

**Juvenile Diabetes Research
Foundation Canada**

Consolidated Financial Statements
December 31, 2010

April 26, 2011

Independent Auditor's Report

To the Directors of Juvenile Diabetes Research Foundation Canada

We have audited the accompanying consolidated financial statements of Juvenile Diabetes Research Foundation Canada and its controlled organizations, which comprise the consolidated balance sheet as at December 31, 2010 and the consolidated statements of public support, other revenues and expenses, net assets and cash flows for the year then ended, and the related notes including a summary of significant accounting policies.

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 generally accepted accounting principles, 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 audit opinion.

Basis for qualified opinion

In common with many charitable organizations, Juvenile Diabetes Research Foundation Canada derives revenue from the general public in the form of donations and fundraising projects, which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Juvenile Diabetes Research Foundation Canada and we were not able to determine whether any adjustments might be necessary to revenues, (deficit) surplus for the year and net assets.

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 and its controlled organizations as at December 31, 2010 and the results of their operations and their cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

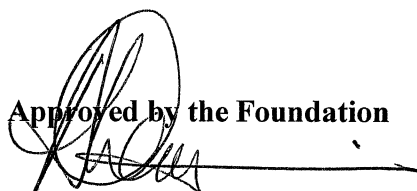
Juvenile Diabetes Research Foundation Canada

Consolidated Balance Sheet

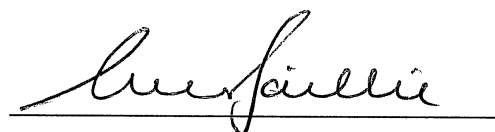
As at December 31, 2010

	2010 \$	2009 \$
Assets		
Current assets		
Cash	6,047,285	1,705,429
Short-term investments (note 3)	1,062,093	7,786,082
Accounts receivable	623,178	512,659
Grant receivable	691,177	-
Prepaid expenses and other assets	80,386	186,581
	<u>8,504,119</u>	<u>10,190,751</u>
Capital assets (note 4)	<u>433,156</u>	<u>521,894</u>
	<u>8,937,275</u>	<u>10,712,645</u>
Liabilities		
Current liabilities		
Accounts payable, accrued liabilities and deferred support	994,190	738,502
Deferred leasehold	232,732	235,614
	<u>1,226,922</u>	<u>974,116</u>
Net Assets		
Unrestricted	7,624,853	9,653,029
Restricted for endowment purposes	<u>85,500</u>	<u>85,500</u>
	<u>7,710,353</u>	<u>9,738,529</u>
	<u>8,937,275</u>	<u>10,712,645</u>

Contingencies and commitments (notes 5, 6 and 7)

Approved by the Foundation


Director



Director

Juvenile Diabetes Research Foundation Canada

Consolidated Statement of Public Support, Other Revenues and Expenses

For the year ended December 31, 2010

	2010 \$	2009 \$
Revenues		
Campaigns	21,984,877	21,936,455
Direct response	119,990	159,043
CCTN grant revenue	5,691,177	-
	<u>27,796,044</u>	<u>22,095,498</u>
Other revenues		
Investment income	44,416	30,019
Unrealized gain on short-term investments	8,645	6,227
	<u>53,061</u>	<u>36,246</u>
	27,849,105	22,131,744
Direct expenses	<u>4,516,185</u>	<u>4,593,992</u>
	23,332,920	17,537,752
Other expenses (note 10)		
Program services		
Research support	8,293,663	8,877,987
CCTN research	8,274,710	-
Public education and advocacy	3,687,571	3,499,577
	<u>20,255,944</u>	<u>12,377,564</u>
Supporting services		
Management and general	1,402,324	1,144,088
CCTN general	1,386,090	-
Fundraising	2,316,738	2,051,395
	<u>5,105,152</u>	<u>3,195,483</u>
	25,361,096	15,573,047
(Deficit) surplus for the year	<u>(2,028,176)</u>	<u>1,964,705</u>

