Financial statements of

The Arthritis Society

March 31, 2009

The Arthritis Society
March 31, 2009

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Auditors' Report

To the Directors of
The Arthritis Society

We have audited the statement of financial position of The Arthritis Society as at March 31, 2009 and the statements of financial activities, changes in resources and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

As is common with many charitable organizations, the Society derives a portion of its revenue from the general public in the form of donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenses, assets and resources.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of donation revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
June 17, 2009

The Arthritis Society

Statement of financial position
as at March 31, 2009

	2009	2008
	$	$
Assets		
Current		
Cash	**4,381,819**	3,901,581
Restricted cash	**1,274,533**	1,466,740
Investments (Note 4)	**8,616,544**	5,043,802
Accounts receivable	**788,252**	1,067,430
Supplies for use or resale	**47,191**	100,995
Prepaid expenses	**848,035**	949,053
	15,956,374	12,529,601
Long-term investments (Note 4)	**4,077,810**	10,061,714
Capital assets (Note 5)	**3,307,209**	3,633,842
	23,341,393	26,225,157
Liabilities		
Current		
Accounts payable and accrued liabilities	**2,482,350**	2,943,585
Deferred revenue	**1,389,523**	1,666,753
Research and career development awards payable	**1,404,984**	1,772,711
Mortgage payable - current portion (Note 7)	**-**	529,982
Current portion of obligations under capital leases	**-**	14,312
	5,276,857	6,927,343
Deferred capital grants and donations (Note 6)	**355,529**	478,616
Deferred contributions (Note 8)	**3,515,283**	4,953,267
Deferred lease inducements (Note 9)	**59,485**	70,666
	9,207,154	12,429,892
Resources		
Unappropriated	**1,440,081**	177,455
Appropriated (Note 10)	**9,310,865**	10,895,161
Endowments (Note 14)	**491,098**	182,383
Invested in capital assets	**2,892,195**	2,540,266
	14,134,239	13,795,265
	23,341,393	26,225,157

Approved by the Board of Directors

____________________ Director

____________________ Director

The Arthritis Society

Statement of financial activities
year ended March 31, 2009

	2009	2008
	$	$
Revenues		
Support from the public		
Campaigns (Note 11)	**18,616,171**	18,449,698
United Way	**1,153,519**	1,180,652
Bequests and memorials (Note 12)	**5,681,631**	4,305,877
Investment and miscellaneous income (Note 13)	**2,284,418**	2,346,788
	27,735,739	26,283,015
Support from government departments and agencies		
Patient care	**5,366,590**	5,217,998
Other	**306,872**	152,040
	5,673,462	5,370,038
Total revenues (Note 15)	**33,409,201**	31,653,053
Expenses		
Programs and services		
Research and career development	**5,439,208**	5,956,321
Education/information	**4,440,016**	4,310,131
Program development	**2,190,272**	2,266,428
Patient care	**4,705,849**	4,641,541
Building operation	**679,651**	868,275
Administration	**3,630,016**	3,658,043
	21,085,012	21,700,739
Cost of raising funds from the public	**11,444,776**	11,613,488
Total expenses	**32,529,788**	33,314,227
Excess (deficiency) of revenues over expenses before the undernoted	**879,413**	(1,661,174)
Change in unrealized loss on investments during the year	**(37,705)**	(322,217)
Loss on disposal of assets	**(40)**	(13,923)
Amortization of capital assets	**(806,858)**	(656,204)
Excess (deficiency) of revenues over expenses for the year	**34,810**	(2,653,518)

