

Alberta Diabetes Foundation
Financial Statements
Year Ended December 31, 2021

**Alberta Diabetes Foundation
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Year Ended December 31, 2021**

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Independent Auditor's Report

To the Members of Alberta Diabetes Foundation

Qualified Opinion

We have audited the financial statements of Alberta Diabetes Foundation (the Foundation), which comprise the statement of financial position as at December 31, 2021, and the statements of revenues and expenses, changes in net assets 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* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2021, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Foundation derives revenue from donations and 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 Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to donations or fundraising revenue, excess (deficiency) of revenues over expenses, and cash flows from operations for the year ended December 31, 2021, current assets and net assets as at December 31, 2021. 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 of 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 Foundation in accordance with 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 audit opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, 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 Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

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

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Independent Auditor's Report to the To the Members of Alberta Diabetes Foundation (continued)

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 Foundation'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 Foundation'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 Foundation 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.

Mowbray Gil LLP

Edmonton, Alberta
April 25, 2022

CHARTERED PROFESSIONAL ACCOUNTANTS

Alberta Diabetes Foundation
Statement of Financial Position
December 31, 2021

	2021	2020
Assets		
Current		
Cash	\$ 994,667	\$ 1,076,375
Accounts receivable	11,035	240
Goods and services tax recoverable	5,628	3,753
Prepaid expenses	69,439	968
Restricted cash (<i>Note 3</i>)	195,124	-
	\$ 1,275,893	\$ 1,081,336
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities (<i>Note 4</i>)	\$ 282,670	\$ 53,237
Deferred income (<i>Note 5</i>)	137,031	-
	419,701	53,237
Canada Emergency Business Account loan (<i>Note 6</i>)	40,000	40,000
	459,701	93,237
Net assets		
Internally restricted (<i>Note 7</i>)	761,254	761,254
Unrestricted	54,938	226,845
	816,192	988,099
	\$ 1,275,893	\$ 1,081,336

ON BEHALF OF THE BOARD

Angelina Bakshi Director

Paul Bennett Director

Alberta Diabetes Foundation
Statement of Revenues and Expenses
Year Ended December 31, 2021

	2021	2020
Revenues		
Donations	\$ 705,494	\$ 562,475
Fundraising	89,361	417,946
Grants	3,901	4,141
Interest income	5	11,718
	<u>798,761</u>	<u>996,280</u>
Fundraising expenses		
Printing, postage and event costs	253,828	339,812
Casual wages and contractors	11,838	-
Bad debts	-	1,960
	<u>265,666</u>	<u>341,772</u>
Administrative expenses		
Salaries, wages and benefits	445,487	312,272
Professional fees	13,738	14,440
Travel	11,592	6,331
Office	56,039	54,961
Insurance	5,855	3,683
Board of Directors	-	1,022
	<u>532,711</u>	<u>392,709</u>
Excess of revenues over administrative expenses from operations	<u>384</u>	<u>261,799</u>
Other income (expenses)		
COVID-19 subsidies (Note 6)	63,709	69,714
Research pledges	<u>(236,000)</u>	<u>(104,668)</u>
	<u>(172,291)</u>	<u>(34,954)</u>
Excess (deficiency) of revenues over administrative expenses for the year	<u>\$ (171,907)</u>	<u>\$ 226,845</u>

Alberta Diabetes Foundation
Statement of Changes in Net Assets
Year Ended December 31, 2021

	Internally restricted	Unrestricted	2021	2020
Net assets - beginning of year	\$ 761,254	\$ 226,845	\$ 988,099	\$ 761,254
Excess (deficiency) of revenues over expenses for the year	-	(171,907)	(171,907)	226,845
Transfers (Note 7)	-	-	-	-
Net assets - end of year	\$ 761,254	\$ 54,938	\$ 816,192	\$ 988,099

Alberta Diabetes Foundation
Statement of Cash Flows
Year Ended December 31, 2021

	2021	2020
Operating activities		
Excess (deficiency) of revenues over administrative expenses for the year	\$ (171,907)	\$ 226,845
Item not affecting cash:		
Forgiveness of Canada Emergency Business Account	-	(20,000)
	<u>(171,907)</u>	<u>206,845</u>
Changes in non-cash working capital:		
Accounts receivable	(10,795)	1,720
Goods and services tax recoverable	(1,875)	4,374
Prepaid expenses	(68,471)	(968)
Accounts payable and accrued liabilities	229,433	5,195
Deferred income	137,031	-
	<u>285,323</u>	<u>10,321</u>
	<u>113,416</u>	<u>217,166</u>
Financing activity		
Canada Emergency Business Account loan proceeds (Note 6)	-	60,000
Increase in cash flow	113,416	277,166
Cash - beginning of year	1,076,375	799,209
Cash - end of year	\$ 1,189,791	\$ 1,076,375
Cash consists of:		
Cash	\$ 994,667	\$ 1,076,375
Restricted cash	195,124	-
	<u>\$ 1,189,791</u>	<u>\$ 1,076,375</u>

Alberta Diabetes Foundation
Notes to Financial Statements
Year Ended December 31, 2021

1. Purpose of the Foundation

Alberta Diabetes Foundation (the Foundation) is a not-for-profit organization incorporated on November 4, 1988 under the Societies Act of Alberta. The Foundation was formed to fund diabetes research projects of the Alberta Diabetes Institute. The Foundation is a registered charity and qualifies as a not-for-profit organization within the context of the Income Tax Act, Canada; the Foundation is therefore exempt from paying income taxes.

