fund. As these 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. Research grant amounts of $40 (August 31, 2013 - $278) which are payable beyond one year are recorded as a long-term liability.

(In thousands of dollars)

11. Employee future benefits

The Association provides extended health care and life insurance benefits to future and current retirees of the Association. This plan is accounted for as a defined benefit plan. For all active employees, the accrued benefit obligation was calculated using the projected benefit method pro-rated on service.

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

Discount rate	3.75%
General inflation	2.25%
Extended health care trend rates	6.75%

For measurement purposes, a 6.75% annual rate of increase of covered health care benefits was assumed for 2014 (2013 - 7.5%). The rate is assumed to decrease by 0.25% per annum to an ultimate 5.0% per annum.

The measurement date for the accrued benefit obligation, as calculated in the Association's actuarial valuation for post-retirement benefits was performed as of December 31, 2014.

	December 31, 2014 (16 months)	August 31, 2013 (Restated - Note 2) (12 months)
	$	$
Accrued benefit liability		
Balance, beginning of year	**2,060**	1,867
Service cost for year	**140**	182
Interest on accrued obligation	**99**	86
Actuarial losses during the year	**(381)**	(138)
Section 3463 transition adjustment	**-**	63
Balance, end of year	**1,918**	2,060

The related expense for the 16 month period is $238 (August 31, 2013 - $268). Employer contributions for non-pension post-retirement benefits totalled $48 for the fiscal period ended December 31, 2014 (August 31, 2013 - $27).

12. Government health programs

The Association has contracted with the Ontario and Alberta governments to undertake the processing of claims for reimbursement of certain diabetes related expenses. All related expenses are funded by cash advances from the respective Provincial Governments.

13. Pension plan

Substantially all full time, permanent employees participate in a defined contribution pension plan. The Association's contribution for the 16 month period amounted to $840 (2013 - $539).

(In thousands of dollars)

14. Commitments

Operating leases

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

	$
2015	1,374
2016	1,093
2017	731
2018	555
2019	257
Thereafter	13
	4,023

The Association is also committed to its share of realty taxes and operational costs for its rented premises.

15. Endowments

				December 31, 2014 (16 months)	August 31, 2013 (12 months)
	Endowment Jamie Malcolm	**Endowment Camp**	**Endowment Research**	**Total**	Total
	$	**$**	**$**	**$**	$
Balance, beginning of the year	**1,280**	**50**	**267**	**1,597**	1,549
Contributions received	**2**	**-**	**10**	**12**	10
Investment income	**43**	**1**	**4**	**48**	38
Transfers to operating fund	**(169)**	**-**	**-**	**(169)**	-
Balance, end of year	**1,156**	**51**	**281**	**1,488**	1,597

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 capital is to be held in perpetuity and invested, and the investment income is to be expended in accordance with the purpose of the Fund. During the current fiscal period, $169 was transferred to the operating fund to support Camp Huronda.

The Camp Endowment Fund consisted of two endowment gifts. For the first gift, the capital will be retained for a period of not less than ten years. The investment income was recognized as revenue of the Operating Fund and was used to support camps.

The second gift was established to support camp subsidies in Manitoba. The investment income was recognized as revenue of the Operating Fund and was used to support camp subsidies in Manitoba.

The Research Endowment Fund was established to support diabetes research and research projects for Type 1 diabetes. The capital will be retained. The investment income was recognized as revenue of the Operating Fund and used to support research projects.

(In thousands of dollars)

16. Diabetes Canada

The Association entered into a declaration of trust with the Juvenile Diabetes Research Foundation to form Diabetes Canada. The trust was to raise funds to be used to promote medical research and a greater understanding of diabetes. Effective September 30, 1991, Diabetes Canada ceased active fund-raising operations with the exception of the Ontario Federated Health Campaign.

Under the terms of the trust agreement, the Association receives a portion of the net proceeds from fund raising according to a formula determined by the Board from time to time. Included in other revenue is $80 (2013 - $84) representing the Association's share of net proceeds from fundraising by Diabetes Canada for its year ended December 31, 2014.

17. Controlled entity

National Diabetes Trust

The financial information of the Trust is as follows:

Balance sheet as at

	December 31, 2014	December 31, 2013 (Restated)
	$	$
Assets	**4,837**	5,041
Liabilities	**6,255**	6,204
Fund balance	**(1,418)**	(1,163)
	4,837	5,041

Effective January 1, 2014, the Trust adopted the new requirements of Part II CPA Canada Handbook Accounting for private enterprises Section 3462, Employee Future Benefits. In accordance with the transitional provisions of this section, the Trust retrospectively applied the revised standard. The 2013 corresponding figures were restated.