The Arthritis Society

Statement of changes in resources
year ended March 31, 2009

	Unappropriated	Appropriated	Endowments	Invested in capital assets	2009 Total	2008 Total
	$	$	$	$	$	$
Balance, beginning of year	**177,455**	**10,895,161**	**182,383**	**2,540,266**	**13,795,265**	16,266,400
Excess (deficiency) of revenues over expenses for the year	**623,223**	**(3,776)**	**4,551**	**(589,188)**	**34,810**	(2,653,518)
Additions to capital assets	**(402,892)**	**(78,974)**	**-**	**481,866**	**-**	-
Endowment contributions	**-**	**-**	**304,164**	**-**	**304,164**	182,383
Capital lease obligations	**(14,312)**	**-**	**-**	**14,312**	**-**	-
Mortgage payable	**(529,982)**	**-**	**-**	**529,982**	**-**	-
Deferred capital grants and donations received	**85,043**	**-**	**-**	**(85,043)**	**-**	-
Inter-fund transfers (Note 17)	**1,501,546**	**(1,501,546)**	**-**	**-**	**-**	-
Balance, end of year	**1,440,081**	**9,310,865**	**491,098**	**2,892,195**	**14,134,239**	13,795,265

The Arthritis Society

Statement of cash flows
year ended March 31, 2009

	2009	2008
	$	$
Operating activities		
Excess (deficiency) of revenue over expenses for the year	**34,810**	(2,653,518)
Items not affecting cash		
Amortization of deferred capital grants and donations (Note 6)	**(208,130)**	(196,098)
Amortization of deferred contributions (Note 8)	**(2,374,322)**	(1,757,737)
Amortization of deferred lease inducements	**(11,181)**	(10,748)
Loss on disposal of capital assets	**40**	13,923
Amortization of capital assets	**806,858**	656,204
	(1,751,925)	(3,947,974)
Net change in non-cash working capital items (Note 16)	**(672,192)**	275,544
	(2,424,117)	(3,672,430)
Investing activities		
Net change in investments	**2,411,162**	226,775
Day 1 adjustment for Financial Instruments	**-**	569,811
Endowment contributions	**238,794**	154,438
Net purchases of capital assets	**(481,866)**	(712,454)
Proceeds on sale of capital assets	**1,601**	-
	2,169,691	238,570
Financing activities		
Deferred contributions received (Note 8)	**1,001,708**	2,032,043
Lease inducements received	**-**	71,411
Change in capital lease obligations	**(14,312)**	(58,322)
Repayment of mortgage payable	**(529,982)**	(15,399)
Deferred capital grants and donations received (Note 6)	**85,043**	14,500
	542,457	2,044,233
Net inflow (outflow) of cash during the year	**288,031**	(1,389,627)
Cash, beginning of year	**5,368,321**	6,757,948
Cash, end of year	**5,656,352**	5,368,321
Cash consists of:		
Cash	**4,381,819**	3,901,581
Restricted cash	**1,274,533**	1,466,740
	5,656,352	5,368,321

1. Status of The Arthritis Society

The Arthritis Society (the "Society") is incorporated without share capital under the Canada Corporations Act and is a charitable organization registered under the Canadian Income Tax Act. As such, it is exempt from income taxes and is able to issue donation receipts for income tax purposes.

The mission of the Society is to search for the underlying causes and subsequent cures for arthritis, and to promote the best possible care and treatment for people with arthritis.

2. Summary of significant accounting policies

Basis of presentation

These financial statements include the assets, liabilities, revenues and expenses of the ten provincial divisions and the National Office of the Society.

Revenue recognition

The Society follows the deferral method of accounting. Under the deferral method, contributions related to expenditures of future periods are recorded as deferred contributions and are recognized as revenue in the period in which the related expenditures 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.

Support from the public is reflected as revenue when the funds are received.

Financial instruments

The Society has classified its financial instruments as follows:

Asset/liability	Category
Cash	Held-for-trading
Short-term investments	Held-for-trading
Accounts receivable	Loans and receivables
Long-term investments	Held-for-trading
Mortgages payable	Other liabilities
Accounts payable and accrued liabilities	Other liabilities

Held-for-trading items are carried at fair value, with changes in their fair value recognized in the Statement of financial activities in the current period. "Loans and receivables" are carried at amortized cost, using the effective interest method, net of any impairment. "Other liabilities" are carried at amortized cost, using the effective interest method.

Description of resources balances

a) Unappropriated resources

Unappropriated Resources represent the general activities of the Society.

b) Appropriated resources

Investment income earned on the research stabilization account is recorded in the appropriated resources. Investment income earned on other projects is recorded in the unappropriated resources.

