

Financial statements of

**The Arthritis Society**

March 31, 2010

# The Arthritis Society

March 31, 2010

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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, 2010 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, 2010 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 11, 2010

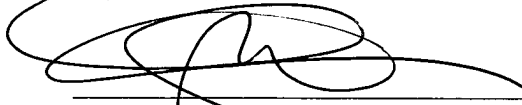
# The Arthritis Society


## Statement of financial position as at March 31, 2010

	2010	2009
	\$	\$
<b>Assets</b>		
Current		
Cash	5,920,124	4,215,152
Restricted cash	496,717	1,441,200
Investments (Note 4)	1,580,705	8,616,544
Accounts receivable	424,369	788,252
Supplies for use or resale	19,268	47,191
Prepaid expenses	401,226	848,035
	<b>8,842,409</b>	15,956,374
Long-term investments (Note 4)	12,122,298	4,077,810
Capital assets (Note 5)	3,257,384	3,307,209
	<b>24,222,091</b>	23,341,393
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities	1,709,028	2,482,350
Deferred revenue	894,164	1,265,091
Research and career development awards payable	680,577	1,404,984
	<b>3,283,769</b>	5,152,425
Deferred capital grants and donations (Note 6)	283,085	354,339
Deferred contributions (Note 7)	3,229,403	3,640,905
Deferred lease inducements (Note 8)	48,305	59,485
	<b>6,844,562</b>	9,207,154
<b>Resources</b>		
Unappropriated	2,689,559	1,438,891
Appropriated (Note 9)	9,808,838	9,310,865
Endowments (Note 13)	1,953,138	491,098
Invested in capital assets	2,925,994	2,893,385
	<b>17,377,529</b>	14,134,239
	<b>24,222,091</b>	23,341,393

Commitments and contingencies (Notes 19, 20 and 21)

Approved by the Board of Directors

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

# The Arthritis Society

## Statement of financial activities

### year ended March 31, 2010

	2010	2009
	\$	\$
<b>Revenues</b>		
Support from the public		
Campaigns (Note 10)	<b>18,994,587</b>	18,612,178
United Way	<b>946,132</b>	1,081,508
Bequests	<b>5,320,909</b>	5,587,538
Investment and miscellaneous income	<b>2,754,052</b>	3,133,376
	<b>28,015,680</b>	28,414,600
Support from government departments and agencies		
Patient care	<b>4,842,153</b>	4,686,590
Other	<b>230,592</b>	308,011
	<b>5,072,745</b>	4,994,601
<b>Total revenues (Note 14)</b>	<b>33,088,425</b>	33,409,201
<b>Expenses</b>		
Programs and services		
Research and career development	<b>4,035,891</b>	5,618,365
Patient care	<b>4,836,880</b>	4,829,969
Education/information/advocacy	<b>4,883,351</b>	4,606,637
Volunteer/community development	<b>1,515,139</b>	1,540,120
Building operation	<b>532,548</b>	535,336
Administration	<b>3,622,333</b>	3,686,229
	<b>19,426,142</b>	20,816,656
Cost of raising funds from the public	<b>11,556,864</b>	11,713,132
<b>Total expenses</b>	<b>30,983,006</b>	32,529,788
Excess of revenues over		
expenses before the undernoted	<b>2,105,419</b>	879,413
Change in unrealized gain (loss) on investments during the year	<b>290,334</b>	(37,705)
Loss on disposal of assets	-	(40)
Amortization of capital assets	<b>(615,699)</b>	(806,858)
<b>Excess of revenues</b>		
<b>over expenses for the year</b>	<b>1,780,054</b>	34,810

# The Arthritis Society

Statement of changes in resources  
year ended March 31, 2010

	2010			2009		
	Unappropriated	Appropriated	Endowments	Invested in capital assets	Total	Total
	\$	\$	\$	\$	\$	\$
<b>Balance, beginning of year</b>	1,438,891	9,310,865	491,098	2,893,385	14,134,239	13,795,265
Excess (deficiency) of revenues over expenses for the year	2,277,027	(1,874)	(1,196)	(493,903)	1,780,054	34,810
Additions to capital assets	(563,881)	(1,993)	-	565,874	-	-
Endowment contributions	-	-	1,463,236	-	1,463,236	304,164
Deferred capital grants and donations received	39,362	-	-	(39,362)	-	-
Inter-fund transfers (Note 16)	(501,840)	501,840	-	-	-	-
<b>Balance, end of year</b>	<b>2,689,559</b>	<b>9,808,838</b>	<b>1,953,138</b>	<b>2,925,994</b>	<b>17,377,529</b>	<b>14,134,239</b>

