

**ARTHRITIS RESEARCH CENTRE SOCIETY OF CANADA / ARTHRITE-RECHERCHE
CANADA**

Financial Statements

March 31, 2022

**ARTHRITIS RESEARCH CENTRE SOCIETY OF CANADA / ARTHRITE-RECHERCHE
CANADA**

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Year Ended March 31, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

Opinion

We have audited the financial statements of Arthritis Research Centre Society of Canada / Arthrite-Recherche Canada (the "Society"), which comprise the statement of financial position as at March 31, 2022, and the statements of changes in fund balances, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2022, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Society in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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Independent Auditor's Report to the Members of Arthritis Research Centre Society of Canada / Arthrite-Recherche Canada (continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act of British Columbia, we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian Accounting Standards for Not-for-profit Organizations have been applied on a basis consistent with that of the preceding year.

Burnaby, British Columbia
June 23, 2022

Chartered Professional Accountants

ARTHRITIS RESEARCH CENTRE SOCIETY OF CANADA / ARTHRITE-RECHERCHE CANADA


Statement of Financial Position

March 31, 2022

	Operating Fund	Research Fund	2022	2021
ASSETS				
CURRENT				
Cash and cash equivalents	\$ 125,673	\$ 708,100	\$ 833,773	\$ 591,344
Accounts receivable	-	237,284	237,284	435,076
Recoverable from government authorities - GST	36,298	-	36,298	241,802
Receivable from government authorities - CEWS, CERS	-	-	-	79,067
Grant receivable (Note 5)	3,000,000	-	3,000,000	-
Prepaid expenses	2,655	-	2,655	6,591
	3,164,626	945,384	4,110,010	1,353,880
INVESTMENTS (Note 3)	10,998,067	4,552,854	15,550,921	15,652,934
CAPITAL ASSETS (Note 4)	9,782,516	-	9,782,516	9,256,611
	\$ 23,945,209	\$ 5,498,238	\$ 29,443,447	\$ 26,263,425
LIABILITIES AND FUND BALANCES				
CURRENT				
Accounts payable and accrued liabilities	\$ 41,270	\$ 163,726	\$ 204,996	\$ 241,823
Payable to government authorities - GST	-	-	-	440,000
Payable to government authorities - source deductions	4,945	17,288	22,233	18,977
Current portion of deferred revenue (Note 5)	1,285,830	-	1,285,830	908,082
Current portion of long term debt (Note 6)	198,352	-	198,352	192,839
	1,530,397	181,014	1,711,411	1,801,721
DEFERRED REVENUE (Note 5)	2,000,000	4,802,489	6,802,489	4,896,055
DEFERRED CAPITAL REVENUE (Note 5)	151,679	-	151,679	-
LONG TERM DEBT (Note 6)	6,508,851	-	6,508,851	6,707,161
	10,190,927	4,983,503	15,174,430	13,404,937
FUND BALANCES				
Unrestricted	11,754,282	-	11,754,282	10,343,753
Internally restricted	2,000,000	514,735	2,514,735	2,514,735
	13,754,282	514,735	14,269,017	12,858,488
	\$ 23,945,209	\$ 5,498,238	\$ 29,443,447	\$ 26,263,425

LEASE COMMITMENT (Note 11)

ON BEHALF OF THE BOARD

 Director

 Director

See notes to financial statements

**ARTHRITIS RESEARCH CENTRE SOCIETY OF CANADA / ARTHRITE-RECHERCHE
CANADA**

Statement of Changes in Fund Balances

Year Ended March 31, 2022

	Operating Fund	Research Fund	2022	2021
FUND BALANCES - BEGINNING OF YEAR	\$ 12,343,753	\$ 514,735	\$ 12,858,488	\$ 8,962,748
Excess (deficiency) of revenue over expenses	2,336,293	(925,764)	1,410,529	3,895,740
Interfund transfer (<i>Note 7</i>)	(925,764)	925,764	-	-
FUND BALANCES - END OF YEAR	\$ 13,754,282	\$ 514,735	\$ 14,269,017	\$ 12,858,488

