

Arthritis Research Foundation

Financial Statements
March 31, 2025



Independent auditor's report

To the Board of Directors of Arthritis Research Foundation

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Arthritis Research Foundation (the Foundation) as at March 31, 2025 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

What we have audited

The Foundation's financial statements comprise:

- the statement of financial position as at March 31, 2025;
- the statement of operations and changes in fund balances for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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

Independence

We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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 Canadian accounting standards for not-for-profit organizations, 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.

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



In preparing the financial statements, management is responsible for assessing the Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation'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.

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 Foundation'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 Foundation'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 Foundation 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario

June 11, 2025

Arthritis Research Foundation
Statement of Financial Position
As at March 31, 2025

	2025 \$	2024 \$
Assets		
Current assets		
Cash	132,080	376,440
Accounts receivable	9,206	8,484
	141,286	384,924
Investments (note 3)	29,794,591	26,642,605
	29,935,877	27,027,529
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 4)	35,780	32,874
Due to related entity (note 4)	94,699	94,682
	130,479	127,556
Fund Balances		
Endowment Fund (note 5)	19,509,297	17,455,613
Restricted Fund	7,493,955	6,990,551
General Fund	2,802,146	2,453,809
	29,805,398	26,899,973
	29,935,877	27,027,529

Approved by the Board of Directors

<i>Richard Pilosof</i>	Director	<i>Andrew Phillips</i>	Director
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The accompanying notes are an integral part of these financial statements.

Arthritis Research Foundation

Statement of Operations and Changes in Fund Balances

For the year ended March 31, 2025

	Endowment Fund		Restricted Fund		General Fund		Total	
	2025 \$	2024 \$	2025 \$	2024 \$	2025 \$	2024 \$	2025 \$	2024 \$
Revenue								
Donations	-	5,000	15,205	9,648	131,140	86,065	146,345	100,713
Investment income (note 3)	2,926,565	2,547,422	-	-	168,576	107,512	3,095,141	2,654,934
	2,926,565	2,552,422	15,205	9,648	299,716	193,577	3,241,486	2,755,647
Expenses								
Fundraising	-	-	-	-	30,000	30,000	30,000	30,000
Administration	-	-	-	-	95,919	94,847	95,919	94,847
	-	-	-	-	125,919	124,847	125,919	124,847
Surplus before grants	2,926,565	2,552,422	15,205	9,648	173,797	68,730	3,115,567	2,630,800
Grants (note 6)	-	-	(210,142)	(211,880)	-	-	(210,142)	(211,880)
Surplus (deficiency) for the year	2,926,565	2,552,422	(194,937)	(202,232)	173,797	68,730	2,905,425	2,418,920
Fund balances – Beginning of year	17,455,613	15,687,668	6,990,551	6,566,165	2,453,809	2,227,220	26,899,973	24,481,053
Interfund transfers (note 7)	(872,881)	(784,477)	698,341	626,618	174,540	157,859	-	-
Fund balances – End of year	19,509,297	17,455,613	7,493,955	6,990,551	2,802,146	2,453,809	29,805,398	26,899,973

The accompanying notes are an integral part of these financial statements.

Arthritis Research Foundation**Statement of Cash Flows****For the year ended March 31, 2025**

	2025	2024
	\$	\$
Cash provided by (used in)		
Operating activities		
Surplus for the year	2,905,425	2,418,920
Items not involving cash		
Investment income reinvested	(2,187,095)	(1,227,254)
Change in fair value of investments (note 3)	(964,891)	(1,460,165)
Changes in non-cash working capital items		
Accounts receivable	(722)	6,794
Accounts payable and accrued liabilities	2,906	9,190
Due to related entity	17	1,916
Change in cash during the year	(244,360)	(250,599)
Cash – Beginning of year	376,440	627,039
Cash – End of year	132,080	376,440

The accompanying notes are an integral part of these financial statements.