# The Arthritis Society

## Statement of cash flows

year ended March 31, 2010

	2010	2009
	\$	\$
<b>Operating activities</b>		
Excess of revenue over expenses for the year	1,780,054	34,810
Items not affecting cash		
Amortization of deferred capital grants and donations (Note 6)	(110,616)	(208,130)
Amortization of deferred contributions (Note 7)	(1,409,037)	(2,473,651)
Amortization of deferred lease inducements	(11,180)	(11,181)
Transfer to endowments (Note 7)	(62,000)	-
Loss on disposal of capital assets	-	40
Amortization of capital assets	615,699	806,858
	<b>802,920</b>	<b>(1,851,254)</b>
Net change in non-cash working capital items (Note 15)	<b>(1,030,041)</b>	<b>(796,624)</b>
	<b>(227,121)</b>	<b>(2,647,878)</b>
<b>Investing activities</b>		
Net change in investments	(1,008,649)	2,411,162
Payment to Schleroderma Society (Note 7)	(477,909)	-
Net purchases of capital assets	(565,874)	(481,866)
Proceeds on sale of capital assets	-	1,601
	<b>(2,052,432)</b>	<b>1,930,897</b>
<b>Financing activities</b>		
Deferred contributions received (Note 7)	1,537,444	1,225,469
Change in capital lease obligations	-	(14,312)
Endowment contributions	1,463,236	238,794
Repayment of mortgage payable	-	(529,982)
Deferred capital grants and donations received (Note 6)	39,362	85,043
	<b>3,040,042</b>	<b>1,005,012</b>
Net inflow of cash during the year	760,489	288,031
Cash, beginning of year	5,656,352	5,368,321
<b>Cash, end of year</b>	<b>6,416,841</b>	<b>5,656,352</b>
<b>Cash consists of:</b>		
Cash	5,920,124	4,215,152
Restricted cash	496,717	1,441,200
	<b>6,416,841</b>	<b>5,656,352</b>

# The Arthritis Society

Notes to the financial statements

March 31, 2010

## 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 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 expenses of future periods are recorded as deferred contributions and are recognized as revenue in the period 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.

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

### *Allocation of expenses*

Expenses are recorded and reported by programs and services. Certain employees perform a combination of program, fundraising and administrative functions; as a result, salaries and benefits are allocated based on time dedicated to the functional activities. Other costs, including executive office and administrative support, are allocated to the programs and services that benefit from the activities. Such allocations are reviewed regularly by management.

### *Financial instruments*

The Society has classified its financial instruments as follows:

<u>Asset/liability</u>	<u>Category</u>
Cash and restricted cash	Held-for-trading
Short-term investments	Held-for-trading
Accounts receivable	Loans and receivables
Long-term investments	Held-for-trading
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. Items classified as "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.



# The Arthritis Society

## Notes to the financial statements

### March 31, 2010

#### 2. Summary of significant accounting policies (continued)

##### *Financial instruments (continued)*

As allowed under Section 3855 "Financial Statements – Recognition and Measurement," the Society has elected not to account for non-financial contracts as derivatives, and not to account for embedded derivatives in non-financial contracts, leases and insurance contracts as embedded derivatives.

The Society has elected to follow the disclosure requirements of Section 3861 "Financial Instruments – Disclosure and Presentation" of the CICA Handbook.

##### *Description of resources balances*

a) Unappropriated resources

Unappropriated Resources record 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.

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. Amortization is recorded beginning in the month of acquisition. Amortization is recorded as follows:

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

# The Arthritis Society

## Notes to the financial statements

March 31, 2010

### 2. Summary of significant accounting policies (continued)

#### *Investments*

Short-term investments are recorded at cost plus accrued interest, which approximates fair value.

Equities are valued at published prices in an active market. Equity pooled funds and Unit funds are recorded at net asset values as reported by the Fund Manger.

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.

#### *Accrued payroll liabilities*

The Society accrues for 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. Accounts requiring significant estimates and assumptions include accrued liabilities and capital assets (useful lives).

