Financial Statements of

THE ARTHRITIS SOCIETY

Years ended March 31, 2013 and 2012

KPMG

KPMG LLP
Chartered Accountants
Yonge Corporate Centre
4100 Yonge Street Suite 200
Toronto ON M2P 2H3
Canada

Telephone (416) 228-7000
Fax (416) 228-7123
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of The Arthritis Society

We have audited the accompanying financial statements of The Arthritis Society, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statements of financial activities, changes in resources and cash flows for the years ended March 31, 2013 and March 31, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian 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.

Auditors' Responsibility

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

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

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

Basis for Qualified Opinion

In common with many not-for-profit organizations, The Arthritis Society derives revenue from contributions, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of this revenue was limited to the amounts recorded in the records of The Arthritis Society.

Therefore, we were not able to determine whether, as at March 31, 2013, March 31, 2012, and April 1, 2011 and for the years ended March 31, 2013 and March 31, 2012, any adjustments might be necessary to contributions, excess (deficiency) of revenue over expenses reported in the statements of financial activities, excess (deficiency) of revenue over expenses reported in the statements of cash flows and current assets and unappropriated resources reported in the statements of financial position.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of The Arthritis Society as at March 31, 2013, March 31, 2012 and April 1, 2011, and its results of operations, its changes in resources and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

June 22, 2013
Toronto, Canada

THE ARTHRITIS SOCIETY

Statements of Financial Position

March 31, 2013, March 31, 2012 and April 1, 2011

	March 31, 2013	March 31, 2012	April 1, 2011
Assets			
Current assets:			
Cash	$ 57,745	$ 3,187,872	$ 3,224,970
Restricted cash	230,255	186,437	214,075
Short-term investments (note 2)	2,478,436	4,735,384	2,758,110
Accounts receivable	563,120	417,439	796,254
Prepaid expenses	276,209	234,605	557,652
	3,605,765	8,761,737	7,551,061
Long-term investments (note 2)	17,322,498	17,098,830	11,901,863
Capital assets (note 3)	1,044,336	1,286,642	3,036,339
	$ 21,972,599	$ 27,147,209	$ 22,489,263
Liabilities and Resources			
Current liabilities:			
Accounts payable and accrued liabilities	$ 1,389,836	$ 2,012,856	$ 1,252,145
Deferred revenue	527,010	863,026	1,498,170
Research awards payable	1,435,179	3,664,081	900,890
	3,352,025	6,539,963	3,651,205
Deferred capital grants and donations (note 4)	128,277	146,100	74,501
Deferred contributions (note 5)	1,869,484	1,831,130	2,041,803
Deferred lease inducements (note 6)	25,289	31,612	37,935
	5,375,075	8,548,805	5,805,444
Resources:			
Unappropriated	3,071,990	5,430,545	1,399,255
Appropriated (note 7)	10,232,952	9,703,511	10,328,905
Endowments	2,401,812	2,355,418	2,031,756
Invested in capital assets	890,770	1,108,930	2,923,903
	16,597,524	18,598,404	16,683,819
Commitments (notes 12 and 13)			
	$ 21,972,599	$ 27,147,209	$ 22,489,263

See accompanying notes to financial statements.

On behalf of the Board:

_______________ Director

_______________ Director

THE ARTHRITIS SOCIETY

Statements of Financial Activities

Years ended March 31, 2013 and 2012

	2013	2012
Revenue:		
Support from the public:		
Campaigns	$ 17,203,484	$ 18,777,731
United Way	258,284	810,144
Bequests	6,028,362	5,823,377
	23,490,130	25,411,252
Investment, rental and miscellaneous income	2,184,503	1,649,843
Support from government departments and agencies	5,445,395	5,430,690
Total revenue	31,120,028	32,491,785
Expenses:		
Research	4,739,501	7,666,420
Programs and services	12,357,309	12,117,947
Building operation	534,258	575,498
Administration	3,943,163	4,118,847
	21,574,231	24,478,712
Cost of raising funds from the public	11,591,114	11,561,107
Total expenses	33,165,345	36,039,819
Deficiency of revenue over expenses before the undernoted	(2,045,317)	(3,548,034)
Gain on disposal of building (note 3)	–	5,127,864
Excess (deficiency) of revenue over expenses	$ (2,045,317)	$ 1,579,830

See accompanying notes to financial statements.