2. Summary of significant accounting policies (continued)

Description of resources balances (continued)

c) Invested in capital assets

Invested in Capital Assets reflect that portion of the Society's resources that relate to capital assets. These resources will increase for capital asset purchases, reductions in capital lease obligations, amortization of deferred capital grants and donations directly related to capital assets and decreases in mortgage payable and will be reduced by amortization charges, the net book value of capital asset disposals, increases in capital lease obligations, increases in deferred capital grants and donations and increases in mortgage payable.

d) Endowments

Endowments have specific restrictions placed by the donors on the capital of the fund and the use of investment income accruing to the fund.

Research and career development awards payable

These financial statements reflect grants made during the year, which became effective at different dates during the year. The balance of these grants remaining payable at year-end is included as "Research and career development awards payable."

Capital assets

Capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided over the estimated useful lives of the assets. A full year's amortization is recorded in the year of acquisition. Amortization is recorded as follows:

Buildings	5% straight-line
Computers and software, furniture and equipment	20% - 33.33% straight-line
Computers under capital lease	30% straight-line
Leasehold improvements	straight-line over the term of lease

Leased computers and equipment

Leases of computers and equipment with terms that transfer substantially all of the benefits and risks of ownership to the Society, are accounted for as capital leases, and are therefore reflected as though an asset had been purchased and a liability incurred.

All other leased items are accounted for as operating leases.

Investments

Short-term investments and long-term investments are recorded at fair value. Transaction costs are expensed as incurred.

Impairment of long-lived assets

An impairment charge is recognized for long-lived assets when an event or change in circumstances causes an asset's carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. The impairment loss is calculated as the difference between the fair value of the assets and their carrying value.

Deferred capital grants and donations

Government grants and donations received for capital assets are deferred and amortized on a straight-line basis at the rate corresponding to the amortization rate for the related capital assets.

2. Summary of significant accounting policies (continued)

Accrued payroll liabilities

The Society accrues employee severance, sick and vacation pay as earned.

Deferred lease inducements

Deferred lease inducements represent leasehold improvements on account of capital expenditures financed by the landlord. These lease inducements are amortized on a straight-line basis over the term of the lease and are recorded as a reduction in rental expense.

Supplies for use or resale

Supplies for use or resale are stated at the lower of cost and net realizable value.

Contributed services

Volunteers contribute countless hours each year to assist the Society in achieving its mission. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Use of estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Future accounting changes

Section 4400 - Financial statement presentation by not-for-profit organizations

In September 2008, the Canadian Institute of Chartered Accountants ("CICA") issued amendments to several of the existing sections in the 4400 series - Financial Statements by Not-For-Profit Organizations. Changes apply to annual financial statements relating to fiscal years beginning on or after January 1, 2009. Accordingly, the Society will adopt the amended standards for its fiscal year beginning April 1, 2009. Management has determined that adoption of the new standards will result in some additional disclosures in the financial statements.

3. Changes in accounting policies

Adoption of accounting policies

Section 1535 - Capital disclosures

On April 1, 2008, the Society adopted "Capital Disclosures, Section 1535". The adoption of this new standard has not resulted in any change in how the Society accounts for its transactions, but does require additional disclosure which is presented in Note 23.

Section 3855 - Financial instruments - Recognition and measurement

On April 23, 2008, the CICA amended Section 3855, "Financial Instruments - Recognition and Measurement" to allow not-for-profit organizations to elect to not have to account for certain non-financial contracts as derivatives under Section 3855 and also to not have to account for certain derivative features embedded in non-financial contracts, leases and insurance contracts as embedded derivatives under Section 3855. These amendments to Section 3855 apply to fiscal years beginning on or after August 1, 2008 with earlier adoption permitted.

3. Changes in accounting policies (continued)

The Society has elected to early adopt these amendments to Section 3855 effective for its fiscal year beginning on April 1, 2008. This change in accounting policy is required to be applied retrospectively with restatement of prior years. As the Society did not have any non-financial contracts that were required to be accounted for as derivatives under Section 3855, nor any derivative features embedded in non-financial contracts, leases and insurance contracts that were required to be accounted for as embedded derivatives under Section 3855, this change in accounting policy did not have an impact on the current year's financial statements or on the prior periods presented.

