

Financial Statements of

**HUNTINGTON SOCIETY
OF CANADA**

Year ended June 30, 2014



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INDEPENDENT AUDITORS' REPORT

To the Members of the Huntington Society of Canada

We have audited the accompanying financial statements of the Huntington Society of Canada, which comprise the statement of financial position as at June 30, 2014, the statements of operations, changes in fund balances and cash flows for the year ended June 30, 2014 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on 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 is sufficient and appropriate to provide a basis for our audit opinion.



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Basis for Qualified Opinion

In common with many charitable organizations, the Huntington Society of Canada derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the entity and we were not able to determine whether any adjustments might be necessary to donation revenue, chapter and volunteer fundraising activities, excess of revenue over expenditures, assets and fund balances.

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 Huntington Society of Canada as at June 30, 2014, and the results of its operations, changes in fund balances and its cash flows for the year ended June 30, 2014 in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in black ink that reads 'KPMG LLP'. Below the signature is a long, horizontal, slightly curved line.

Chartered Professional Accountants, Licensed Public Accountants

September 8, 2014
Waterloo, Canada

HUNTINGTON SOCIETY OF CANADA

Statement of Financial Position

June 30, 2014, with comparative information for 2013

	2014	2013
Assets		
Current assets		
Cash	\$ 617,597	\$ 274,225
Accounts receivable (note 2)	141,475	156,391
Investments (note 3)	2,317,587	2,490,204
Prepaid expenses	50,808	45,171
	3,127,467	2,965,991
Capital assets (note 4)	44,824	38,316
	\$ 3,172,291	\$ 3,004,307

Liabilities and Fund Balances

Liabilities

Accounts payable and accrued liabilities (note 5)	\$ 76,770	\$ 239,847
Deferred revenue (note 6)	73,120	100,251
	149,890	340,098

Net assets

General fund	685,974	709,286
Capital assets fund	44,824	38,316
Endowment fund	1,870,153	1,730,464
Laura's Hope fund	382	3,049
Ralph Walker Research fund	421,068	183,094
	3,022,401	2,664,209

Commitments (note 7)

	\$ 3,172,291	\$ 3,004,307
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See accompanying notes to the financial statements.

On behalf of the Board:

Director

Director

HUNTINGTON SOCIETY OF CANADA

Statement of Operations

Year ended June 30, 2014, with comparative information for 2013

	General Fund	Capital Assets Fund	Endowment Fund	Laura's Hope Fund	Ralph Walker Research Fund	Total 2014	Total 2013
Revenue							
Donations	\$ 1,353,220	\$ -	\$ 15,130	\$ 3,050	\$ 529,869	\$ 1,901,269	\$ 1,637,049
Grants	135,640	-	-	33,722	-	169,362	163,626
Chapter and volunteer fundraising revenue (note 8)	1,574,124	-	3,500	-	6,075	1,583,699	1,839,025
Investment and interest income (note 9)	105,019	-	-	161	7,917	113,097	77,013
Realized gain on sale of investments	26,670	-	-	-	2,007	28,677	37,387
Unrealized gain on investments	39,776	-	121,059	-	12,106	172,941	137,679
Other income	143,126	-	-	-	-	143,126	42,006
	3,377,575	-	139,689	36,933	557,974	4,112,171	3,933,785
Expenses							
Research	376,184	-	-	39,600	320,000	735,784	760,638
Family services	1,163,792	-	-	-	-	1,163,792	1,191,255
Public awareness and education	305,355	-	-	-	-	305,355	391,828
Chapter and volunteer support	145,797	-	-	-	-	145,797	169,505
Development	394,065	-	-	-	-	394,065	375,832
Chapter and volunteer fundraising expenses (note 8)	453,788	-	-	-	-	453,788	472,254
Administration	535,495	-	-	-	-	535,495	479,664
Amortization	-	18,748	-	-	-	18,748	17,747
Loss on disposal of capital assets	-	1,155	-	-	-	1,155	-
	3,374,476	19,903	-	39,600	320,000	3,753,979	3,858,723
Excess (deficiency) of revenue over expenses	\$ 3,099	\$ (19,903)	\$ 139,689	\$ (2,667)	\$ 237,974	\$ 358,192	\$ 75,062

See accompanying notes to the financial statements.

HUNTINGTON SOCIETY OF CANADA

Statement of Changes in Fund Balances

Year ended June 30, 2014, with comparative information for 2013

	General Fund		Capital Assets Fund		Endowment Fund		Laura's Hope Fund		Ralph Walker Research Fund		Total 2014	Total 2013		
Fund balances, beginning of year	\$	709,286	\$	38,316	\$	1,730,464	\$	3,049	\$	183,094	\$	2,664,209	\$	2,589,147
Excess (deficiency) of revenue over expenses		3,099		(19,903)		139,689		(2,667)		237,974		358,192		75,062
Interfund transfers (note 10)		(26,411)		26,411		-		-		-		-		-
Fund balances, end of year	\$	685,974	\$	44,824	\$	1,870,153	\$	382	\$	421,068	\$	3,022,401	\$	2,664,209

See accompanying notes to the financial statements.