**ARTHRITIS RESEARCH CENTRE SOCIETY OF CANADA / ARTHRITE-RECHERCHE
CANADA**

Statement of Operations

Year Ended March 31, 2022

	Operating Fund	Research Fund	2022	2021
REVENUE				
Research grants	\$ -	\$ 1,906,637	\$ 1,906,637	\$ 1,696,591
Donations	1,006,008	-	1,006,008	695,435
Investment revenue (Note 10)	940,853	-	940,853	760,623
Operating grants (Note 9)	671,415	-	671,415	1,440,584
Unrealized gains (losses) on investments	616,271	-	616,271	2,826,833
Fundraising	157,928	-	157,928	118,320
Capital campaign revenue (Note 5)	2,571	-	2,571	-
Other revenue	-	-	-	2,537
	3,395,046	1,906,637	5,301,683	7,540,923
EXPENSES				
Research (Note 8)				
Salaries, wages, contract fees and benefits	-	2,163,277	2,163,277	2,105,599
Direct project costs	-	380,894	380,894	476,717
Premises costs	-	288,230	288,230	144,256
Fundraising (Note 8)				
Salaries, wages, contract fees and benefits	239,472	-	239,472	269,135
Direct costs	179,313	-	179,313	139,538
Operations	184,333	-	184,333	202,582
Amortization	196,022	-	196,022	4,839
Administrative salaries, wages and benefits	117,036	-	117,036	187,739
Investment management fees	57,220	-	57,220	56,421
Premises	45,435	-	45,435	42,142
Interest on long term debt	39,922	-	39,922	16,215
	1,058,753	2,832,401	3,891,154	3,645,183
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ 2,336,293	\$ (925,764)	\$ 1,410,529	\$ 3,895,740

See notes to financial statements

**ARTHRITIS RESEARCH CENTRE SOCIETY OF CANADA / ARTHRITE-RECHERCHE
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Statement of Cash Flows

Year Ended March 31, 2022

	2022	2021
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 1,410,529	\$ 3,895,740
Items not affecting cash:		
Amortization	196,022	4,839
Realized (gains) losses on investments	(527,254)	(289,252)
Unrealized (gains) losses on investments	(616,271)	(2,826,833)
Capital campaign revenue recognized	(2,571)	-
	<u>460,455</u>	<u>784,494</u>
Changes in non-cash working capital:		
Accounts receivable	197,792	(280,180)
Recoverable from government authorities - GST	205,504	(211,268)
Receivable from government authorities - CEWS, CERS	79,067	(79,067)
Grant receivable	(3,000,000)	-
Prepaid expenses	3,936	53,396
Accounts payable and accrued liabilities	(36,825)	21,357
Payable to government authorities - GST	(440,000)	440,000
Payable to government authorities - source deductions	3,255	7,332
Deferred revenue	2,284,182	(819,607)
	<u>(703,089)</u>	<u>(868,037)</u>
Cash flow used by operating activities	<u>(242,634)</u>	<u>(83,543)</u>
INVESTING ACTIVITIES		
Net proceeds from sale of investments	1,245,537	2,432,203
Purchase of capital assets	(721,927)	(2,348,798)
Cash flow from investing activities	<u>523,610</u>	<u>83,405</u>
FINANCING ACTIVITIES		
Capital revenue received	154,250	-
Repayment of long term debt	(192,797)	-
Cash flow used by financing activity	<u>(38,547)</u>	<u>-</u>
INCREASE (DECREASE) IN CASH FLOW	242,429	(138)
Cash and cash equivalents - beginning of year	<u>591,344</u>	<u>591,482</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 833,773	\$ 591,344
CASH AND CASH EQUIVALENTS CONSIST OF:		
Unrestricted cash	\$ 1,528	\$ -
Unrestricted cash equivalents - money market funds	124,145	-
Internally restricted cash	514,735	514,735
Externally restricted cash	193,365	76,609
	<u>\$ 833,773</u>	<u>\$ 591,344</u>

See notes to financial statements

ARTHRITIS RESEARCH CENTRE SOCIETY OF CANADA / ARTHRITE-RECHERCHE CANADA

Notes to Financial Statements

Year Ended March 31, 2022

1. PURPOSE OF THE SOCIETY

The purpose of the Arthritis Research Centre Society of Canada / Arthrite-Recherche Canada (the "Society") is to create and provide a leading research environment responsible for advancing knowledge of the needs of people affected by arthritis and to publicly share knowledge related to the fields of arthritis, musculoskeletal and immune-related disorders.

The Society is incorporated under the Societies Act of British Columbia. As a registered charity under the Income Tax Act, the Society is exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

Fund accounting

The Society follows the deferral fund method of accounting for contributions.