THE ARTHRITIS SOCIETY

Statements of Changes in Resources

Years ended March 31, 2013 and 2012

2013	Unappropriated	Appropriated (note 7)	Endowments	Invested in capital assets	Total
Resources, beginning of year	$ 5,430,545	$ 9,703,511	$ 2,355,418	$ 1,108,930	$ 18,598,404
Excess (deficiency) of revenue over expenses	(1,619,071)	(6,372)	1,957	(421,831)	(2,045,317)
Additions to capital assets	(241,045)	–	–	241,045	–
Deferred capital grants and donations received	37,374	–	–	(37,374)	–
Endowment contributions	–	–	44,437	–	44,437
Interfund transfers (note 7)	(535,813)	535,813	–	–	–
Resources, end of year	$ 3,071,990	$ 10,232,952	$ 2,401,812	$ 890,770	$ 16,597,524

2012	Unappropriated	Appropriated (note 7)	Endowments	Invested in capital assets	Total
Resources, beginning of year	$ 1,399,255	$ 10,328,905	$ 2,031,756	$ 2,923,903	$ 16,683,819
Excess (deficiency) of revenue over expenses	3,932,368	(40,562)	(11,093)	(2,300,883)	1,579,830
Additions to capital assets	(594,891)	–	–	594,891	–
Deferred capital grants and donations received	108,981	–	–	(108,981)	–
Endowment contributions	–	–	334,755	–	334,755
Interfund transfers (note 7)	584,832	(584,832)	–	–	–
Resources, end of year	$ 5,430,545	$ 9,703,511	$ 2,355,418	$ 1,108,930	$ 18,598,404

See accompanying notes to financial statements.

THE ARTHRITIS SOCIETY

Statements of Cash Flows

Years ended March 31, 2013 and 2012

	2013	2012
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	$ (2,045,317)	$ 1,579,830
Items not affecting cash:		
Amortization of deferred capital grants and donations	(55,197)	(37,382)
Amortization of deferred contributions	(365,232)	(998,920)
Amortization of deferred lease inducements	(6,323)	(6,323)
Amortization of capital assets	483,351	445,851
Change in unrealized (gain) loss on investments	(532,907)	1,210
Gain on disposal of building	–	(5,127,864)
Change in non-cash operating working capital (note 10)	(3,375,223)	3,590,620
	(5,896,848)	(552,978)
Financing activities:		
Deferred contributions received	403,586	788,247
Endowment contributions	44,437	334,755
Deferred capital grants and donations received	37,374	108,981
	485,397	1,231,983
Investing activities:		
Net change in investments	2,566,187	(7,175,451)
Proceeds on disposal of building	–	7,026,601
Net purchases of capital assets	(241,045)	(594,891)
	2,325,142	(743,741)
Decrease in cash	(3,086,309)	(64,736)
Cash, beginning of year	3,374,309	3,439,045
Cash, end of year	$ 288,000	$ 3,374,309
Represented by:		
Cash	$ 57,745	$ 3,187,872
Restricted cash	230,255	186,437
	$ 288,000	$ 3,374,309

See accompanying notes to financial statements.

The Arthritis Society (the "Society") is incorporated without share capital under the Canada Corporations Act and is a charitable organization registered under the Income Tax Act (Canada). As such, it is exempt from income taxes and is able to issue donation receipts for income tax purposes.

The mission of the Society is to provide leadership and funding in research, advocacy and solutions to improve the quality of life for Canadians affected by arthritis.

On April 1, 2012, the Society adopted Canadian Accounting Standards for Not-For-Profit Organizations in Part III of The Canadian Institute of Chartered Accountants' ("CICA") Handbook. These are the first financial statements prepared in accordance with not-for-profit standards.

In accordance with the transitional provisions in not-for-profit standards, the Society has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2011 and all comparative information provided has been presented by applying not-for-profit standards.

There were no adjustments to resources balances as at April 1, 2011 or excess of revenue over expenses for the year ended March 31, 2012 as a result of the transition to not-for-profit standards.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the CICA Handbook.

(a) Basis of presentation:

These financial statements include the assets, liabilities, revenue and expenses of the 10 divisions and the National Office of the Society.

(b) Revenue recognition:

The Society follows the deferral method of accounting. Under the deferral method, contributions related to expenses of future periods are recorded as deferred contributions and are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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

Support from the public is reflected as revenue when the funds are received.

