

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

Financial Statements

March 31, 2025

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

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Year Ended March 31, 2025

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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, 2025, 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, 2025, 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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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:

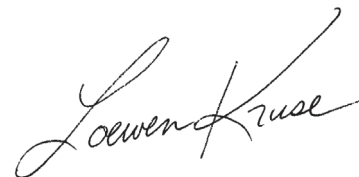
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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
July 2, 2025



Chartered Professional Accountants

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

Statement of Financial Position

March 31, 2025

| | Operating Fund | Research Fund | 2025 | 2024 |
|---|-------------------|------------------|---------------|---------------|
| ASSETS | | | | |
| CURRENT | | | | |
| Cash | \$ 197,858 | \$ 350,212 | \$ 548,070 | \$ 329,983 |
| Accounts receivable and accrued (Note 3) | 5,612 | 286,798 | 292,410 | 397,084 |
| GST recoverable | 25,851 | - | 25,851 | 4,502 |
| Prepaid expenses | 25,361 | - | 25,361 | 19,075 |
| | 254,682 | 637,010 | 891,692 | 750,644 |
| INVESTMENTS (Note 4) | 11,908,688 | 4,511,783 | 16,420,471 | 17,050,100 |
| CAPITAL ASSETS (Note 5) | 9,493,228 | - | 9,493,228 | 9,657,946 |
| | \$ 21,656,598 | \$ 5,148,793 | \$ 26,805,391 | \$ 27,458,690 |
| LIABILITIES AND FUND BALANCES | | | | |
| CURRENT | | | | |
| Accounts payable and accrued liabilities | \$ 84,705 | \$ 330,680 | \$ 415,385 | \$ 259,537 |
| Payroll deductions payable | 5,699 | 26,276 | 31,975 | 26,621 |
| Current portion of deferred revenue (Note 6) | 135,432 | - | 135,432 | 1,112,398 |
| Current portion of long term debt (Note 7) | 6,096,591 | - | 6,096,591 | 209,830 |
| | 6,322,427 | 356,956 | 6,679,383 | 1,608,386 |
| DEFERRED REVENUE (Note 6) | - | 2,226,921 | 2,226,921 | 2,961,634 |
| DEFERRED CAPITAL REVENUE (Note 6) | 163,562 | - | 163,562 | 168,059 |
| LONG TERM DEBT (Note 7) | - | - | - | 6,095,593 |
| | 6,485,989 | 2,583,877 | 9,069,866 | 10,833,672 |
| FUND BALANCES | | | | |
| Unrestricted | 13,670,609 | - | 13,670,609 | 12,578,134 |
| Internally restricted | 1,500,000 | 2,564,916 | 4,064,916 | 4,046,884 |
| | 15,170,609 | 2,564,916 | 17,735,525 | 16,625,018 |
| | \$ 21,656,598 | \$ 5,148,793 | \$ 26,805,391 | \$ 27,458,690 |

LEASE COMMITMENT (Note 11)

PROFESSORSHIP DONATION COMMITMENT (Note 12)

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, 2025

| | Operating Fund | Research Fund | 2025 | 2024 |
|---|----------------------|---------------------|----------------------|----------------------|
| FUND BALANCES - BEGINNING OF YEAR | \$ 14,578,134 | \$ 2,046,884 | \$ 16,625,018 | \$ 15,290,103 |
| Excess (deficiency) of revenue over expenses | 1,761,557 | (651,050) | 1,110,507 | 1,334,915 |
| Interfund transfer (<i>Note 8</i>) | (1,169,082) | 1,169,082 | - | - |
| FUND BALANCES - END OF YEAR | \$ 15,170,609 | \$ 2,564,916 | \$ 17,735,525 | \$ 16,625,018 |