The Operating Fund accounts for the Society's program delivery and administrative activities. This fund reports all unrestricted resources and externally restricted operating and capital grants. The internally restricted portion of the Operating Fund consists of reserves set aside to fund the future premises costs.

The Research Fund reports the internally and externally restricted assets, liabilities, revenue, and expenses related to research activities and projects. At the end of each fiscal year, any excess of revenue over expenses attributable to the overhead and indirect grant amounts is transferred to the Operating Fund for administrative expenses incurred for research programs. Conversely, the Operating Fund transfers an amount equal to any deficiency in the Research Fund resulting from administrative costs. The internally restricted portion of the Research Fund consists of project reserves set aside for research projects and purposes.

The Endowment Fund reports externally restricted resources contributed for endowment. Investment revenue earned on these resources is to be used for general operations and as such is reported in the Operating Fund. There was no opening balance, activity or closing balance in the Endowment Fund.

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**ARTHRITIS RESEARCH CENTRE SOCIETY OF CANADA / ARTHRITE-RECHERCHE
CANADA**

Notes to Financial Statements

Year Ended March 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Revenue recognition

Externally restricted contributions, including grants, related to general operations are recognized as revenue in the Operating Fund in the year in which the related expenses are incurred. Contributions externally restricted for the purchase of capital assets are deferred and amortized into revenue on the same basis as the related capital assets' amortization. Externally restricted contributions, including grants, related to research programs are recognized as revenue in the Research Fund in the year in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by the contributor.

Unrestricted contributions, grants and fundraising are recognized as revenue of the Operating Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Endowment contributions are recognized as direct increases in the Endowment Fund.

Unrestricted investment revenue is recognized as revenue of the Operating Fund when earned on an accrual basis.

Project equipment

Specialized equipment purchased for specific projects is expensed when used with any significant portions of the cost deferred and recorded as prepaid expenses if the expected use will apply beyond the current year. Residual portions of this equipment are only capitalized if appreciable future benefits beyond the applicable project are expected.

Financial instruments

All financial instruments are initially recorded at their fair market value. Publicly traded financial instruments quoted in an active market are subsequently measured at fair value with any unrealized gains or losses and transaction costs recognized in net excess of revenue over expenses. All other financial instruments are adjusted for any transaction costs incurred on acquisition and are subsequently measured at their amortized cost. Financial instrument impairments and impairment reversals are recognized when incurred in net excess of revenue over expenses.

Cash and cash equivalents

The Society classifies its investment instruments as cash equivalents if the investment is cashable and has a maturity term of 3 months or less. In addition, fixed income securities matching these characteristics are classified as cash equivalents only if they are intended to be held temporarily before use in operating activities.

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Notes to Financial Statements

Year Ended March 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Investments

Investments consist of fixed income securities, including bonds and guaranteed investment certificates that have maturity dates of more than three months, as well as common shares of public corporations, preferred shares of public corporations, mutual funds and other foreign securities. These investments have been classified as long term assets as they will be held and reinvested to satisfy future obligations of the Society that might exceed cash from operating grants and unrestricted donations, as well as be used on long term research project outlays. The value of the investments includes unrealized gains and losses arising from changes in the market values with such changes reflected on the Statement of Operations separately from realized gains and losses on the disposal of investments. The fixed income securities have various maturity dates and interest rates. Accrued interest is included in the fixed income security balance. See *Note 3* for additional details.

Capital assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided at various rates on a straight-line basis designed to amortize the asset over its estimated useful life. The amortization rates are as follows:

Facilities and improvements	15 - 40 years
Computer hardware	5 years
Computer software	3 years
Furniture and fixtures	5 years

Contributed services and gifts-in-kind

Volunteers assist the Society in carrying out its operations. Due to the difficulty in determining their fair value, contributed services are not recognized in the financial statements. Gifts-in-kind are only recognized when their fair value is reasonably determinable and significant, with such items recorded at fair value on the date of the contribution. Any gifts-in-kind contributed for use at auction are not recognized as revenue. Instead, the subsequent cash proceeds raised from their disposal at auction are recorded as fundraising revenue. During the year, the Society received non-auction gifts-in-kind of \$184,667 consisting of publicly traded securities and other silent auction gifts (2021 - \$67,628 of publicly traded securities).