1. Significant accounting policies (continued):

(c) Allocation of expenses:

Expenses are recorded and reported by programs and services. Certain employees perform a combination of program, fundraising and administrative functions; as a result, salaries and benefits are allocated based on time dedicated to the functional activities. Other costs, including executive office and administrative support, are allocated to the programs and services that benefit from the activities. Such allocations are reviewed regularly by management.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Society has elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Society determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Society expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

1. Significant accounting policies (continued):

(e) Resources balances:

Unappropriated resources record the general activities of the Society.

Appropriated resources include investment income earned on the research stabilization account. Investment income earned on other projects is recorded in unappropriated resources.

Invested in capital assets reflect that portion of the Society's resources that relate to capital assets. These resources will increase for capital asset purchases, reductions in capital lease obligations, amortization of deferred capital grants and donations directly related to capital assets, and will be reduced by amortization charges, the net book value of capital asset disposals, increases in capital lease obligations and increases in deferred capital grants and donations.

Endowment funds are externally restricted donations received by the Society where the endowment principal is required to be maintained intact. The investment income generated from these endowments is to be used in accordance with the various purposes established by the donors. The Society ensures that all funds received with a restricted purpose are expended for the purpose for which they were provided.

(f) Research awards payable:

These financial statements reflect grants made during the year, which became effective at different dates during the year. The balance of these grants remaining payable at year end is included as research awards payable on the statements of financial position.

(g) Capital assets:

Purchased capital assets are recorded at cost. Donated capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Society's ability to provide services, its carrying amount is written down to its residual value.

1. Significant accounting policies (continued):

Amortization is provided on a straight-line basis over the estimated useful lives of the assets and is recorded beginning in the month of acquisition as follows:

Buildings	5%
Computer equipment and software	33.33%
Furniture and equipment	20%
Leasehold improvements	Over term of lease

(h) Deferred capital grants and donations:

Government grants and donations received for the purpose of capital purchases are deferred and amortized over the expected useful life of the asset to which the grants and donations relate.

(i) Deferred lease inducements:

Deferred lease inducements represent leasehold improvements on account of capital expenditures financed by the landlord. These lease inducements are amortized on a straight-line basis over the term of the lease and are recorded as a reduction in rental expense.

(j) Contributed services:

Volunteers contribute countless hours each year to assist the Society in achieving its mission. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

(k) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the years. Actual results could differ from those estimates.

2. Investments:

(a) Short-term investments include:

	March 31, 2013	March 31, 2012	April 1, 2011
Cash	$ 426,305	$ 501,913	$ 617,680
Fixed income	1,783,353	2,998,011	1,850,359
Money market	268,778	1,235,460	290,071
	$ 2,478,436	$ 4,735,384	$ 2,758,110

Short-term fixed income funds have maturity dates of less than a year from the statements of financial position dates, and bear interest at rates ranging from 1.7% to 6.3% (March 31, 2012 - 1.3% to 5.4%; April 1, 2011 - 1.7% to 7.2%).

(b) Long-term investments include:

	March 31, 2013	March 31, 2012	April 1, 2011
Fixed income	$ 10,864,386	$ 11,117,385	$ 7,165,987
Equities	6,458,112	5,981,445	4,735,876
	$ 17,322,498	$ 17,098,830	$ 11,901,863

Long-term investments consist of fixed income bonds with maturity dates greater than a year from the statements of financial position dates and bearing interest at rates ranging from 1.5% to 7.8% (March 31, 2012 - 2.00% to 6.93%; April 1, 2011 - 2.1% to 7.2%), and Canadian and U.S. equities and investments in unit trusts.

3. Capital assets:

March 31, 2013	Cost	Accumulated amortization	Net book value
Land	$ 239,306	$ –	$ 239,306
Buildings	5,587,235	5,587,235	–
Computer equipment and software	1,377,457	930,304	447,153
Furniture and equipment	239,317	149,204	90,113
Leasehold improvements	544,400	276,636	267,764
	$ 7,987,715	$ 6,943,379	$ 1,044,336

March 31, 2012	Cost	Accumulated amortization	Net book value
Land	$ 239,306	$ –	$ 239,306
Buildings	5,587,235	5,587,235	–
Computer equipment and software	1,310,351	716,398	593,953
Furniture and equipment	234,804	123,408	111,396
Leasehold improvements	549,342	207,355	341,987
	$ 7,921,038	$ 6,634,396	$ 1,286,642

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

During fiscal 2012, the Society sold its property in the Province of British Columbia, representing land and building, for proceeds net of selling costs of $7,026,601. This resulted in a gain being recognized in the year of $5,127,864.