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

Statement of Operations

Year Ended March 31, 2025

| | Operating Fund | Research Fund | 2025 | 2024 |
|---|---------------------|---------------------|---------------------|---------------------|
| REVENUE | | | | |
| Research grants | \$ - | \$ 2,533,469 | \$ 2,533,469 | \$ 2,100,214 |
| Operating grants | 1,000,000 | - | 1,000,000 | 1,000,000 |
| Donations | 935,870 | - | 935,870 | 1,078,012 |
| Fundraising | 206,938 | - | 206,938 | 207,658 |
| Bank interest income | 23,330 | - | 23,330 | 20,035 |
| Capital contributions revenue (Note 6) | 4,497 | - | 4,497 | 4,497 |
| | <u>2,170,635</u> | <u>2,533,469</u> | <u>4,704,104</u> | <u>4,410,416</u> |
| EXPENSES | | | | |
| Research (Note 9) | - | 2,960,893 | 2,960,893 | 2,579,612 |
| Professorship donation | 500,000 | - | 500,000 | 500,000 |
| Fundraising (Note 9) | 479,550 | - | 479,550 | 437,928 |
| Operations | 376,814 | - | 376,814 | 296,863 |
| Administrative salaries, wages and benefits | 220,989 | - | 220,989 | 181,501 |
| Interest on long term debt | 38,958 | 138,124 | 177,082 | 181,945 |
| Amortization | 158,720 | - | 158,720 | 157,217 |
| Premises | 24,116 | 85,502 | 109,618 | 110,097 |
| | <u>1,799,147</u> | <u>3,184,519</u> | <u>4,983,666</u> | <u>4,445,163</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FROM OPERATIONS | <u>371,488</u> | <u>(651,050)</u> | <u>(279,562)</u> | <u>(34,747)</u> |
| INVESTMENT INCOME (LOSS) | | | | |
| Investment income (Note 10) | 1,153,827 | - | 1,153,827 | 608,307 |
| Unrealized gain (loss) on investments | 236,242 | - | 236,242 | 761,355 |
| | <u>1,390,069</u> | <u>-</u> | <u>1,390,069</u> | <u>1,369,662</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES | <u>\$ 1,761,557</u> | <u>\$ (651,050)</u> | <u>\$ 1,110,507</u> | <u>\$ 1,334,915</u> |

See notes to financial statements

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

Statement of Cash Flows

Year Ended March 31, 2025

| | 2025 | 2024 |
|---|--------------------|--------------------|
| OPERATING ACTIVITIES | | |
| Excess of revenue over expenses | \$ 1,110,507 | \$ 1,334,915 |
| Items not affecting cash: | | |
| Amortization | 158,720 | 157,217 |
| Unrealized (gains) losses on investments | (236,242) | (761,355) |
| Capital contributions revenue | (4,497) | (4,497) |
| | <u>1,028,488</u> | <u>726,280</u> |
| Changes in non-cash working capital: | | |
| Accounts receivable and accrued | 104,674 | 39,501 |
| GST recoverable | (21,349) | 13,544 |
| Prepaid expenses | (6,286) | 5,447 |
| Accounts payable and accrued liabilities | 155,849 | 44,234 |
| Payroll deductions payable | 5,354 | 3,006 |
| Deferred revenue | (1,711,679) | (1,367,762) |
| | <u>(1,473,437)</u> | <u>(1,262,030)</u> |
| Cash flow used by operating activities | <u>(444,949)</u> | <u>(535,750)</u> |
| INVESTING ACTIVITIES | | |
| Net proceeds (purchase) of investments | 866,975 | 604,420 |
| Purchase of capital assets | (1,056) | (19,405) |
| Cash flow from investing activities | <u>865,919</u> | <u>585,015</u> |
| FINANCING ACTIVITY | | |
| Repayment of long term debt | <u>(208,832)</u> | <u>(203,478)</u> |
| INCREASE (DECREASE) IN CASH FLOW | 212,138 | (154,213) |
| Cash and cash equivalents - beginning of year | <u>335,932</u> | <u>490,145</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 548,070 | \$ 335,932 |
| CASH AND CASH EQUIVALENTS CONSIST OF: | | |
| Unrestricted cash | \$ 197,858 | \$ 117,508 |
| Unrestricted high interest savings mutual funds | - | 5,949 |
| Externally restricted cash | <u>350,212</u> | <u>212,475</u> |
| | <u>\$ 548,070</u> | <u>\$ 335,932</u> |

See notes to financial statements

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

Notes to Financial Statements

Year Ended March 31, 2025

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 contributions to the John Esdaile professorship endowment at the University of British Columbia ("UBC") over a period of 5 years. This original internal restricted balance of \$2,500,000 is to be reduced each year by payments to UBC and any externally restricted donations received for the professorship in excess of the cumulative payments made.

