

**Arthritis Research Centre
Society of Canada/Arthrite -
Recherche Canada**

Financial Statements
March 31, 2012



July 31, 2012

Independent Auditor's Report

**To the Members of
Arthritis Research Centre Society of Canada/Arthritis - Recherche Canada**

We have audited the accompanying financial statements of Arthritis Research Centre Society of Canada/Arthritis - Recherche Canada, which comprise the statement of financial position as at March 31, 2012 and the statements of changes in net assets, operations and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies.

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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Basis for qualified opinion

In common with many charitable organizations, Arthritis Research Centre Society of Canada/Arthrite - Recherche Canada derives revenues from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Arthritis Research Centre Society of Canada/Arthrite - Recherche Canada. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenues, excess of revenues over expenses and cash flows from operations for the year ended March 31, 2012, and current assets and net assets as at March 31, 2012.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Arthritis Research Centre Society of Canada/Arthrite - Recherche Canada as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

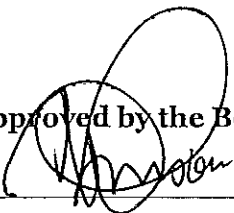
Arthritis Research Centre Society of Canada/Arthrite - Recherche Canada

Statement of Financial Position

As at March 31, 2012

	2012 \$	2011 \$
Assets		
Current assets		
Cash	621,092	177,491
Investments	4,214,141	4,417,117
Accounts receivable	432,675	212,142
Prepaid expenses	3,248	9,613
	<u>5,271,156</u>	<u>4,816,363</u>
Long-term investments	200,000	200,000
Property and equipment	11,595	14,017
	<u>5,482,751</u>	<u>5,030,380</u>
Liabilities and Fund Balances		
Current liabilities		
Accounts payable and accrued liabilities	220,797	267,604
Deferred revenue	4,581,752	4,190,940
	<u>4,802,549</u>	<u>4,458,544</u>
Net assets		
Unrestricted		
General	129,823	50,023
Accumulated unrealized gain on available-for-sale investments	138,784	107,795
Internally restricted	200,000	200,000
Invested in property and equipment	11,595	14,018
Endowments	200,000	200,000
	<u>680,202</u>	<u>571,836</u>
	<u>5,482,751</u>	<u>5,030,380</u>

Approved by the Board of Directors



Director



Director

Arthritis Research Centre Society of Canada/Arthrite - Recherche Canada

Statement of Changes in Net Assets For the year ended March 31, 2012

					2012	2011
	Unrestricted \$	Internally restricted \$	Invested in property and equipment \$	Endowments \$	Total \$	Total \$
Balance - Beginning of year	157,818	200,000	14,018	200,000	571,836	516,104
Excess (deficiency) of revenue over expenses for the year	85,602	-	(8,226)	-	77,376	(13,093)
Purchase of property and equipment	(5,803)	-	5,803	-	-	-
Change in unrealized gain on available-for-sale investments	30,990	-	-	-	30,990	68,825
Balance - End of year	268,607	200,000	11,595	200,000	680,202	571,836

Arthritis Research Centre Society of Canada/Arthrite - Recherche Canada

Statement of Operations

For the year ended March 31, 2012

	2012 \$	2011 \$
Revenue		
Research grants	1,715,901	1,524,767
The Arthritis Society	795,756	795,756
Donations	198,308	17,025
Clinical trials	182,033	295,267
Gaming income	35,000	-
Interest and other	94,267	55,775
	<u>3,021,265</u>	<u>2,688,590</u>
Expenses		
Research		
Salaries and benefits	1,431,644	1,431,131
Direct project expenses	611,669	563,549
Clinical trials		
Salaries and benefits	186,573	218,542
Direct project expenses	25,172	38,452
	<u>2,255,058</u>	<u>2,251,674</u>
Administrative salaries and benefits	209,755	204,952
Operations	403,620	167,500
Premises	67,230	67,230
	<u>2,935,663</u>	<u>2,691,356</u>
Excess (deficiency) of revenue over expenses before the following	85,602	(2,766)
Depreciation of property and equipment	<u>(8,226)</u>	<u>(10,327)</u>
Excess (deficiency) of revenue over expenses for the year	<u>77,376</u>	<u>(13,093)</u>

Arthritis Research Centre Society of Canada/Arthrite - Recherche Canada

Statement of Cash Flows

For the year ended March 31, 2012

	2012 \$	2011 \$
Cash flows from operating activities		
Excess (deficiency) of revenue over expenses for the year	77,376	(13,093)
Item not affecting cash - depreciation of property and equipment	8,226	10,327
	<u>85,602</u>	<u>(2,766)</u>
Changes in non-cash working capital balances		
Accounts receivable	(220,533)	28,380
Prepaid expenses	6,365	456
Accounts payable and accrued liabilities	(46,807)	137,297
Deferred revenue	390,812	415,540
	<u>129,837</u>	<u>581,673</u>
	<u>215,439</u>	<u>578,907</u>
Cash flows from financing activities		
Repayment of capital lease obligations	-	(7,579)
Cash flows from investing activities		
Decrease (increase) in investments	233,965	(755,400)
Purchase of property and equipment	(5,803)	(821)
	<u>228,162</u>	<u>(756,221)</u>
Increase (decrease) in cash during the year	443,601	(184,893)
Cash - Beginning of year	177,491	362,384
Cash - End of year	<u>621,092</u>	<u>177,491</u>