4. Deferred capital grants and donations:

Deferred capital grants and donations represent restricted capital funding received for the purchase of capital assets. Grants and donations are amortized on the same basis as the capital asset to which they relate. Changes in the deferred capital asset grants and donations balances during the years are as follows:

	2013	2012
Balance, beginning of year	$ 146,100	$ 74,501
Grants received	37,374	108,981
Less amortization	55,197	37,382
Balance, end of year	$ 128,277	$ 146,100

5. Deferred contributions:

Deferred contributions represent unspent resources, externally or internally restricted, for education, volunteer/community development, patient care, research purposes and restricted operating funds received in the current year or prior years that are related to subsequent periods. Changes in the deferred contribution balances during the years are as follows:

2013	Education	Volunteer/ community development	Patient care	Research	Total
Balance, beginning of year	$ 655,471	$ 40,017	$ 458,616	$ 677,026	$ 1,831,130
Funds received	353,959	–	45,979	3,648	403,586
Amount recognized as revenue	(167,870)	–	(106,489)	(90,873)	(365,232)
Balance, end of year	$ 841,560	$ 40,017	$ 398,106	$ 589,801	$ 1,869,484

5. Deferred contributions (continued):

2012	Education	Volunteer/ community development	Patient care	Research	Total
Balance, beginning of year	$ 814,976	$ 56,562	$ 488,446	$ 681,819	$ 2,041,803
Funds received	193,989	–	414,967	179,291	788,247
Amount recognized as revenue	(353,494)	(16,545)	(444,797)	(184,084)	(998,920)
Balance, end of year	$ 655,471	$ 40,017	$ 458,616	$ 677,026	$ 1,831,130

6. Deferred lease inducements:

	March 31, 2013	March 31, 2012	April 1, 2011
Tenant inducements	$ 63,225	$ 63,225	$ 81,413
Less accumulated amortization	37,936	31,613	43,478
	$ 25,289	$ 31,612	$ 37,935

7. Appropriated resources:

The Board of Directors of the Society has approved $10,232,952 (2012 - $9,703,511) for use in future projects. The appropriated resources balance consists of the following:

	2012	Board approved transfers	Activities during the year	2013
Research stabilization account	$ 9,410,517	$ 517,578	$ –	$ 9,928,095
Aqueduct Foundation Grant - Ontario Division	37,532	18,235	–	55,767
Community groups - B.C. and Yukon Division	154,536	–	(6,372)	148,164
Arthritis McRobbie Fund - B.C. and Yukon Division	100,926	–	–	100,926
	$ 9,703,511	$ 535,813	$ (6,372)	$ 10,232,952

7. Appropriated resources (continued):

	2011	Board approved transfers	Activities during the year	2012
Research stabilization account	$ 9,280,589	$ 129,928	$ –	$ 9,410,517
Aqueduct Foundation Grant - Ontario Division	20,000	17,532	–	37,532
Future research	3,500	(3,500)	–	–
Arthritis capital funds	19,100	(19,100)	–	–
Education/client service projects	464,185	(464,185)	–	–
Division/branch development	22,000	(22,000)	–	–
Community groups - B.C. and Yukon Division	195,098	–	(40,562)	154,536
Arthritis McRobbie Fund - B.C. and Yukon Division	100,926	–	–	100,926
Bone and Joint Centre initiative - Alberta and NWT Division	100,000	(100,000)	–	–
Customer Relationship Model	123,507	(123,507)	–	–
	$ 10,328,905	$ (584,832)	$ (40,562)	$ 9,703,511

The research stabilization account, in which the divisions participate, represents funds designated by the National Board to support future research.

8. Annuity, life insurance and charitable remainder trust revenue:

As at March 31, 2013, the Society is the beneficiary of several annuities purchased by donors with original annuity contract amounts of $534,500 (2012 - $534,500). A cash donation is initially received, with the remainder being invested in an annuity. The cash donation and any realized beneficiary amounts are recorded as revenue when received. During 2013, nil (2012 - $11,458) was received in cash and included in campaigns revenue.