4. Investments

		2009		2008
	Fair value	**Book value**	Fair value	Book value
	$	**$**	$	$
Short-term	**8,616,544**	**8,611,969**	5,043,802	5,036,656
Long-term	**4,077,810**	**4,231,142**	10,061,714	10,393,387
	12,694,354	**12,843,111**	15,105,516	15,430,043

Short-term investments consist of cash held within the investment accounts, banker's acceptances, short-term fixed income funds with maturity dates of less than a year from the balance sheet date, and money market mutual funds. Long-term investments consist of fixed income bonds with maturity dates from May 3, 2010 to December 29, 2049, equities and unit trusts.

5. Capital assets

			2009
	Cost	**Accumulated amortization**	**Net Book value**
	$	**$**	**$**
Land	**1,627,636**	**-**	**1,627,636**
Buildings	**6,592,011**	**5,742,695**	**849,316**
Computer equipment and software	**1,553,122**	**1,126,985**	**426,137**
Furniture and equipment	**513,491**	**402,747**	**110,744**
Computers under capital lease	**111,876**	**111,876**	**-**
Leasehold improvements	**447,975**	**154,599**	**293,376**
	10,846,111	**7,538,902**	**3,307,209**

5. Capital assets (continued)

			2008
	Cost	Accumulated amortization	Net Book value
	$	$	$
Land	1,627,636	-	1,627,636
Buildings	6,514,174	5,363,375	1,150,799
Computer and software	1,348,343	847,752	500,591
Furniture and equipment	460,106	398,128	61,978
Computers under capital lease	145,853	118,030	27,823
Leasehold improvements	360,206	95,191	265,015
	10,456,318	6,822,476	3,633,842

6. Deferred capital grants and donations

	2009	2008
	$	$
Balance, beginning of year	**478,616**	660,214
Grants received during the year	**85,043**	14,500
Less amortization	**208,130**	196,098
Balance, end of year	**355,529**	478,616

7. Mortgage payable

	2009	2008
	$	$
Commercial first mortgage, monthly blended payments of $4,040, including interest at 6.35%, due September 1, 2008, secured by a first mortgage on certain land and buildings	**-**	529,982

During the year, the outstanding balance of the mortgage payable was repaid in full by the Society.

The Arthritis Society

Notes to the financial statements
March 31, 2009

8. Deferred contributions

Deferred contributions represent unspent resources, externally or internally restricted, for education, program development, patient care, research purposes and restricted operating funds received in the current or prior years that are related to subsequent periods. Changes in deferred contribution balances are as follows:

						2009	2008
	Education	Program development	Patient care	Research	SDA's	Total	Total
	$	$	$	$	$	$	$
Balance, beginning of year	1,935,745	414,924	625,246	1,289,195	688,157	4,953,267	4,706,906
Funds received in the year	24,633	95,000	176,586	623,395	82,094	1,001,708	2,032,043
Amount recognized as revenue during the year	(816,688)	(400,624)	(170,460)	(741,359)	(245,191)	(2,374,322)	(1,757,737)
Transfer to Endowment	(65,370)	-	(35,575)	35,575	-	(65,370)	(27,945)
Balance, end of year	1,078,320	109,300	595,797	1,206,806	525,060	3,515,283	4,953,267

9. Deferred lease inducements

	2009	2008
	$	$
Tenant inducements	81,413	81,413
Less accumulated amortization	21,928	10,747
	59,485	70,666

10. Appropriated resources

The Board of Directors of The Arthritis Society has approved $9,310,865 (2008 - $10,895,161) for use in future projects. The appropriated resources balance consists of the following:

	2009	2008
	$	$
Research stabilization account	8,017,099	7,354,358
Centre of Excellence - Ontario Division	-	1,569,250
Arthritis capital funds	96,428	210,402
Education/client service projects	412,265	159,732
Division/branch development	150,989	843,793
Operating reserve - Saskatchewan Division	93,939	234,000
Community groups - B.C. and Yukon Division	208,860	192,341
Arthritis McRobbie - fund - B.C. and Yukon Division	100,926	100,926
Bone and Joint Centre initiative - Alberta and NWT Division	100,000	100,000
Customer Relationship Model	123,482	123,482
Memorial fund - Nova Scotia Division	6,877	6,877
	9,310,865	10,895,161

The research stabilization account, in which the divisions participate, represents funds designated by the National Board to support future research and career development.