Juvenile Diabetes Research Foundation Canada

Consolidated Statement of Net Assets

For the year ended December 31, 2010

			2010	2009
	Unrestricted \$	Restricted for endowment purposes \$	Total \$	Total \$
Net assets - Beginning of year	9,653,029	85,500	9,738,529	7,773,824
(Deficit) surplus for the year	(2,028,176)	-	(2,028,176)	1,964,705
Net assets - End of year	7,624,853	85,500	7,710,353	9,738,529

Juvenile Diabetes Research Foundation Canada

Consolidated Statement of Cash Flows

For the year ended December 31, 2010

	2010 \$	2009 \$
Cash provided by (used in)		
Operating activities		
(Deficit) surplus for the year	(2,028,176)	1,964,705
Items not affecting cash		
Amortization	108,562	117,388
Unrealized gain on short-term investments	8,645	6,227
Deferred leasehold	19,824	235,614
Amortization of deferred leaseholds	(22,706)	-
	(1,913,851)	2,323,934
Changes in non-cash working capital items		
Accounts receivable	(110,519)	122,352
Grant receivable	(691,177)	-
Prepaid expenses and other assets	106,195	15,374
Accounts payable, accrued liabilities and deferred support	427,364	(141,328)
	(2,181,988)	2,320,332
Investing activities		
(Increase) decrease in short-term investments	6,715,344	(6,916,187)
Purchase of capital assets	(191,500)	(87,298)
	6,523,844	(7,003,485)
Increase (decrease) in cash during the year	4,341,856	(4,683,153)
Cash - Beginning of year	1,705,429	6,388,582
Cash - End of year	6,047,285	1,705,429
Supplementary cash flow information		
Capital assets included in accounts payable, accrued liabilities and deferred support	-	171,676

Juvenile Diabetes Research Foundation Canada

Notes to Consolidated Financial Statements

December 31, 2010

1 Organization

The mission of the Juvenile Diabetes Research Foundation Canada (JDRFC) and its chapters is to find a cure for diabetes and its complications through the support of research.

JDRFC solicits contributions from the public and engages in various fundraising activities. Funds raised are used to support research, focusing primarily on Type 1 diabetes. In addition, JDRFC engages in public education and advocacy activities. It is a registered charity under Section 149 of the Income Tax Act (Canada) and, accordingly, is exempt from income taxes provided certain requirements of the Income Tax Act are met.

JDRFC is affiliated with the Juvenile Diabetes Research Foundation International (JDRFI). JDRFC operates chapters across Canada that are individually involved in various local and national fundraising activities.

In 2010, JDRFC entered a first partnership with the Government of Canada through the Federal Economic Development Agency of Southern Ontario. This is a three-year partnership whereby the Government of Canada has committed \$20,000,000 and JDRFC will be making a matching contribution of \$13,952,467 over two years to further world-class research in southern Ontario through the implementation of a Clinical Trial Network for diabetes research.

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

2 Summary of significant accounting policies

Basis of presentation

These consolidated financial statements include the financial activities and financial position of JDRFC and its chapters, which include the following: Toronto Region, South Central Ontario Region, Southwestern Ontario Region, British Columbia -Yukon Region, Southern Alberta Region, North Central Alberta and Northwest Territories Region, Prairie Region, North Eastern Ontario Region, Quebec Region and Atlantic Region.

In addition to the entities mentioned above, this year the consolidated financial statements include the financial activities and financial position of JDRF Canadian Clinical Trial Network (CCTN). This organization was incorporated and commenced operating on April 13, 2010 and was created to establish a clinical trial network for Type 1 diabetes research on a Canadian wide platform through the assistance of Southern Ontario Development Plan (SODP).

The consolidated financial statements of JDRFC disclose the activities of the unrestricted operating fund associated with JDRFC's day-to-day operations, as well as the net assets restricted for the endowment fund initiated in the Montreal chapter in 1998.

Juvenile Diabetes Research Foundation Canada

Notes to Consolidated Financial Statements

December 31, 2010

Revenue recognition

JDRFC follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenues when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions received in respect of future events are deferred until the related expenses are incurred. CCTN grant revenue is recognized as the related costs are incurred. Endowment contributions are recognized as direct increases in net assets. The income from these contributions is to be used for general purposes, unless otherwise specified by the donor or to fund specific programs.