### 3. Changes in accounting policies

Series of Sections 4400 – Not-for-profit organizations

In September 2008, the Canadian Institute of Chartered Accountants ("CICA") issued amendments to several of the existing sections on accounting, measurement and financial reporting by Not-for-profit organizations contained in the 4400 series of Sections of the CICA Handbook. The adoption of these amendments has not resulted in any change in how the Society accounts for its transactions. Additional disclosure of allocated expenses is required and has been provided in Note 22.

# The Arthritis Society

## Notes to the financial statements

### March 31, 2010

#### 3. Changes in accounting policies (continued)

Section 1000 – Financial statement concepts

On January 1, 2009, the Organization adopted the amendments made to Section 1000 “Financial statement concepts”. The amended section requires an entity to demonstrate that any amount that is presented as an asset meets the conceptual definition of an asset or is permitted to be recorded as an asset under specific CICA Handbook sections. The adoption of these amendments has not resulted in any change in how the Society accounts for its transactions.

*EIC-173 – Credit risk and the fair value of financial assets and financial liabilities*

In January 2009, the Emerging Issues Committee (“EIC”) of the CICA issued EIC-173 “Credit risk and the fair value of financial assets and financial liabilities”. This abstract requires that an entity’s own credit risk (for financial liabilities) and the credit risk of the counterparty (for financial assets) should be taken into account in determining the fair value of financial assets and financial liabilities, including derivatives instruments. The new guidance did not have any impact on the valuation of the Society’s financial assets and liabilities, or its net assets.

#### 4. Investments

	2010		2009	
	Fair value	Book value	Fair value	Book value
	\$	\$	\$	\$
Short-term	1,580,705	1,581,311	8,616,544	8,611,969
Long-term	12,122,298	11,826,859	4,077,810	4,231,142
	<b>13,703,003</b>	<b>13,408,170</b>	12,694,354	12,843,111

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, bearing interest at rates ranging from 3.79% to 4.00%. Long-term investments consist of fixed income bonds with maturity dates from July 2011 to December 2049, bearing interest at rates ranging from 5.66% to 7.29%, Canadian and US equities and unit trusts.

#### 5. Capital assets

	2010		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	1,627,636	-	1,627,636
Buildings	6,600,374	5,931,055	669,319
Computer equipment and software	1,716,335	1,181,226	535,109
Furniture and equipment	434,826	311,644	123,182
Leasehold improvements	449,982	147,844	302,138
	<b>10,829,153</b>	<b>7,571,769</b>	<b>3,257,384</b>

# The Arthritis Society

Notes to the financial statements  
March 31, 2010

## 5. Capital assets (continued)

		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
	<b>10,846,111</b>	<b>7,538,902</b>	<b>3,307,209</b>

## 6. Deferred capital grants and donations

	2010	2009
	\$	\$
Balance, beginning of year	<b>354,339</b>	477,426
Grants received during the year	<b>39,362</b>	85,043
Less amortization	<b>110,616</b>	208,130
Balance, end of year	<b>283,085</b>	354,339

## 7. Deferred contributions

Deferred contributions represent unspent resources, externally or internally restricted, for education, volunteer/community 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:

	2010					2009	
	Education	Volunteer/ comm development	Patient care	Research	Specific Disease Associations	Total	Total
	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of year	1,203,942	109,300	595,797	1,206,806	525,060	3,640,905	4,889,087
Funds received in the year	254,174	304,000	105,845	873,087	338	1,537,444	1,225,469
Amount recognized as revenue during the year	(624,408)	(155,448)	(165,121)	(416,571)	(47,489)	(1,409,037)	(2,473,651)
Payment to Schleroderma Society	-	-	-	-	(477,909)	(477,909)	-
Transfer to Endowments (Note 13)	-	-	-	(62,000)	-	(62,000)	-
Balance, end of year	<b>833,708</b>	<b>257,852</b>	<b>536,521</b>	<b>1,601,322</b>	-	<b>3,229,403</b>	3,640,905

# The Arthritis Society

Notes to the financial statements  
March 31, 2010

## 8. Deferred lease inducements

	<b>2010</b>	2009
	\$	\$
Tenant inducements	<b>81,413</b>	81,413
Less accumulated amortization	<b>33,108</b>	21,928
	<b>48,305</b>	59,485

## 9. Appropriated resources

The Board of Directors of The Arthritis Society has approved \$9,808,838 (2009 - \$9,310,865) for use in future projects. The appropriated resources balance consists of the following:

	<b>2010</b>	2009
	\$	\$
Research stabilization account	<b>8,561,429</b>	8,017,099
Aqueduct Foundation Grant - Ontario division	<b>20,000</b>	-
Future research - Alberta and NWT Division	<b>72,728</b>	-
Arthritis capital funds	<b>94,436</b>	96,428
Education/client service projects	<b>512,575</b>	412,265
Division/branch development	<b>24,718</b>	150,964
Operating reserve - Saskatchewan Division	-	93,939
Community groups - B.C. and Yukon Division	<b>198,519</b>	208,860
Arthritis McRobbie - fund - B.C. and Yukon Division	<b>100,926</b>	100,926
Bone and Joint Centre initiative - Alberta and NWT Division	<b>100,000</b>	100,000
Customer Relationship Model	<b>123,507</b>	123,507
Memorial fund - Nova Scotia Division	-	6,877
	<b>9,808,838</b>	9,310,865

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

# The Arthritis Society

Notes to the financial statements

March 31, 2010

## 10. Campaigns

Gross campaigns revenue is comprised of the following:

	2010	2009
	\$	\$
Joints In Motion marathons	1,982,960	2,559,461
Special events	2,337,408	2,521,263
Direct marketing	7,282,321	6,781,021
Corporate campaigns	3,516,249	2,674,626
Tributes/memorials	267,403	305,507
Foundations	221,175	172,120
Residential canvass	1,021,974	913,945
Gaming	178,723	249,524
Individual giving/major gifts	1,011,981	1,084,817
Planned giving (Note 11)	345,576	306,883
Specific disease	48,584	245,191
Employee funds	518,202	523,688
Service Clubs	259,817	259,467
Other	2,214	14,665
	<b>18,994,587</b>	<b>18,612,178</b>

## 11. Annuity, life insurance and charitable remainder trust revenues

As at March 31, 2010, the Society is the beneficiary of several annuities purchased by donors with original annuity contract amounts of \$2,466,784 (2009 - \$2,468,871). 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 2010, \$4,371 (2009 - \$17,235) was received in cash and included in campaigns 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, 2010 amounted to \$836,000 (2009 - \$836,000). During 2010, \$Nil (2009 - \$200,888) was received in cash and included in campaigns 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, 2010 amounted to \$564,320 (2009 - \$599,636). During 2010, \$122,539 (2009 - \$68,878) was received in cash and included in campaigns revenues.

## 12. 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 \$137,921 (2009 - \$253,151) of interest income from The Vancouver Foundation and \$Nil (2009 - \$7,409) from the Victoria Foundation.

# The Arthritis Society

## Notes to the financial statements

### March 31, 2010

#### 13. 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:

	2010	2009
	\$	\$
British Columbia and Yukon Division	<b>200,000</b>	200,000
Saskatchewan Division (Note 7)	<b>62,046</b>	-
Manitoba and Nunavut Division	<b>72,434</b>	69,444
Ontario Division	<b>1,618,658</b>	151,991
Quebec Division	-	69,663
	<b>1,953,138</b>	491,098

#### 14. Revenues

Total revenues by Division are comprised of the following:

			2010	2009
	Support from the public	Support from the government	Total	Total
	\$	\$	\$	\$
B.C. and Yukon	<b>4,769,967</b>	-	<b>4,769,967</b>	4,918,210
Alberta and NWT	<b>2,159,964</b>	<b>127,149</b>	<b>2,287,113</b>	2,872,762
Saskatchewan	<b>1,217,992</b>	-	<b>1,217,992</b>	992,137
Manitoba and Nunavut	<b>940,675</b>	<b>3,675</b>	<b>944,350</b>	1,276,487
Ontario	<b>11,485,922</b>	<b>4,901,846</b>	<b>16,387,768</b>	16,086,249
Quebec	<b>3,263,665</b>	<b>3,601</b>	<b>3,267,266</b>	3,144,556
New Brunswick	<b>376,612</b>	<b>2,475</b>	<b>379,087</b>	453,195
Prince Edward Island	<b>130,252</b>	<b>9,096</b>	<b>139,348</b>	103,013
Nova Scotia	<b>1,024,543</b>	<b>14,688</b>	<b>1,039,231</b>	915,508
Newfoundland and Labrador	<b>383,388</b>	<b>5,437</b>	<b>388,825</b>	356,337
National	<b>2,262,700</b>	<b>4,778</b>	<b>2,267,478</b>	2,290,747
	<b>28,015,680</b>	<b>5,072,745</b>	<b>33,088,425</b>	33,409,201

