

Financial statements of

The Arthritis Society

March 31, 2011

The Arthritis Society

March 31, 2011

Table of contents

Independent Auditor's Report	1-2
Statement of financial position	3
Statement of financial activities	4
Statement of changes in resources.....	5
Statement of cash flows	6
Notes to the financial statements	7-18

Independent Auditor's Report

To the Directors of
The Arthritis Society

We have audited the accompanying financial statements of The Arthritis Society (the "Society"), which comprise the statement of financial position as at March 31, 2011, and the statements of financial activities, changes in resources and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Except as explained in the following paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Society derives revenue from 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, deficiency of revenues over expenses, assets and resources.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2011, 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

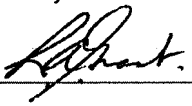
Chartered Accountants
Licensed Public Accountants
June 24, 2011

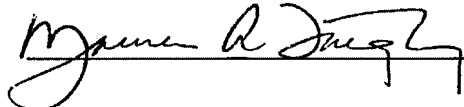
The Arthritis Society

Statement of financial position as at March 31, 2011

	2011	2010
	\$	\$
Assets		
Current assets		
Cash	3,224,970	5,920,124
Restricted cash	214,075	496,717
Investments (Note 3)	2,758,110	1,580,705
Accounts receivable	796,254	424,369
Supplies for use or resale	22,974	19,268
Prepaid expenses	534,678	401,226
	7,551,061	8,842,409
Long-term investments (Note 3)	11,901,863	12,122,298
Capital assets (Note 4)	3,036,339	3,257,384
	22,489,263	24,222,091
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,252,145	1,709,028
Deferred revenue	1,498,170	894,164
Research and career development awards payable	900,890	680,577
	3,651,205	3,283,769
Deferred capital grants and donations (Note 5)	74,501	283,085
Deferred contributions (Note 6)	2,041,803	3,229,403
Deferred lease inducements (Note 7)	37,935	48,305
	5,805,444	6,844,562
Commitments and contingencies (Notes 18, 19 and 20)		
Resources		
Unappropriated	1,399,255	2,689,559
Appropriated (Note 8)	10,328,905	9,808,838
Endowments (Note 12)	2,031,756	1,953,138
Invested in capital assets	2,923,903	2,925,994
	16,683,819	17,377,529
	22,489,263	24,222,091

Approved by the Board of Directors:


 _____ Director


 _____ Director

The Arthritis Society

Statement of financial activities

year ended March 31, 2011

	2011	2010
	\$	\$
Revenues		
Support from the public		
Campaigns (Note 9)	20,528,954	19,196,054
United Way	837,060	946,132
Bequests	4,524,684	5,320,909
Investment and miscellaneous income	2,519,376	2,552,585
	28,410,074	28,015,680
Support from government departments and agencies		
Patient care	5,143,649	4,842,153
Other	304,951	230,592
	5,448,600	5,072,745
Total revenues (Note 13)	33,858,674	33,088,425
Expenses		
Programs and services		
Research and career development	5,588,582	3,968,661
Patient care	5,127,704	4,844,431
Education/information/advocacy	5,867,914	4,930,571
Volunteer/community development	1,181,671	1,434,661
Building operation	628,122	619,328
Administration	3,698,981	3,593,703
	22,092,974	19,391,355
Cost of raising funds from the public	11,855,901	11,591,651
Total expenses	33,948,875	30,983,006
(Deficiency) excess of revenues over expenses before the undernoted	(90,201)	2,105,419
Change in unrealized (loss) gain on investments during the year	(90,083)	290,334
Amortization of capital assets	(591,881)	(615,699)
(Deficiency) excess of revenues over expenses for the year	(772,165)	1,780,054

The Arthritis Society

Statement of changes in resources year ended March 31, 2011

					2011	2010
	Unappropriated	Appropriated	Endowments	Invested in capital assets	Total	Total
	\$	\$	\$	\$	\$	\$
Balance, beginning of year	2,689,559	9,808,838	1,953,138	2,925,994	17,377,529	14,134,239
(Deficiency) excess of revenues over expenses for the year	(349,585)	(61,496)	163	(361,247)	(772,165)	1,780,054
Additions to capital assets	(370,836)	-	-	370,836	-	-
Endowment contributions	-	-	78,455	-	78,455	1,463,236
Deferred capital grants and donations received	11,680	-	-	(11,680)	-	-
Inter-fund transfers (Note 15)	(581,563)	581,563	-	-	-	-
Balance, end of year	1,399,255	10,328,905	2,031,756	2,923,903	16,683,819	17,377,529