Research grants

Research grants, which are included in research support, are made to research applicants as approved by both JDRFC and JDRFI. These grants as well as CCTN grants, are recorded as payments when funds are advanced by JDRFC.

Charity casino and bingo events

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

Investment income

Investment income, which includes interest, dividends and any realized gains or losses on sales of investments, is recognized as revenue when earned.

Cash

Cash includes cash on hand and balances with banks.

Capital assets

Capital assets are recorded at cost if purchased, or recorded at their fair value if donated. Amortization is provided at the following rates:

Office equipment	30% declining balance
Computer hardware and software	30% declining balance
Leasehold improvements	straight-line over the lease term
Signs and banners	3 years straight-line

Juvenile Diabetes Research Foundation Canada

Notes to Consolidated Financial Statements

December 31, 2010

Use of estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as discussed below.

Short-term investments and cash are classified as held-for-trading and are recorded at fair value with the change in the fair value recorded in investment income. Transaction costs related to investments classified as held-for-trading are expensed as incurred.

Certain of JDRFC's other financial instruments, including accounts receivable (which are classified as loans and receivables), accounts payable, accrued liabilities and deferred support (which are classified as other liabilities) are recorded at fair value and subsequently measured at cost which, because of their short-term nature, is appropriate.

Allocation of expenses

JDRFC engages in providing research support and advocacy and public education services. The costs of each service include the costs of personnel, premises and other expenses that are directly related to providing the services. JDRFC also incurs a number of general support expenses common to the administration of JDRFC and each of its services.

JDRFC allocates certain of its general support expenses in proportion to an estimate of the time spent by each department in relation to the activities relating to program services, management and general services and fundraising (note 10).

The allocation percentages are reviewed by management and are similar to those used by JDRFI.

3 Short-term investments

Short-term investments consist of the following:

	2010	2009
	\$	\$
Cash	33,781	28,542
Guaranteed investment certificates	68,000	6,675,244
Government bonds	790,448	675,506
Other bonds	169,864	406,790
	<u>1,062,093</u>	<u>7,786,082</u>

Juvenile Diabetes Research Foundation Canada

Notes to Consolidated Financial Statements

December 31, 2010

4 Capital assets

	2010		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Office equipment	520,215	454,175	66,040
Computer hardware and software	1,094,337	961,421	132,916
Leasehold improvements	262,515	28,315	234,200
	1,877,067	1,443,911	433,156
	2009		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Office equipment	520,215	425,873	94,342
Computer hardware and software	1,094,337	904,455	189,882
Leasehold improvements	325,823	88,153	237,670
Signs and banners	99,072	99,072	-
	2,039,447	1,517,553	521,894

5 Commitments

The minimum annual lease payments under operating leases for rental of premises and equipment, for the next five years and thereafter, are approximately as follows:

	\$
2011	392,532
2012	350,079
2013	298,830
2014	250,323
2015 and thereafter	214,828
	1,506,592

6 Grant commitment

The Board of Directors has approved ongoing research expenditures of \$33,952,468 to March 31, 2012 dependent on the approval of the Master Service Agreements being executed and approved by SODP. \$25,677,758 in research commitments is still outstanding at December 31, 2010.

Juvenile Diabetes Research Foundation Canada

Notes to Consolidated Financial Statements

December 31, 2010

7 **Contingent liabilities**

Occasionally, JDRFC has arranged for letters of credit to be issued in favour of various provincial agencies governing lotteries on behalf of its local chapters. JDRFC is contingently liable with respect to these letters of credit. However, there are no letters of credit outstanding at December 31, 2010 (2009 - \$nil).

8 **Banking arrangements**

JDRFC has a line of credit of \$1,000,000 available for its use with its principal bank. The facility bears interest on the outstanding amount at the bank's prime rate and is secured by an assignment of the fluctuating amounts on deposit with the bank, by all of the chapters and the head office. As at December 31, 2010, no amounts have been drawn against this facility.