Section 3462 eliminated the deferral and amortization method as a policy choice for accounting the defined benefit plans. The standard requires that changes in the fair value of plan assets and in the measurement of the plan obligation, including past service costs, actuarial gains and losses, and curtailment/settlement gains and losses, be recognized in the statement of income in the period it incurs. As a result, the defined benefit liability on the balance sheet reflects the defined benefit obligation, net of the fair value of any plan assets, adjusted for any valuation allowance as of the balance sheet date.

The retrospective application of the new standard resulted in a decrease to the deficit as at January 1, 2013 of $45, and a fiscal 2013 transition adjustment of $36. The net impact of the application of the new standard decreased the December 31, 2013 deficit by $68 and the corresponding employee future benefits liability was decreased by $68 to $1,008.

Liabilities include $1,796 (December 31, 2013 - $3,619) that is payable to the Association and is shown as due from the Trust on the Association's statement of financial position. The amount is due on demand and is non-interest bearing.

(In thousands of dollars)

17. Controlled entity (continued)

Statement of income

	December 31, 2014	December 31, 2013 (Restated)
	$	$
Revenue	**38,115**	34,578
Expenses before the undernoted	**28,323**	24,770
	9,792	9,808
Administrative services expense	**1,331**	1,330
Net income before allocation to the Association	**8,461**	8,478
Allocation to the Association	**(8,716)**	(8,741)
Net loss for the year	**(255)**	(263)

The administrative services amount of $1,331 (December 31, 2013 - $1,330) is in accordance with an agreement dated January 1, 2012 between the Association and the Trust, whereby the Association 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.

Statement of cash flows

	December 31, 2014	December 31, 2013 (Restated)
	$	$
Cash flows from		
Operating activities	**(1,387)**	(3,288)
Financing activities	**1,132**	5
Investing activities	**(815)**	(207)
Net decrease in cash and cash equivalents during the year	**(1,070)**	(3,490)
Cash and cash equivalents, beginning of year	**1,068**	4,558
(Bank indebtedness)/cash and cash equivalents, end of year	**(2)**	1,068

18. Other income

	December 31, 2014 (16 months)	August 31, 2013 (12 months)
	$	$
Interest income	**337**	435
Advertising and royalty income	**316**	202
Expense recoveries	**340**	155
Other rebates and miscellaneous revenue	**50**	3
	1,043	795

(In thousands of dollars)

19. Allocation of expenses

The Association 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.

All costs of fundraising are included in fundraising expenses; none are allocated to services.

The Association has allocated its common expenses as follows:

					December 31, 2014
	Salaries	**Occupancy costs**	**Information system costs**	**Other**	**Total**
	$	**$**	**$**	**$**	**$**
Services	**298**	**506**	**222**	**1,245**	**2,271**
Fundraising	**-**	**280**	**99**	**546**	**925**
	298	**786**	**321**	**1,791**	**3,196**

					August 31, 2013
	Salaries	Occupancy costs	Information system costs	Other	Total
	$	$	$	$	$
Services	1,421	491	67	744	2,723
Fundraising	517	296	18	453	1,284
	1,938	787	85	1,197	4,007

20. Line of credit

The Association has an unused line of credit of $2,000 (August 2013 - $2,000) at the bank's prime rate plus 0.5%. The line of credit is secured by the assets of the Association.

21. Financial Instruments

The Association is exposed to various financial risks through transactions in financial instruments.

Credit risk

The Association is exposed to credit risk in connection with its grant, accounts receivable and its short term investments because of the risk of one party to the financial instrument may cause a financial loss for the other party by failing to settle an obligation.

Interest rate risk

The Association is exposed to interest rate cash flow risk with respect to its investments in fixed income certificates because the fair value will fluctuate with changes in market interest rates.

22. Contingencies

Various claims arising out of the normal course of operations have been filed against the Association. In the opinion of management and legal counsel, the outcome of the claims is not determinable. Any loss resulting from the resolution of these claims will be charged to operations in the year of resolution.

23. Guarantees

In the normal course of business, the Association enters into agreements that meet the definition of a guarantee. The Association's primary guarantees are as follows:

(a) The Association has provided indemnities under lease agreements for the use of various operating facilities. Under the terms of these agreements, the Association agrees to indemnify the counterparties for various items including, but not limited to, all liabilities, losses, suits, and damages arising during, on or after, the term of the agreement.

(b) Indemnity has been provided to all directors and officers of the Association for various items including, but not limited to, all costs to settle suits or actions due to involvement with the Association, subject to certain restrictions. The Association has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as director or officer of the Association.

(c) In the normal course of business, the Association has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require the Association to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparties as a consequence of the transaction.

The nature of these indemnification agreements prevents the Association from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability, which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Association has not made any significant payments under such, or similar, indemnification agreements and therefore no amount has been accrued in the financial statements, with respect to these agreements.

24. Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year. These reclassifications relate primarily to the statement of changes in fund balances and Note 19, allocation of expenses.