Foreign currency translation

All monetary assets and liabilities of operations denominated in currencies other than Canadian dollars have been translated into Canadian dollars at the rate of exchange in effect at the Statement of Financial Position date. Non-monetary items are translated at historical exchange rates, unless such items are carried at market, in which case they are translated at the rate of exchange in effect at the Statement of Financial Position date. Gains and losses resulting from the translation of assets and liabilities are reflected in excess of revenue over expenses for the year. Revenue and expense transactions are translated using the prior day's noon rate of exchange at the time of the transaction.

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**ARTHRITIS RESEARCH CENTRE SOCIETY OF CANADA / ARTHRITE-RECHERCHE
CANADA**

Notes to Financial Statements

Year Ended March 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Allocation of expenses

The Society classifies its expenses by function, including its research, fundraising and operations expenses. For these expenses, the Society identifies the appropriate basis of allocating each component expense and applies that basis consistently each year.

Research expense is made up of researcher salaries and contract fees, research support salaries and fees, honorariums, equipment purchases, research fees, travel, meetings, purchased services, communications, premises and general office expenses. The expenses are allocated proportionately on the following basis:

Researcher salaries and contract fees – by direct allocation of science staff time.

Research support salaries and fees – by timesheet allocation as designated by staff.

Premises expense – by allocation of building used for research activities.

All other above-mentioned expenses – by project coding as designated by science and administrative staff, including subsequent recording by management where appropriate.

Fundraising expense is made up of administrative salaries and contract fees, travel, meetings, purchased services, communications, equipment purchases, special events, and general office expenses. The expenses are allocated proportionately on the following basis:

Administrative salaries and contract fees – by timesheet allocation as designated by staff.

All other above-mentioned expenses – by project coding as designated by administrative staff, including subsequent recording by management where appropriate.

Except for researcher salaries and contract fees, the operations expense includes the non-allocated portion of all the above expenses. Operations expense also includes non-allocated expenses such as professional fees, consulting and printed materials.

See *Note 8* for the research and fundraising expense allocation amounts for the year.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Material uncertainties involving management estimates include the determination of useful lives of capital assets for the purposes of calculating amortization, specifically the useful life of the facilities and improvements and the related recognition of revenue of deferred capital revenue, as well as the administrative expense allocation to research and fundraising expense.

The administrative expense amounts allocated consist primarily of administrative salaries and general researcher fees. Management allocates their salary based on their estimate of time spent on support for research activities. Researchers and other staff allocate their time spent on research projects and activities through their timesheets based on their personal accounting of work completed. While the researcher fees are incurred directly to further the projects, the allocation of a portion of administrative salaries is subject to significant judgment by staff that results in a high degree of measurement uncertainty.

**ARTHRITIS RESEARCH CENTRE SOCIETY OF CANADA / ARTHRITE-RECHERCHE
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Notes to Financial Statements

Year Ended March 31, 2022

3. INVESTMENTS

	<u>2022</u>	<u>2021</u>
Common shares	\$ 8,801,930	\$ 7,597,538
Fixed income securities	4,896,089	5,327,770
Preferred shares	1,185,926	1,798,276
Mutual funds	548,435	457,429
Other foreign securities	118,541	471,921
	<u>\$ 15,550,921</u>	<u>\$ 15,652,934</u>

The Society's investment policy is to invest in a wide range of securities with a large portion of that in fixed income securities to minimize risk of loss while earning a reasonable rate of return. This policy is accomplished by utilizing the services of an investment portfolio manager and holding a diversified portfolio that includes both Canadian and foreign securities as well as holding some of that portfolio in USD currency. The unrealized gains included in the above balances are \$2,192,455 (2021 - \$1,576,183).

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Facilities and improvements	\$ 9,830,502	\$ 172,411	\$ 9,658,091	\$ 9,246,135
Computer hardware	13,764	13,764	-	2,753
Computer software	16,524	16,524	-	-
Furniture and fixtures	150,430	26,005	124,425	7,723
	<u>\$ 10,011,220</u>	<u>\$ 228,704</u>	<u>\$ 9,782,516</u>	<u>\$ 9,256,611</u>

ARTHRITIS RESEARCH CENTRE SOCIETY OF CANADA / ARTHRITE-RECHERCHE CANADA

Notes to Financial Statements

Year Ended March 31, 2022

5. DEFERRED REVENUE

The Society receives funds that have been externally restricted for specific projects or purposes.