# The Arthritis Society

Notes to the financial statements  
March 31, 2010

## 15. Net change in non-cash working capital items

	2010	2009
	\$	\$
Increase (decrease) in current assets		
Accounts receivable	363,883	279,179
Supplies for use or resale	27,923	53,804
Prepaid expenses	446,809	101,018
(Decrease) increase in current liabilities		
Accounts payable and accrued liabilities	(773,322)	(461,235)
Deferred revenue	(370,927)	(401,662)
Research and career development awards payable	(724,407)	(367,728)
	<b>(1,030,041)</b>	<b>(796,624)</b>

## 16. Inter-fund transfers

During the year, the Society transferred a net amount of \$501,840 from unappropriated to appropriated resources. The funds transferred were as follows:

	\$
Restricted cash spent - BC & Yukon Division	(2,613)
Education/client service projects - Alberta & NWT Division	69,456
Future research - Alberta & NWT Division	72,728
Division/branch development - Alberta & NWT Division	(104,140)
Operating reserve deduction - Saskatchewan Division	(93,939)
Aqueduct Foundation 10 Year Gift - Ontario Division	20,000
Memorial fund - Nova Scotia Division	(6,876)
Education/client service projects - Newfoundland & Labrador Division	2,894
Investment income - Research stabilization fund	544,330
	<b>501,840</b>

## 17. 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 \$376,122 (2009 - \$378,516).

## 18. 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 \$500,000 (2009 - \$429,652). As at, March 31, 2010, \$4,518,486 (2009 - \$4,018,486) has been accumulatively contributed to the Canadian Arthritis Network.



# The Arthritis Society

## Notes to the financial statements

### March 31, 2010

#### 19. Research commitments

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

	\$
2011	4,136,287
2012	3,319,950
2013	2,265,000
2014	1,240,000
2015	440,000
	<hr/> 11,401,237

#### 20. Commitments

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

	\$
2011	1,477,867
2012	1,267,164
2013	1,203,816
2014	934,897
2015	550,349
Thereafter	884,498
	<hr/> 6,318,591

#### 21. Guarantees

In the normal course of business, the Society enters into agreements that meet the definition of a guarantee. The nature of these guarantee and indemnification agreements prevents the 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 Society 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.

The Society's primary guarantees are as follows:

- a) Indemnity has been provided to all directors and officers of the Society for various items including but not limited to, all costs to settle suits or actions due to their association with the Society, subject to certain restrictions. The 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 business, the 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 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 Society has insurance policies in place to minimize the exposure of certain of these guarantees.

# The Arthritis Society

Notes to the financial statements  
March 31, 2010

## 22. Allocation of expenses

The Society has allocated its common expenses as follows:

	2010						2009							
	Research and career development	Education/ information/ advocacy	Volunteer/ community development	Building operation	Administration	Cost of raising funds	Total	Research and career development	Education/ information/ advocacy	Volunteer/ community development	Building operation	Administration	Cost of raising funds	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Marketing and communications	-	265,243	-	-	-	-	265,243	-	-	-	-	-	-	-
Executive office (1)	135,538	304,695	169,157	-	223,372	386,017	1,218,779	204,155	311,783	89,639	-	171,301	416,287	1,193,165
Administration (2)	-	348,336	61,646	532,548	657,070	709,606	2,309,206	-	326,887	81,205	535,336	819,588	673,826	2,436,842
	<b>135,538</b>	<b>918,274</b>	<b>230,803</b>	<b>532,548</b>	<b>880,442</b>	<b>1,095,623</b>	<b>3,793,228</b>	<b>204,155</b>	<b>806,007</b>	<b>170,844</b>	<b>535,336</b>	<b>990,889</b>	<b>1,090,113</b>	<b>3,797,344</b>

(1) Executive office expenses consist primarily of salaries and benefits and staff travel.

(2) Administration expenses consist primarily of telecommunications, equipment expenses, amortization, consulting fees and office expenses.

# The Arthritis Society

Notes to the financial statements

March 31, 2010

## **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's financial assets are cash, and accounts receivable, both of which are subject to credit risk. The carrying amounts of financial assets on the balance sheet represent the Society's maximum credit exposure at the balance sheet date.

### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Changes in the prime interest rate will have a positive or negative impact on the Society's interest income. Such exposure will increase accordingly should the Society maintain higher levels of investments in the future.

## **25. Comparative figures**

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