Arthritis Research Foundation

Notes to Financial Statements

March 31, 2025

1 Purpose of the organization

Arthritis Research Foundation (the Foundation) is incorporated without share capital under the laws of the Province of Ontario. The Foundation is a public foundation registered under the Income Tax Act (Canada) and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes under registration number 11929 0773 RR0001. Its main purpose is to fundraise for The Arthritis & Autoimmunity Research Centre and related activities in the musculoskeletal and arthritis program at Sinai Health System (the Hospital).

2 Summary of significant accounting policies

The financial statements of the Foundation have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The following summary of significant accounting policies is set forth to facilitate the understanding of these financial statements.

Fund accounting

The Foundation follows the restricted fund method of accounting for contributions. The Foundation ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

For financial reporting purposes, the accounts have been classified into the following funds:

a) General Fund

The General Fund accounts for the Foundation's general fundraising, granting and administrative activities. The General Fund reports unrestricted resources available for immediate use.

b) Restricted Fund

The Restricted Fund includes those funds where resources are to be used for an identified purpose as specified by the donor, as stipulated by the fundraising appeal or as determined by the Board of Directors. Restricted donations, other than endowments, include a 10% allocation to the General Fund to highest priority needs.

c) Endowment Fund

The Endowment Fund includes those funds where either donor or Board of Directors restrictions require the principal to be maintained by the Foundation for a specified period of time.

Investments

Publicly traded securities are valued based on the closing prices and pooled funds are valued based on reported unit values. Fixed income securities not publicly traded are valued based on cost plus accrued income. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Arthritis Research Foundation
Notes to Financial Statements
March 31, 2025

Foreign currency translation

Revenue and expenses denominated in foreign currencies are translated into Canadian dollars at the transaction date. Investments and other monetary items denominated in foreign currencies are translated at the year-end rate. Translation gains and losses are included in the statement of operations and changes in fund balances.

Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions, which includes bequests and other donations. Bequests and other donations are recognized when received. Unrestricted contributions are recognized as revenue of the General Fund in the year received. Donor restricted contributions for specific purposes are recognized as revenue. Donor restricted contributions requiring the capital to be maintained permanently are recognized as revenue of the Endowment Fund.

Investment income consists of interest, dividends and change in fair value of investments, net of investment counsel and other investment expenses. Investment income earned on the Endowment Fund or Restricted Fund resources that must be spent on donor-designated activities is recognized as revenue of the Restricted Fund. Investment income subject to donor restrictions stipulating that it be added to the endowment is recognized as revenue of the Endowment Fund. Unrestricted investment income earned on Endowment Fund, Restricted Fund and General Fund resources is recognized as revenue of the General Fund. Investment losses are allocated in a manner consistent with investment income.

The Foundation recognizes revenue from special events in the year in which the event occurs.

Pledges

The Foundation records pledges as revenue when payment is received.

Contributed goods and services

Contributed goods and services are not recognized in the financial statements.

Financial instruments and risk management

The Foundation initially recognizes financial instruments at fair value and subsequently measures them at each reporting date as follows:

Cash	amortized cost
Investments	fair value
Accounts receivable	amortized cost
Prepaid expenses	amortized cost
Accounts payable and accrued liabilities	amortized cost

Financial assets measured at amortized cost are assessed at each reporting date for indications of impairment. If such impairment exists, the asset shall be written down and the resulting impairment loss shall be recognized in the statement of operations and changes in fund balances for the year.

Arthritis Research Foundation

Notes to Financial Statements

March 31, 2025

Use of estimates

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

3 Investments

	2025 \$	2024 \$
Canadian balanced pooled fund	27,444,384	24,451,015
Canadian fixed income pooled fund	2,350,207	2,191,590
	<u>29,794,591</u>	<u>26,642,605</u>

Investment income comprises the following:

	2025 \$	2024 \$
Interest income	1,182,338	714,051
Dividend income	1,020,470	542,193
Change in fair value of investments	964,891	1,460,165
	<u>3,167,699</u>	<u>2,716,409</u>
Investment income before fees		
Investment fees	(72,558)	(61,475)
	<u>3,095,141</u>	<u>2,654,934</u>

Fixed income bonds earn interest at a weighted average rate of 3.65% (2024 – 3.03%), maturing between June 2025 and May 2082.