The Society is also the beneficiary of several life insurance policies purchased by donors. Revenue relating to these policies is recorded on a cash basis. The total death benefit relating to these policies outstanding as at March 31, 2013 amounted to $804,534 (2012 - $901,167). During 2013, $102,029 (2012 - nil) was received in cash and included in campaigns revenue.

The Society is also the beneficiary of several charitable remainder trusts. The donations are recorded as revenue when the cash is received. The trust amounts outstanding as at March 31, 2013 amounted to $503,213 (2012 - $515,000). During 2013, $16,196 (2012 - $234,806) was received in cash and included in campaigns revenue.

9. Endowment trust funds:

The Society is entitled to the annual earnings from endowments held by The Vancouver Foundation and the Victoria Foundation. The capital of the funds is not available to the Society and is not included in the accounts of the Society. The Vancouver Foundation and the Victoria Foundation are not-for-profit organizations that receive and invest funds, and from these funds provide investment income to other not-for-profit organizations under the terms of the agreements with them.

During the year, the Society received $108,619 (2012 - $107,021) of interest income from The Vancouver Foundation and $17,074 (2012 - $16,770) from the Victoria Foundation.

10. Change in non-cash operating working capital:

	2013	2012
Accounts receivable	$ (145,681)	$ 378,815
Prepaid expenses	(41,604)	323,047
Accounts payable and accrued liabilities	(623,020)	760,711
Deferred revenue	(336,016)	(635,144)
Research awards payable	(2,228,902)	2,763,191
	$ (3,375,223)	$ 3,590,620

11. Pension plan:

Certain of the employees of the Society are members of The Arthritis Society Pension Plan (the "Plan"), which is a defined contribution plan. Employer contributions made to the Plan during the fiscal year by the Society are reflected in the statements of financial activities and amounted to $418,530 (2012 - $447,092).

12. Research commitments:

The Society has currently approved research commitments over the next three years as follows:

2014	$ 4,953,082
2015	2,788,028
2016	1,697,567
	$ 9,438,677

13. Commitments:

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

2014	$ 1,515,000
2015	1,355,000
2016	1,069,000
2017	791,000
2018	180,000
Thereafter	20,000
	$ 4,930,000

14. Allocation of expenses:

The Society has allocated its common expenses as follows:

2013	Research	Programs and services	Administration	Cost of raising funds	Total
Executive office[1]	$ 120,559	$ 361,678	$ 96,448	$ 385,790	$ 964,475
Mission office[2]	12,892	38,675	–	–	51,567
Amortization of capital assets[3]	17,751	240,643	182,410	42,547	483,351

2012	Research	Programs and services	Building operation	Administration	Cost of raising funds	Total
Executive office[1]	$ 547,497	$ 168,229	$ –	$ 330,292	$ 269,167	$ 1,315,185
Amortization of capital assets[3]	17,399	136,457	18,261	234,434	39,300	445,851

(1) Executive office expenses consist primarily of salaries and benefits and staff travel and meeting expenses of the National Office.
(2) Mission office expenses consist primarily of salaries and benefits and staff travel and meeting expenses of the National Office.
(3) Amortization of capital assets consists of amortization costs of assets across all Divisions and the National Office.

15. Risk management:

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. There has been no change to the risk exposure from 2012.

(a) Credit risk:

The Society's financial assets are cash and accounts receivable, both of which are subject to credit risk. The carrying amounts of financial assets on the statements of financial position represent the Society's maximum credit exposure at the statements of financial position dates.

(b) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Changes in the prime interest rate will have a positive or negative impact on the Society's interest income. Such exposure will increase accordingly should the Society maintain higher levels of investments in the future.

(c) Market risk:

Market risk arises as a result of trading in equity securities and fixed income securities. Fluctuations in the market expose the Society to a risk of loss. The Society mitigates this risk through controls to monitor and limit concentration levels.

(d) Foreign currency risk:

Foreign currency risk arises from gains and losses due to fluctuations in foreign currency exchange rates on the Society's foreign-denominated equity investments. The Society does not have significant transactions in foreign currencies or hold foreign currencies for a long period of time and, therefore, considers the exposure to foreign currency risk to be not significant.