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, less any internally restricted amounts applied from previously completed projects to active project expenses in excess of funding received. 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 that must be held in perpetuity and therefore cannot be spent. 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, 2025

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.

Investment income is recognized as revenue of the Operating Fund when earned on an accrual basis.

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

Cloud computing arrangements

The Society applies the simplification approach to its cloud computing arrangements whereby all costs are expensed in the year in which the supply of services is provided. During the year \$46,745 (2024 - \$12,064) of these services were expensed and are included in operations expense on the Statement of Operations.

Project equipment

Specialized equipment and computer hardware 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.

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

Notes to Financial Statements

Year Ended March 31, 2025

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

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 (deficiency) 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 (deficiency) of revenue over expenses.

Other than any publicly traded portion of investments in *Note 4* that are measured at fair value, all other financial assets and financial liabilities are measured at amortized cost, including:

Financial assets

- cash
- accounts receivable and accrued
- investments (guaranteed investment certificates including accrued interest per *Note 4*)

Financial liabilities

- accounts payable and accrued liabilities
- long term debt

Cash and cash equivalents

The Society classifies its investment instruments as cash equivalents if the investment is cashable and has a maturity term of three 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.

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 for long term research project outlays. The value of the investments includes currency translation gains and losses, as well as 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 securities and guaranteed investment certificates balances. See *Note 4* for additional details.

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

Notes to Financial Statements

Year Ended March 31, 2025

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

Capital assets

Capital assets are stated at cost less accumulated amortization. Contributed capital assets are recorded at the fair value as of the date of receipt. 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 |
| Furniture and fixtures | 5 years |
| Computer hardware | 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 \$173,591 consisting of publicly traded securities (2024 - \$37,173 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.

(*continues*)

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

Notes to Financial Statements

Year Ended March 31, 2025

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

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 evaluation of allowance for doubtful accounts, the determination of useful lives of capital assets for the purposes of calculating amortization, specifically the useful life of the facilities and improvements, the related recognition of revenue of deferred capital revenue, and the administrative expense allocation to research and fundraising expenses.

The administrative expense amounts allocated to research and fundraising expenses consist primarily of administrative salaries, general researcher fees and premises costs. 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. Premises costs are allocated based on square footage used by the researchers.

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, general office expenses and bad debts. 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.

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 9* for the research and fundraising expense allocation amounts for the year.

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

Notes to Financial Statements

Year Ended March 31, 2025

3. ACCOUNTS RECEIVABLE AND ACCRUED

| | <u>2025</u> | <u>2024</u> |
|--------------------------------------|-------------------|-------------------|
| Actual amount of accounts receivable | \$ 310,768 | \$ 415,442 |
| Allowance for doubtful accounts | (18,358) | (18,358) |
| | <u>\$ 292,410</u> | <u>\$ 397,084</u> |

4. INVESTMENTS

| | <u>2025</u> | <u>2024</u> |
|---|----------------------|----------------------|
| Publicly traded investments - fair value | | |
| Common shares | \$ 7,108,028 | \$ 8,201,498 |
| Mutual funds | 2,033,358 | 954,473 |
| Fixed income securities | 1,828,179 | 2,615,820 |
| Preferred shares | 969,218 | 910,538 |
| Other foreign securities | 95,638 | 89,465 |
| High interest savings mutual funds - cash equivalents | - | 5,949 |
| Total publicly traded investments | <u>12,034,421</u> | <u>12,777,743</u> |
| Guaranteed investment certificates - amortized cost | <u>4,386,050</u> | <u>4,272,357</u> |
| Total investments | <u>\$ 16,420,471</u> | <u>\$ 17,050,100</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 US dollar currency. The cumulative unrealized gains included in the above balances are \$2,262,635 (2024 - \$2,026,393).