The Arthritis Society

Statement of cash flows year ended March 31, 2011

	2011	2010
	\$	\$
Operating activities		
(Deficiency) excess of revenues over expenses for the year	(772,165)	1,780,054
Items not affecting cash		
Amortization of deferred capital grants and donations (Note 5)	(220,264)	(110,616)
Amortization of deferred contributions (Note 6)	(2,176,300)	(1,409,037)
Amortization of deferred lease inducements	(10,370)	(11,180)
Transfer to endowments (Note 6)	-	(62,000)
Amortization of capital assets	591,881	615,699
	(2,587,218)	802,920
Net change in non-cash working capital items (Note 14)	(141,607)	(1,030,041)
	(2,728,825)	(227,121)
Investing activities		
Net change in investments	(956,970)	(1,008,649)
Payment to Scleroderma Society (Note 6)	-	(477,909)
Net purchases of capital assets	(370,836)	(565,874)
	(1,327,806)	(2,052,432)
Financing activities		
Deferred contributions received (Note 6)	988,700	1,537,444
Endowment contributions	78,455	1,463,236
Deferred capital grants and donations received (Note 5)	11,680	39,362
	1,078,835	3,040,042
Net (outflow) inflow of cash during the year	(2,977,796)	760,489
Cash, beginning of year	6,416,841	5,656,352
Cash, end of year	3,439,045	6,416,841
Cash consists of:		
Cash	3,224,970	5,920,124
Restricted cash	214,075	496,717
	3,439,045	6,416,841

The Arthritis Society

Notes to the financial statements

March 31, 2011

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. Endowment contributions are shown on the Statement of changes in resources.

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.

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 Arthritis Society

Notes to the financial statements

March 31, 2011

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

The Society has elected to follow the disclosure requirements of Section 3861 "Financial Instruments – Disclosure and Presentation" of the Canadian Institute of Chartered Accountants ("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 will be reduced by amortization charges, the net book value of capital asset disposals, increases in capital lease obligations and increases in deferred capital grants and donations.

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 and 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

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 Manager.

Transaction costs are expensed as incurred.

The Arthritis Society

Notes to the financial statements

March 31, 2011

2. Summary of significant accounting policies (continued)

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, 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).

Future accounting changes

On December 9, 2010, the CICA issued accounting standards for Not-for-profit organizations (Part III of the CICA Handbook – Accounting). Effective for fiscal years beginning on or after January 1, 2012, Not-for-Profit organizations are required to adopt either Part III of the CICA Handbook – Accounting, or International Financial Reporting Standards (Part I of the CICA Handbook – Accounting). Earlier adoption is permitted. The Society will adopt Part III of the CICA Handbook – Accounting for its fiscal year ending March 31, 2013.

The Arthritis Society

Notes to the financial statements

March 31, 2011

3. Investments

	2011		2010	
	Fair value	Book value	Fair value	Book value
	\$	\$	\$	\$
Short-term	2,758,110	2,758,110	1,580,705	1,585,810
Long-term	11,901,863	11,991,946	12,122,298	11,826,859
	14,659,973	14,750,056	13,703,003	13,412,669

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 1.7% to 7.2% (2010 - from 3.79% to 4.00%). Long-term investments consist of fixed income bonds bearing interest at rates ranging from 2.1% to 7.2% (2010 - from 5.66% to 7.29%), Canadian and US equities and investments in unit trusts.