11. Campaigns

Gross campaigns revenue is comprised of the following:

	2009	2008
	$	$
Joints In Motion marathons	**2,578,177**	2,425,960
Special events	**2,479,695**	3,055,250
Direct marketing	**6,785,381**	5,982,320
Corporate campaigns	**2,872,164**	3,703,427
Foundations	**283,386**	300,067
Residential canvass	**992,510**	1,096,335
Membership	**11,619**	29,655
Gaming	**249,524**	103,099
Individual giving/major gifts	**1,100,058**	748,684
Planned giving (Note 12)	**306,883**	153,842
Specific disease	**245,191**	105,730
Knights of Columbus	**189,546**	198,584
Employee funds	**368,018**	360,281
Donors Choice	**17,366**	4,081
Service Clubs	**32,421**	43,567
Other	**104,232**	138,816
	18,616,171	18,449,698

12. Annuity, life insurance and charitable remainder trust revenues

As at March 31, 2009, the Society is the beneficiary of several annuities purchased by donors with original annuity contract amounts of $2,468,871 (2008 - $2,692,849). A cash donation is initially received, with the remainder being invested in an annuity. The cash donation and any realized beneficiary amounts are recorded as revenues when received. During 2009, $17,235 (2008 - $15,173) was received in cash and recorded as bequests and memorials revenues.

The Society is also the beneficiary of several life insurance policies purchased by donors. Revenues relating to these policies are recorded on a cash basis. The total policies outstanding as at March 31, 2009 amounted to $841,000 (2008 - $1,096,582). During 2009, $200,888 (2008 - $Nil) was received in cash and recorded as bequests and memorials revenues.

The Society is also the beneficiary of several charitable remainder trusts. The donations are recorded as revenue when the cash is received. The trust amounts outstanding as at March 31, 2009 amounted to $599,636 (2008 - $664,445). During 2009, $68,878 (2008 - $Nil) was received in cash and included in bequest and memorials revenue.

13. Endowment trust funds

The Society is entitled to the annual earnings from endowments held by The Vancouver Foundation and the Victoria Foundation. The capital of the funds is not available to the Society and is not included in the accounts of the Society. The Vancouver Foundation and the Victoria Foundation are not-for-profit organizations that receive and invest funds and from these funds provide investment income to other not-for-profit organizations under the terms of the agreements with them.

During the year, the Society received $253,151 (2008 - $238,994) of interest income from The Vancouver Foundation and $7,409 (2008 - $8,724) from the Victoria Foundation.

14. Endowments

Endowment funds are externally restricted donations received by the Arthritis Society where the endowment principal is required to be maintained intact. The investment income generated from these endowments is to be used in accordance with the various purposes established by the donors. The Arthritis Society ensures that all funds received with a restricted purpose are expended for the purpose for which they were provided.

The balance of endowments consists of the following:

	2009	2008
	$	$
British Columbia & Yukon Division	**200,000**	-
Manitoba & Nunavut Division	**69,444**	-
Ontario Division	**151,991**	116,115
Quebec Division	**69,663**	66,268
Total	**491,098**	182,383

15. Revenues

Total revenues are comprised of the following:

			2009	2008
	Support from the public	**Support from the government**	**Total**	Total
	$	**$**	**$**	$
B.C. and Yukon	**4,238,210**	**680,000**	**4,918,210**	4,837,058
Alberta and NWT	**2,684,200**	**188,562**	**2,872,762**	1,972,193
Saskatchewan	**992,137**	**-**	**992,137**	1,024,165
Manitoba and Nunavut	**1,276,487**	**-**	**1,276,487**	1,274,274
Ontario	**11,321,585**	**4,764,664**	**16,086,249**	15,267,815
Quebec	**3,144,556**	**-**	**3,144,556**	3,141,617
New Brunswick	**453,195**	**-**	**453,195**	353,560
Prince Edward Island	**103,013**	**-**	**103,013**	119,870
Nova Scotia	**915,508**	**-**	**915,508**	788,230
Newfoundland and Labrador	**326,101**	**30,236**	**356,337**	274,497
National	**2,280,747**	**10,000**	**2,290,747**	2,599,774
	27,735,739	**5,673,462**	**33,409,201**	31,653,053