4 Related party balances and transactions

The Foundation is managed by Sinai Health Foundation under a management services agreement. Under the agreement, Sinai Health Foundation provides certain services and pays certain expenses that are reimbursed at regular intervals throughout the year. As at March 31, 2025, the Foundation reimbursed \$100,000 (2024 – \$100,000) for such services. As at March 31, 2025, the total outstanding balance payable to Sinai Health Foundation is \$94,699 (2024 – \$94,682).

The Foundation provides financial resources by way of grants in support of the activities of the Hospital as approved by the Board of the Foundation.

Arthritis Research Foundation
Notes to Financial Statements
March 31, 2025

5 Endowment Fund

Endowments consist of externally restricted donations received by the Foundation and internal resources transferred by the Board of Directors, in the exercise of its discretion. With respect to the latter case, the Board of Directors may have the right to subsequently decide to remove the designation. The endowment principal is required to be maintained intact over time, subject to the Foundation’s endowment policy.

Investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board of Directors. The Foundation ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

The Foundation’s endowment policy was established by the Board of Directors with the objective of protecting the value of the endowments by limiting the amount of income made available for spending to the payout amount and requiring the reinvestment of income not made available for payout, with the objective of increasing the combined value of donated funds and cumulative investment returns at the rate of inflation or greater, over time (preservation of capital). The payout amount is calculated on the opening fund balance, and made available for spending restricted to the purposes set out in the donor agreement, if applicable, or as stipulated by the Board of Directors. The investment policy has established a minimum target rate of return objective as the sum of the payout rate and the inflation rate, with the aim of providing steady, predictable investment returns. The payout amount made available for spending is reviewed and set by the Board of Directors annually. For 2025, the payout amount was set at 5% (2024 – 5%), consisting of 4% recorded in the Restricted Fund and 1% recorded in the General Fund.

In any particular year, should net investment income be insufficient to satisfy the payout amount set by the Board of Directors, or if the investment return is negative, the payout amount is funded by the accumulated reinvested income in the Endowment Fund. In general, for individual endowment funds without sufficient accumulated reinvestment income, endowment capital is used in the current year. This amount is expected to be recovered by future net investment income.

Major categories of restrictions on fund balances are as follows:

	2025 \$	2024 \$
Endowments, income from which must be used for research purposes	17,388,955	15,558,449
Endowments, income from which must be used for other restricted purposes	1,900,420	1,700,390
Endowments, income from which must be used as approved by the Board of Directors	219,922	196,774
	<u>19,509,297</u>	<u>17,455,613</u>

Arthritis Research Foundation
Notes to Financial Statements
March 31, 2025

6 Grants

	2025 \$	2024 \$
Sinai Health System	200,142	150,000
University Health Network	-	51,880
Rheumatology Associates	10,000	10,000
	<hr/>	<hr/>
	210,142	211,880

7 Interfund transfers

In fiscal 2025, the Foundation transferred \$872,881 (2024 – \$784,477) from the Endowment Fund to the General and Restricted Funds to fund the payout amount on endowed funds and fund-restricted payments. Of this amount, \$174,540 (2024 – \$157,859) was transferred to the General Fund and \$698,341 (2024 – \$626,618) was transferred to the Restricted Fund.

8 Financial instruments

The Foundation is exposed to various financial risks through its transactions in financial instruments.

Credit risk

The Foundation is exposed to credit risk in connection with its cash, short-term and fixed income investments because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation. To manage this risk, the Foundation has an investment policy, which includes a target mix of investment types and concentration limits designed to achieve the optimum return within reasonable risk tolerances, and only does business with reputable financial institutions.

Interest rate risk

The Foundation is exposed to interest rate risk with respect to its investments in fixed income investments and a pooled fund that holds fixed income securities because the fair value will fluctuate due to changes in market interest rates.

Other price risk

The Foundation is exposed to other price risk through changes in market prices, other than changes arising from interest rate or currency risks, in connection with its investments in equity securities and pooled funds. To manage this risk, the Foundation invests in a target mix of investment types in accordance with its investment policy.