4. Capital assets

	2011		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	1,627,636	-	1,627,636
Buildings	6,600,374	6,071,706	528,668
Computer equipment and software	1,710,745	1,236,253	474,492
Furniture and equipment	379,040	270,016	109,024
Leasehold improvements	507,580	211,061	296,519
	10,825,375	7,789,036	3,036,339

	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
	10,829,153	7,571,769	3,257,384

The Arthritis Society

Notes to the financial statements

March 31, 2011

5. Deferred capital grants and donations

	2011	2010
	\$	\$
Balance, beginning of year	283,085	354,339
Grants received during the year	11,680	39,362
Less amortization	220,264	110,616
Balance, end of year	74,501	283,085

6. 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:

	2011				2010	
	Education	Volunteer/ community development	Patient care	Research	Total	Total
	\$	\$	\$	\$	\$	\$
Balance, beginning of year	833,708	257,852	536,521	1,601,322	3,229,403	3,640,905
Funds received in the year	294,110	-	285,849	408,741	988,700	1,537,444
Amount recognized as revenue during the year	(312,842)	(201,290)	(333,924)	(1,328,244)	(2,176,300)	(1,409,037)
Payment to Scleroderma Society	-	-	-	-	-	(477,909)
Transfer to Endowments (Note 12)	-	-	-	-	-	(62,000)
Balance, end of year	814,976	56,562	488,446	681,819	2,041,803	3,229,403

7. Deferred lease inducements

	2011	2010
	\$	\$
Tenant inducements	81,413	81,413
Less accumulated amortization	43,478	33,108
	37,935	48,305

The Arthritis Society

Notes to the financial statements

March 31, 2011

8. Appropriated resources

The Board of Directors of The Arthritis Society has approved \$10,328,905 (2010 - \$9,808,838) for use in future projects. The appropriated resources balance consists of the following:

	2011	2010
	\$	\$
Research stabilization account	9,280,589	8,561,429
Aqueduct Foundation Grant - Ontario division	20,000	20,000
Future research	3,500	72,728
Arthritis capital funds	19,100	94,436
Education/client service projects	464,185	512,575
Division/branch development	22,000	24,718
Community groups - B.C. and Yukon Division	195,098	198,519
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	123,507	123,507
	10,328,905	9,808,838

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

9. Campaigns

Gross campaigns revenue is comprised of the following:

	2011	2010
	\$	\$
Joints In Motion marathons	2,068,876	1,982,960
National Walk	620,268	-
Special events	1,655,154	2,371,638
Direct marketing	7,221,156	7,282,321
Corporate campaigns	3,168,004	3,583,573
Tributes/memorials	409,133	303,869
Foundations	663,036	313,163
Residential canvass	981,462	1,029,899
Gaming	318,452	100,867
Individual giving/major gifts	1,994,884	980,774
Planned giving (Note 10)	443,972	345,576
Specific disease	3,312	48,584
Employee funds	699,960	580,105
Service Clubs	246,130	270,511
Other	35,155	2,214
	20,528,954	19,196,054

The Arthritis Society

Notes to the financial statements

March 31, 2011

10. Annuity, life insurance and charitable remainder trust revenues

As at March 31, 2011, the Society is the beneficiary of several annuities purchased by donors with original annuity contract amounts of \$2,466,784 (2010 - \$2,466,784). 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 2011, \$2,582 (2010 - \$4,371) 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, 2011 amounted to \$866,633 (2010 - \$836,000). During 2011, \$ Nil (2010 - \$ Nil) 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, 2011 amounted to \$564,320 (2010 - \$564,320). During 2011, \$Nil (2010 - \$122,539) was received in cash and included in campaigns revenues.

11. 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 \$103,626 (2010 - \$137,921) of interest income from The Vancouver Foundation and \$16,073 (2010 - \$Nil) from the Victoria Foundation.

12. 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 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:

	2011	2010
	\$	\$
British Columbia and Yukon Division	200,000	200,000
Saskatchewan Division	62,000	62,046
Manitoba and Nunavut Division	73,393	72,434
Ontario Division	1,696,363	1,618,658
	2,031,756	1,953,138

The Arthritis Society

Notes to the financial statements

March 31, 2011

13. Revenues

Total revenues by Division are as follows:

			2011	2010
	Support from the public	Support from the government	Total	Total
	\$	\$	\$	\$
B.C. and Yukon	5,628,312	277,501	5,905,813	4,769,967
Alberta and NWT	2,349,934	36,607	2,386,541	2,287,113
Saskatchewan	1,737,125	-	1,737,125	1,217,992
Manitoba and Nunavut	990,048	4,346	994,394	944,350
Ontario	11,143,606	4,999,961	16,143,567	16,387,768
Quebec	2,204,434	3,782	2,208,216	3,267,266
New Brunswick	340,830	5,011	345,841	379,087
Prince Edward Island	119,117	917	120,034	139,348
Nova Scotia	922,282	15,198	937,480	1,039,231
Newfoundland and Labrador	491,411	105,277	596,688	388,825
National	2,482,975	-	2,482,975	2,267,478
	28,410,074	5,448,600	33,858,674	33,088,425

14. Net change in non-cash working capital items

	2011	2010
	\$	\$
Increase (decrease) in current assets		
Accounts receivable	(371,885)	363,883
Supplies for use or resale	(3,706)	27,923
Prepaid expenses	(133,452)	446,809
(Decrease) increase in current liabilities		
Accounts payable and accrued liabilities	(456,883)	(773,322)
Deferred revenue	604,006	(370,927)
Research and career development awards payable	220,313	(724,407)
	(141,607)	(1,030,041)

The Arthritis Society

Notes to the financial statements

March 31, 2011

15. Inter-fund transfers

During the year, the Society transferred a net amount of \$581,563 from unappropriated to appropriated resources. The funds transferred were as follows:

	\$
Arthritis capital funds - B.C. & Yukon Division	(70,335)
Education/client service projects - Alberta & NWT Division	34,685
Future research - Alberta & NWT Division	(72,729)
Future research - Saskatchewan Division	(1,500)
Education/client service projects - Newfoundland & Labrador Division	(27,718)
Investment income - Research stabilization fund	719,160
	<hr/> 581,563

16. 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 \$399,267 (2010 - \$376,122).

17. 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 (2010 - \$500,000). As at, March 31, 2011, \$5,018,486 (2010 - \$4,518,486) has been accumulatively contributed to the Canadian Arthritis Network.

18. Research commitments

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

	\$
2012	4,153,890
2013	3,529,200
2014	1,051,400
2015	557,975
	<hr/> 9,292,465

The Arthritis Society

Notes to the financial statements

March 31, 2011

19. Commitments

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

	\$
2012	1,540,744
2013	1,430,926
2014	1,150,049
2015	743,815
2016	536,374
Thereafter	497,557
	<hr/> <u>5,899,465</u>

20. 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, 2011

21. Allocation of expenses

The Society has allocated its common expenses as follows:

	2011					
	Research and career development	Education/ information/ advocacy	Volunteer/ community development	Administration	Cost of raising funds	Total
	\$	\$	\$	\$	\$	\$
Executive office (1)	184,910	184,910	-	73,964	295,856	739,640
Administration (2)	-	-	434,830	48,315	-	483,145
	184,910	184,910	434,830	122,279	295,856	1,222,785

	2010						
	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
Administration (2)	-	348,336	61,646	532,548	701,557	689,492	2,333,579
	135,538	918,274	230,803	532,548	924,929	1,075,509	3,817,601

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

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

The 2011 allocated amounts represent those for the National office and the Quebec division only, whereas the 2010 amounts were for the National office and all of the divisions.

The Arthritis Society

Notes to the financial statements

March 31, 2011

22. 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.

23. 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.

24. Additional disclosures with respect to Imagine Canada Ethical Fundraising and Financial Accountability Code

	2011	2010
	\$	\$
Total fundraising revenue	28,410,074	28,015,680
Cost of raising funds from the public	11,855,901	11,591,651
Total donations receipted for income tax purposes	16,461,292	18,615,148
Total expenses on charitable activities	17,765,871	15,178,324

25. Comparative amounts

The 2010 campaign revenues, investment and miscellaneous income and expenses amounts have been re-classified to conform to the current year's financial statement presentation.

26. Subsequent event

The Board of Directors of the Society decided on June 8, 2011 to sell its building situated at 1645 - 1663 West 7th Avenue, Vancouver, B.C. for gross proceeds of \$7.3 million. The closing date will be August 2, 2011.