16. Net change in non-cash working capital items

	2009	2008
	$	$
Increase (decrease) in current assets		
Accounts receivable	**279,179**	(152,641)
Supplies for use or resale	**53,804**	14,696
Prepaid expenses	**101,018**	(21,438)
(Decrease) increase in current liabilities		
Accounts payable and accrued liabilities	**(461,235)**	519,925
Deferred revenue	**(277,230)**	405,721
Research and career development awards payable	**(367,728)**	(490,719)
	(672,192)	275,544

17. Inter-fund transfers

During the year, the Society transferred a net amount of $1,501,546 from appropriated to unappropriated resources. The funds transferred were as follows:

	$
Centre of Excellence - Ontario Division	**1,635,494**
Silverthorne Estate - Ontario Division	**576,381**
Restricted cash spent - BC Division	**6,942**
Operating reserve deduction - Saskatchewan Division	**140,061**
Restricted cash spent - New Brunswick Division	**50,199**
Restricted cash spent - Newfoundland Division	**28,974**
Additional gaming funds - Ontario Division	**(273,764)**
Investment income - Research stabilization fund	**(662,741)**
	1,501,546

18. Pension plan

Certain of the employees of the Society are members of The Arthritis Society Pension Plan, which is a defined contribution plan. Employer contributions made to the Plan during the fiscal year by the Society are reflected in the statement of financial activities and amounted to $378,516 (2008 - $379,881).

19. Network centre of excellence

The Society provides funds to the Canadian Arthritis Network, to be used for the training of graduate students, post-doctoral fellows, and scholars. During the year, the Society contributed $429,652 (2008 - $500,000). As at, March 31, 2009, $4,018,486 (2008 - $3,588,833) has been accumulatively contributed to the Canadian Arthritis Network.

20. Research commitments

The Society has currently approved research and career development commitments over the next four years as follows:

	$
2010	3,990,796
2011	2,351,836
2012	1,983,369
2013	1,678,980
	10,004,981

21. Commitments

The Society has entered into several operating lease commitments for office premises and office equipment. The minimum annual lease payments are as follows:

	$
2010	1,285,070
2011	1,160,322
2012	902,501
2013	823,365
2014	675,727
Thereafter	1,335,843
	6,182,828

22. Guarantees

In the normal course of business, The Arthritis Society enters into agreements that meet the definition of a guarantee. The nature of these guarantee and indemnification agreements prevents The Arthritis Society 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. The Arthritis Society has not made any significant payments under such or similar indemnification agreements and therefore no amount has been accrued in the balance sheet with respect to these agreements.

The Arthritis Society's primary guarantees are as follows:

a) Indemnity has been provided to all directors and officers of The Arthritis Society for various items including but not limited to, all costs to settle suits or actions due to their association with The Arthritis Society, subject to certain restrictions. The Arthritis Society has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions.

b) In the normal course of businesses, The Arthritis Society 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 Arthritis Society to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or, 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 counterparty as a consequence of the transaction. The Arthritis Society has insurance policies in place to minimize the exposure of certain of these guarantees.

23. Capital disclosures

The Society considers its Endowment and Appropriated resources, together with deferred contributions, to be capital and has complied with the restrictions related thereto.

24. Financial instruments

Fair value

The fair values of the Society's financial instruments, except as noted otherwise, approximate their carrying value due to their short-term nature.

Credit risk

The Society is exposed to credit risk to the extent that its donors and debtors may experience financial difficulty and would be unable to meet their obligations. However, the Society has a large number of diverse donors and debtors which minimizes concentration of credit risk.

25. Comparative figures

Certain of the prior year comparative amounts have been re-classified to conform with the current year's financial statement presentation.