9 **Financial instruments**

The main risks to which JDRFC's financial instruments are exposed are interest rate risk, market risk and credit risk. It is management's opinion that JDRFC is not exposed to significant foreign exchange risk and cash flow risk.

Interest rate risk

The bonds and guaranteed investment certificates bear interest at fixed rates and, as such, the risk resulting from fluctuations in interest rates is low.

Market risk

Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of JDRFC. JDRFC manages its risk by investing only in high quality bonds. In addition, the Finance Committee reviews any significant changes to the investment mix.

Credit risk

Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject JDRFC to credit risk consist principally of cash and short-term investments. JDRFC places its cash and short-term investments with high quality institutions to mitigate this risk.

JDRFC is exposed to credit risk on accounts receivable from the public. JDRFC's accounts receivable risk is considered to be low as receivables are recognized only if it is certain the monies will be received.

10 **Allocation of expenses**

Based on the estimated time spent on each activity by department, program and supporting service costs have been allocated as follows:

Juvenile Diabetes Research Foundation Canada

Notes to Consolidated Financial Statements

December 31, 2010

	2010						
	Research support \$	CCTN research \$	Public education and advocacy \$	Management and general \$	CCTN general \$	Fundraising \$	Total \$
Research support	6,872,998	8,274,710	-	-	1,386,090	-	16,533,798
Chapter activity	191,547	-	1,915,472	574,642	-	1,149,282	3,830,943
Support services	926,295	-	879,320	759,340	-	884,092	3,449,047
Marketing and outreach	177,624	-	532,871	-	-	-	710,495
National programs and major donors	125,199	-	149,090	68,342	-	283,364	625,995
Public education	-	-	210,818	-	-	-	210,818
	<u>8,293,663</u>	<u>8,274,710</u>	<u>3,687,571</u>	<u>1,402,324</u>	<u>1,386,090</u>	<u>2,316,738</u>	<u>25,361,096</u>

	2009					
	Research support \$	Public education and advocacy \$	Management and general \$	Fundraising \$	Total \$	
Research support	7,709,413	-	-	-	7,709,413	
Chapter activity	182,762	1,827,619	548,286	1,096,574	3,655,241	
Support services	668,280	684,550	521,891	651,805	2,526,526	
Marketing and outreach	183,405	550,217	-	-	733,622	
National programs and major donors	134,127	159,584	73,911	303,016	670,638	
Public education	-	277,607	-	-	277,607	
	<u>8,877,987</u>	<u>3,499,577</u>	<u>1,144,088</u>	<u>2,051,395</u>	<u>15,573,047</u>	

11 Management of capital

JDRFC defines its capital as its net assets.

The objective of JDRFC when managing its capital is to safeguard its ability to continue as a going concern so that it can continue to provide sufficient funding for research.

\$85,500 of JDRFC's capital is externally restricted where only the interest from the endowments may be used in various JDRFC operations. JDRFC has been in compliance with all external restrictions throughout the year.

April 26, 2011

Additional Comments of Auditors

The accompanying consolidated schedule of Alberta gross revenues and related fundraising salaries is required to comply with the Alberta Charitable Fund Raising Act and is therefore presented as supplementary information only. In this respect, it does not form part of the consolidated financial statements of Juvenile Diabetes Research Foundation Canada (JDRFC) for the year ended December 31, 2010, and hence is excluded from the opinion expressed in our report dated April 26, 2011 on such consolidated financial statements. The information in this consolidated schedule has been subject to audit procedures only to the extent necessary to express an opinion on the consolidated financial statements of JDRFC and, in our opinion, is fairly presented in all respects material to those consolidated financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Juvenile Diabetes Research Foundation Canada

Consolidated Schedule of Alberta Gross Revenues and Related Fundraising Salaries

For the year ended December 31, 2010

	2010	2009
	\$	\$
Alberta gross revenues	3,132,271	2,382,322
Alberta fundraising salaries and benefits	550,035	506,897