2. Summary of significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The precise determination of many assets and liabilities is dependent on future events. As a result, the preparation of financial statements for a period involves the use of estimates and approximations which have been made using careful judgment. There are no significant areas requiring management estimate. Actual results could differ from those estimates and approximations. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized as follows:

Cash

Cash consists of demand deposits held with a financial institution.

Fund accounting

The Foundation uses fund accounting to segregate its activities. Interfund transfers are not recognized as revenues and expenditures but rather as a change in fund balances.

The following funds are used:

Unrestricted fund - used to account for all revenues and expenses related to general and ancillary operations of the Foundation.

Internally restricted fund - used to ensure the Foundation continues to maintain a sufficient working capital reserve. These amounts are not available for other purposes without the approval of the Board of Directors.

Revenue recognition

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

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Alberta Diabetes Foundation
Notes to Financial Statements
Year Ended December 31, 2021

2. Summary of significant accounting policies (continued)

Contributed goods and services

Contributed goods are recorded at their fair market value at the time of the donation, as long as the goods would otherwise have been purchased by the Foundation in the normal course of operations. During the year, \$46,248 (2020 - \$51,241) of contributed goods were received and recorded in the Statement of Revenues and Expenses. No contributed services were recognized in the year.

Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined. No contributed capital assets were recognized in the year.

Government assistance

Government assistance for current expenses is recorded as other revenue in the period to which it relates.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the Statement of Revenues and Expenses. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the Statement of Revenues and Expenses.

3. Restricted cash

Externally restricted cash comprises casino and raffle ticket proceeds earned by the Foundation. Use of these proceeds is restricted to certain expenses as determined by the Alberta Gaming, Liquor and Cannabis Commission (AGLC).

4. Accounts payable and accrued liabilities

	<u>2021</u>	<u>2020</u>
Research pledges payable	\$ 230,000	\$ -
Accounts payable and accrued liabilities	49,385	38,264
Government source deductions payable	3,285	14,973
	<u>\$ 282,670</u>	<u>\$ 53,237</u>

Alberta Diabetes Foundation
Notes to Financial Statements
Year Ended December 31, 2021

5. Deferred revenue

	Opening	Funds received	Recognized in revenues	Closing
Car raffle event - ticket sales	\$ -	\$ 42,250	\$ -	\$ 42,250
Casino funds	-	94,781	-	94,781
	<u>\$ -</u>	<u>\$ 137,031</u>	<u>\$ -</u>	<u>\$ 137,031</u>

In the current year, the Foundation deferred \$42,250 (2020 - \$nil) of ticket revenues relating to the car raffle that will occur subsequent to year end and \$94,781 (2020 - \$nil) of casino revenue not utilized. This casino revenue is restricted cash and recorded in a separate bank account. The related expenses for the car raffle event have been adjusted to prepaid expenses as appropriate.

6. COVID-19 subsidies

The recent outbreak of coronavirus, also known as COVID-19, has spread across the globe and is impacting worldwide activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities are continuing to implement measures to mitigate the spread of the virus. The outbreak and related mitigation measures may have adverse impact on global economic conditions as well as on the Foundation's activities. The extent to which the coronavirus may impact the Foundation's activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain and as such, the Foundation cannot determine their financial impact at this time.

Federal government assistance was provided under the Canada Emergency Wage Subsidy (CEWS) program. This program provides non-repayable subsidies to entities experiencing a decrease in revenues over the eligibility period to subsidize labour costs in the face of COVID-19. The program ended in the fall 2021. There was \$11,035 (2020 - \$nil) related to CEWS in accounts receivable at year end.

Further federal government assistance was provided under the Canada Emergency Business Account (CEBA). This program provided an interest-free loan of \$60,000, of which \$20,000 is forgivable if the outstanding balance of the loan is repaid by December 31, 2023. The loan is intended to subsidize non-deferrable expenses in the face of COVID-19. The Foundation has obtained the full \$60,000 interest-free loan and reported the \$20,000 in income in a prior year as it has the intent to repay the loan prior to December 31, 2023.

	<u>2021</u>	<u>2020</u>
Canada Emergency Wage Subsidy	\$ 63,709	\$ 45,174
Canada Emergency Business Account	-	20,000
Temporary Wage Subsidy	-	4,540
	<u>\$ 63,709</u>	<u>\$ 69,714</u>

Alberta Diabetes Foundation
Notes to Financial Statements
Year Ended December 31, 2021

7. Internally restricted net assets

The Foundation's Board of Directors have designated net assets of \$761,254 (2020 - \$761,254) as internally restricted in order to ensure the Foundation continues to maintain a sufficient working capital reserve. These internally restricted amounts are not available for other purposes without approval of the Board. During the year, transfers of \$nil (2020 - \$nil) of internally restricted net assets to unrestricted net assets were made.

8. Comparative figures

Some of the comparative figures have been reclassified to conform to the current year's presentation. The reclassification of certain balances has no impact on net assets.

9. Financial instruments

Financial instruments are defined as contractual rights to receive or deliver cash or another financial asset. The Foundation's financial instruments consist of recorded amounts of cash, accounts receivable, accounts payable and accrued liabilities, and CEBA loan.

The Foundation is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Foundation's risk exposure and concentration as of December 31, 2021.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Foundation is not exposed to any significant credit risk at year end.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Foundation is exposed to this risk mainly in respect of its receipt of funds from its funders and other related sources, in order to repay its accounts payable and accrued liabilities, CEBA loan and commitments.