	Opening Balance	Additions & Current Portion Allocations	Recognized as Revenue	2022
<u>Current portion deferred revenue</u>				
Province of B.C. Ministry of Health grant (i)	\$ 666,659	\$ 1,000,000	\$ 666,659	\$ 1,000,000
Other grants	192,123	183,984	187,266	188,841
Soiree revenue	49,300	148,004	100,315	96,989
	908,082	1,331,988	954,240	1,285,830
<u>Long term portion deferred revenue</u>				
Research grants (ii)	4,513,303	1,549,712	1,609,689	4,453,326
Doctors designations (ii, iii)	382,752	176,609	210,198	349,163
Province of B.C. Ministry of Health grant (i)	-	2,000,000	-	2,000,000
	4,896,055	3,726,321	1,819,887	6,802,489
<u>Long term deferred capital revenue</u>				
Yukon St. capital campaign (iv)	-	154,250	2,571	151,679
	\$ 5,804,137	\$ 5,212,559	\$ 2,776,698	\$ 8,239,998

(i) The Province of B.C. Ministry of Health (the "Ministry") grant is restricted for use to cover operating costs associated with accelerating research with respects to improving the health of people with arthritis, electronic access to patient databases and similar programs. The completion date of the grant is March 31, 2025, with any unspent amounts subject to possible repayment at the discretion of the Ministry. Several other general operating terms apply such as the requirement to raise additional funds and providing satisfactory evidence of project work that, if not met, could result in possible total or partial repayment of the grant funds. Included in grants receivable is the \$3,000,000 grant that came due and payable to the Society upon signing of the agreement on March 29, 2022.

(ii) The deferred research grants and doctors designations balances are presented as long term as they are often based on terms that exceed one year. In addition, their use is based on the researchers' or doctors' discretion and so the amounts expected to be spent in the subsequent year are generally undeterminable.

(iii) The deferred doctors designations revenue consists of amounts held on behalf of the Society's researchers for use on their research projects. The Society holds and administers these amounts while the researchers control and direct their use.

(iv) The deferred capital revenue consists of amounts collected for the purchase of capital assets. Amounts are amortized as revenue over the useful lives of the related capital assets.

**ARTHRITIS RESEARCH CENTRE SOCIETY OF CANADA / ARTHRITE-RECHERCHE
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Notes to Financial Statements

Year Ended March 31, 2022

6. LONG TERM DEBT AND CREDIT FACILITIES

	<u>2022</u>	<u>2021</u>
Royal Bank of Canada term loan repayable in blended monthly payments of \$32,078, including interest at 2.82% per annum. The loan matures on February 28, 2026 and is secured by a general security agreement constituting a first ranking security interest in all personal property of the Society and a collateral mortgage on the Society's property at 2238 Yukon Street, Vancouver, BC with a carrying value of \$9,658,091.	\$ 6,707,203	\$ 6,900,000
Amounts payable within one year	(198,352)	(192,839)
	<u>\$ 6,508,851</u>	<u>\$ 6,707,161</u>

Principal repayment terms are approximately:

2023	\$ 198,348
2024	204,014
2025	209,842
2026	6,094,957
	<u>\$ 6,707,161</u>

The Society has various credit facilities available with Royal Bank of Canada, American Express, and Canadian Imperial Bank of Commerce (CIBC) as follows:

1. Royal Bank of Canada non-revolving lease facility by way of leases for \$516,000, held under the term loan security. There are no set terms for this facility as it has not been used.
2. The American Express credit cards have a cumulative limit of \$145,000 and bear interest at prime + 25.99% per annum on overdue balances. The amount owing at year end is \$16,191 (2021 - \$26,206).
3. The CIBC Visa credit cards have a cumulative limit of \$10,000 and bear interest at 19.99% per annum on overdue balances. A \$10,000 guaranteed investment certificate is held as security for the credit cards. The amount owing at year end is \$5,728 (2021 - \$nil).

7. INTERFUND TRANSFER

During the year, \$925,764 was transferred from the Operating Fund to the Research Fund to cover administrative costs incurred in the Research Fund that relate to research activities.