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

Notes to Financial Statements

Year Ended March 31, 2025

5. CAPITAL ASSETS

| | Cost | Accumulated amortization | 2025 Net book value | 2024 Net book value |
|-----------------------------|----------------------|-----------------------------|---------------------------|---------------------------|
| Land | \$ 5,680,950 | \$ - | \$ 5,680,950 | \$ 5,680,950 |
| Facilities and improvements | 4,190,582 | 439,051 | 3,751,531 | 3,872,352 |
| Furniture and fixtures | 160,630 | 116,251 | 44,379 | 78,781 |
| Computer hardware | 39,145 | 22,777 | 16,368 | 25,863 |
| | <u>\$ 10,071,307</u> | <u>\$ 578,079</u> | <u>\$ 9,493,228</u> | <u>\$ 9,657,946</u> |

The Society has significant influence through its 23% of the voting rights in the strata corporation that administers the land and building where the facilities and improvements are located. The strata corporation is an incorporated not-for-profit organization that is exempt from tax under ITA 149 (1)(l) and is responsible for managing and maintaining the common property and assets of the strata development for the benefit of all of its owners.

During the year the Society paid \$73,358 (2024 - \$64,252) in strata fees to the strata corporation. These transactions, included in the premises expense, are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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

Notes to Financial Statements

Year Ended March 31, 2025

6. DEFERRED REVENUE

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

| | Opening Balance | Additions & Current Portion Allocations | Revenue Recognized & Project Transfers | Closing Balance |
|--|---------------------|---|---|----------------------------|
| <u>Current portion deferred revenue</u> | | | | |
| Soiree revenue | 76,459 | 100,684 | 108,961 | 68,182 |
| Other grants and contributions Province of B.C. Ministry of Health grant | 35,939 | 67,250 | 35,939 | 67,250 |
| John Esdaile professorship | 1,000,000 | - | 1,000,000 | - |
| | - | 95,405 | 95,405 | - |
| | <u>1,112,398</u> | <u>263,339</u> | <u>1,240,305</u> | <u>135,432</u> |
| <u>Long term portion deferred revenue</u> | | | | |
| Research grants (i) | 2,489,828 | 1,213,746 | 1,974,526 | 1,729,048 |
| Doctors designations (i, ii) | 471,806 | 748,549 | 722,482 | 497,873 |
| | <u>2,961,634</u> | <u>1,962,295</u> | <u>2,697,008</u> | <u>2,226,921</u> |
| <u>Long term deferred capital revenue</u> | | | | |
| Yukon St. capital campaign (iii) | 168,059 | - | 4,497 | 163,562 |
| | <u>\$ 4,242,091</u> | <u>\$ 2,225,634</u> | <u>\$ 3,941,810</u> | <u>\$ 2,525,915</u> |

(i) 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.

(ii) 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.

(iii) 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
CANADA**

Notes to Financial Statements

Year Ended March 31, 2025

7. LONG TERM DEBT AND CREDIT FACILITIES

| | <u>2025</u> | <u>2024</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 \$9,432,481. | \$ 6,096,591 | \$ 6,305,423 |
| Amounts payable within one year due to loan maturity | (6,096,591) | (209,830) |
| | \$ - | \$ 6,095,593 |

Accrued interest payable on the term loan of \$17,752 (2024 - \$17,261) is included in accounts payable and accrued liabilities on the Statement of Financial Position.

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

1. The American Express credit cards are unsecured, have a cumulative limit of \$50,000 and bear interest at prime + 25.99% per annum on overdue balances.
2. The CIBC Visa credit cards are unsecured, have a cumulative limit of \$25,000 and bear interest at 19.99% per annum on overdue balances.

8. INTERFUND TRANSFER

\$1,169,082 was transferred from the Operating Fund to the Research Fund to cover administrative costs incurred in the Research Fund that relate to research activities and to increase internal project research reserves arising from completed project surpluses, net of any reserve amounts used during the year.

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

Year Ended March 31, 2025

9. ALLOCATION OF EXPENSES

Research expenses of \$2,960,893 (2024 - \$2,579,612) have been allocated as follows:

| | <u>2025</u> | <u>2024</u> |
|---------------------------------------|---------------------|---------------------|
| Research expenses | | |
| Researcher salaries and contract fees | \$ 1,383,197 | \$ 1,322,191 |
| Research support salaries and fees | 739,194 | 643,411 |
| Research fees | 437,860 | 243,066 |
| Travel | 107,123 | 127,288 |
| Meetings | 100,211 | 35,265 |
| Purchased services | 53,681 | 115,389 |
| General office | 49,348 | 18,798 |
| Communications | 29,427 | 27,281 |
| Equipment purchases | 26,593 | 8,614 |
| Bad debts | 21,176 | 18,358 |
| Honorariums | 13,083 | 19,951 |
| | <u>\$ 2,960,893</u> | <u>\$ 2,579,612</u> |

Fundraising expenses of \$479,550 (2024 - \$437,928) have been allocated as follows:

| | | |
|---|---------------------|---------------------|
| Fundraising expenses | | |
| Administrative salaries and contract fees | \$ 266,827 | \$ 245,351 |
| Special events | 85,758 | 69,232 |
| Purchased services | 82,945 | 86,682 |
| General office | 25,309 | 22,548 |
| Communications | 7,870 | 4,004 |
| Equipment purchases | 7,501 | 7,141 |
| Travel | 2,019 | 2,098 |
| Meetings | 1,321 | 872 |
| | <u>\$ 479,550</u> | <u>\$ 437,928</u> |
| Total allocation of expenses | <u>\$ 3,440,443</u> | <u>\$ 3,749,129</u> |

10. INVESTMENT INCOME

| | <u>2025</u> | <u>2024</u> |
|--|---------------------|-------------------|
| Realized gains (losses) on investments | \$ 567,245 | \$ 60,898 |
| Interest | 236,927 | 258,694 |
| Dividends | 222,708 | 240,352 |
| Foreign investment revenue | 139,989 | 108,600 |
| Foreign exchange gains (losses) on investments | 46,407 | (648) |
| | <u>1,213,276</u> | <u>667,896</u> |
| Investment management fees | (59,449) | (59,589) |
| | <u>\$ 1,153,827</u> | <u>\$ 608,307</u> |

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

Year Ended March 31, 2025

11. LEASE COMMITMENT

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

| | | |
|------|----|--------|
| 2026 | \$ | 5,803 |
| 2027 | | 4,353 |
| | | <hr/> |
| | \$ | 10,156 |

12. PROFESSORSHIP DONATION COMMITMENT

The Society has entered into a gift agreement with UBC to donate a total of \$2,500,000 to the university by September 30, 2027. As at March 31, 2025, \$1,000,000 of this pledge has been paid to UBC, leaving a remaining amount of \$1,500,000, represented by an internally restricted balance within the Operating Fund.

13. 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 accrued 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 and accrued 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 regularly 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. A total of 64% of the accounts receivable are due from four project partners, resulting in a concentration risk as collection has been spread over relatively few parties. The amount of accounts receivable outstanding over 90 days has increased by 28% from the prior year, resulting in an increase to credit risk exposure.
- Investments consist of a wide range of securities issued by large corporations and financial institutions. The extensive diversity of the Society's portfolio serves to reduce credit risk exposure. All of the investments are held and managed by one investment broker and the total amount held in cash and broker in-house investments exceeds the Canadian Investor Protection Fund's threshold of up to \$1,000,000. This increases the concentration risk as any financial difficulties encountered by the broker or unfavourable investment decisions could adversely affect the collectability and valuation of the investments.

(continues)

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Notes to Financial Statements

Year Ended March 31, 2025

13. FINANCIAL INSTRUMENT RISKS *(continued)*

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, including market interest rates.

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. The majority 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. The fair value of the preferred shares are affected by market interest rate changes, with increases negatively impacting the price of the shares.

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 U.S. dollar bank accounts and foreign investments held in U.S. dollars. Amounts held in U.S. dollars have decreased by \$260,475 from the prior year, resulting in a decrease to exposure to currency risk.

14. REMUNERATION DISCLOSURE

In accordance with the Societies Act of British Columbia, the Society is required to disclose that there were eleven individuals under a contract for services that each exceeded \$75,000 of annual remuneration who were paid a total sum of \$1,220,073.