**ARTHRITIS RESEARCH CENTRE SOCIETY OF CANADA / ARTHRITE-RECHERCHE
CANADA**

Notes to Financial Statements

Year Ended March 31, 2022

8. ALLOCATION OF EXPENSES

Research expenses of \$2,832,401 (2021 - \$2,726,572) have been allocated as follows:

	<u>2022</u>	<u>2021</u>
<u>Research expenses</u>		
Researcher salaries and contract fees	\$ 1,642,463	\$ 1,640,889
Research support salaries and fees	520,814	464,710
Premises	288,230	144,256
Research fees	141,719	328,943
Purchased services	81,466	29,109
Communications	57,477	16,259
General office	38,106	17,851
Travel	27,083	4,735
Honorariums	16,004	19,392
Equipment purchases	13,820	47,171
Meetings	5,219	13,257
	<u>\$ 2,832,401</u>	<u>\$ 2,726,572</u>

Fundraising expenses of \$418,785 (2021 - \$408,673) have been allocated as follows:

<u>Fundraising expenses</u>		
Administrative salaries and contract fees	\$ 239,472	\$ 269,135
Purchased services	96,446	98,608
Special events	38,052	4,699
General office	21,864	16,521
Communications	14,131	14,125
Equipment purchases	6,458	5,189
Meetings	1,207	368
Travel	1,155	28
	<u>\$ 418,785</u>	<u>\$ 408,673</u>
Total allocation of expenses	<u>\$ 3,251,186</u>	<u>\$ 3,135,245</u>

9. OPERATING GRANTS

	<u>2022</u>	<u>2021</u>
Provincial Ministry of Health Grant	\$ 666,659	\$ 666,663
Federal Canada Summer Jobs Grant	4,756	4,569
Federal Canada Emergency Wage Subsidy	-	724,360
Federal Canada Emergency Rent Subsidy	-	24,898
Federal Temporary Wage Subsidy	-	20,094
	<u>\$ 671,415</u>	<u>\$ 1,440,584</u>

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Notes to Financial Statements

Year Ended March 31, 2022

10. INVESTMENT REVENUE

	<u>2022</u>	<u>2021</u>
Realized gains (losses) on investments	\$ 527,254	\$ 289,252
Dividends	227,218	262,004
Interest	108,943	138,597
Foreign investment revenue	70,947	72,661
Foreign exchange gains (losses) on investments	6,491	(1,891)
	<u>\$ 940,853</u>	<u>\$ 760,623</u>

11. LEASE COMMITMENT

The Society has a lease for the use of a photocopier, which is secured by the asset itself. The lease is for \$484 per month and expires in December 2026. Future minimum lease payments are as follows:

2023	\$ 5,803
2024	5,803
2025	5,803
2026	5,803
2027	4,352
	<u>\$ 27,564</u>

12. FINANCIAL INSTRUMENT RISKS

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Society is exposed to credit risk for its cash, accounts receivable and investments. The Society does not directly hold any collateral as security for its receivables. Exposures to credit risk and significant changes to the risk exposure from the prior year are as follows:

- Cash held at year-end exceeds the amounts covered by the Canadian Deposit Insurance Corporation, serving to increase credit risk. The Society mitigates this risk by depositing its cash with large, high quality financial institutions.
- Accounts receivable are non-interest bearing and are generally due within 30 to 60 days of the invoice date. Management evaluates the credit worthiness of its project partners and periodically reviews accounts receivable for possible impairments related to collection. The project partner base for the accounts receivable is similar in size and diversity to the prior year.
- Investments consist of a wide range of securities issued by large corporations and are held through one investment broker. The diversity of the Society's portfolio is similar to the prior year.

(continues)

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Year Ended March 31, 2022

12. FINANCIAL INSTRUMENT RISKS *(continued)*

Concentrations of credit risk include:

- 73% of the accounts receivable are due from four customers, resulting in increased risk to the Society.
- Investments are held and managed by one investment broker and the total amount invested exceeds the Canadian Investor Protection Fund's threshold of up to \$1,000,000. Therefore, any financial difficulties encountered by the broker or unfavourable investment decisions could adversely affect the collectability and valuation of the investments.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Society is exposed to other price risk for its investments as the fair value can be significantly affected by price and valuation changes in the open market. Most of the investments are actively managed by a professional portfolio manager using a diverse portfolio that includes both Canadian and US equities, which serves to reduce the overall other price risk.

Currency Risk

Currency risk is the risk that the Society's fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates due to volatility caused by external factors. The Society is exposed to currency risk and its effect on the exchange gain or loss for the year on cash held in USD bank accounts and foreign investments held in USD. Amounts held in USD have increased by \$513,148 from the prior year, resulting in an increase in exposure to currency risk.

13. REMUNERATION DISCLOSURE

In accordance with the Societies Act of British Columbia, the Society is required to disclose that the seven highest paid individuals and persons under a contract for services that each exceeded \$75,000 of annual remuneration were paid a total sum of \$822,154.