HUNTINGTON SOCIETY OF CANADA

Statement of Cash Flows

Year ended June 30, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operating activities		
Exces of revenue over expenses	\$ 358,192	\$ 75,062
Non-cash items:		
Realized gain on sale of investments	(28,677)	(37,387)
Unrealized gain on investments	(172,941)	(137,679)
Amortization	18,748	17,747
Loss on disposal of capital assets	1,155	-
Change in non-cash operating assets and liabilities:		
Accounts receivable	14,916	26,072
Prepaid expenses	(5,637)	11,487
Accounts payable and accrued liabilities	(163,077)	109,324
Deferred revenue	(27,131)	(148,663)
	(4,452)	(84,037)
Investing activities		
Purchase of capital assets	(26,411)	(27,301)
Net sale of investments	374,235	236,721
	347,824	209,420
Increase in cash	343,372	125,383
Cash, beginning of year	274,225	148,842
Cash, end of year	\$ 617,597	\$ 274,225

See accompanying notes to the financial statements.

HUNTINGTON SOCIETY OF CANADA

Notes to the Financial Statements
Year ended June 30, 2014

The Huntington Society of Canada (the "Society") is a national network of volunteers and professionals united in the fight against Huntington disease ("HD"). As a not-for-profit organization, incorporated under the laws of Canada, the Society seeks to maximize the quality of life of people living with HD by delivering services, increasing awareness of the disease, and supporting research to slow and prevent HD.

The Society is a registered charity under the Income Tax Act and is, therefore, exempt from income taxes, provided certain requirements of the Income Tax Act are met.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Part III of the Chartered Professional Accountants of Canada Handbook-accounting standards for not-for-profit organizations.

(a) Fund accounting:

The financial statements include the operations of the National Office of the Society and its 12 Resource Centres, and are prepared following the restricted method of fund accounting for contributions. The purpose of the funds is as follows.

(i) General Fund

The General fund is an unrestricted fund used at the discretion of the Board of Directors to fulfill the mission of the Society in all areas, including research, family services, public awareness and education, chapter and volunteer support, development, chapter and volunteer fundraising, and administration. All undesignated donations are recorded in this fund.

(ii) Capital Fund

The Capital fund includes funds used for the acquisition, amortization, and disposal of capital assets, as well as financing costs.

(iii) Endowment Fund

The Endowment fund is restricted and accounts for donations received which the donor has designated specifically for endowment purposes. In exceptional circumstances, and subject to approval of two-thirds of the Board of Directors of the Society, funds may be transferred from the capital of the Endowment fund to the General fund to finance special projects or unbudgeted annual deficits. Annual interest earned on the Endowment fund is used to fund operational expenditures.

HUNTINGTON SOCIETY OF CANADA

Notes to the Financial Statements
Year ended June 30, 2014

1. Significant accounting policies (continued):

(a) Fund accounting (continued):

(iv) Laura's Hope Fund

The Laura's Hope fund is an externally restricted fund established in honour of Laura Evans by her parents in 2003. The purpose of this fund is to support pre-clinical and/or clinical research towards developing a treatment or a cure for Huntington disease, and revenues specifically designated by donors to this fund have been restricted for this purpose.

(v) Ralph Walker Research Fund

The Ralph Walker Research fund is a restricted fund established in 1983 to commemorate the 10th anniversary of the Huntington Society of Canada and to pay tribute to the Society's founder, Ralph Walker. Revenues specifically designated by donors to this fund have been restricted for research, along with any related expenses.

(b) Revenue recognition:

The Society follows the restricted fund method of accounting for donations.

Unrestricted and restricted donations are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted donations for which there is no separate fund are recognized as revenue of the General fund in the year in which the related expenses are incurred.

Deferred revenue represents the unamortized and unspent amount of donations and grants received for the purchase of capital assets and/or specific services. The amortization of deferred revenue is recorded as revenue in the statement of operations and changes in fund balances.

Donations to the Endowment fund are recognized as revenue in the Endowment fund. Investment and interest income earned by the Endowment fund is recognized as revenue in the General fund.

(c) Donated materials and services:

Donated materials and services, which would otherwise be paid by the Society, are recorded at fair value when determinable. A substantial number of volunteers have made significant contributions of their time to the Society's program and support services. The value of this contributed time is not reflected in these financial statements.

HUNTINGTON SOCIETY OF CANADA

Notes to the Financial Statements
Year ended June 30, 2014

1. Significant accounting policies (continued):

(d) Financial instruments:

Investments are recorded at fair value, as disclosed in note 3.

Financial assets and liabilities recorded at amortized cost include cash, accounts receivable, capital assets, and accounts payable and accrued liabilities. The carrying value of these assets and liabilities approximate their fair value as a result of the relatively short period to maturity of these financial instruments.

Financial assets are assessed for impairment on a periodic basis. If there is an indicator of impairment, the Society reduces the carrying value of the financial asset.

Capital assets:

Capital assets are capitalized and stated at cost. Amortization is provided using the following methods and rates:

Asset	Basis	Period/ Rate
Computer equipment and software	Straight-line	over 3 years
Office furniture and equipment	Declining balance	12%

(e) Impairment of long-lived assets:

Long-lived assets, including equipment, are amortized over their useful lives. The Society periodically reviews the useful lives and the carrying values of its long-lived assets for continued appropriateness. The Society reviews for impairment, long-lived assets (and asset groups), to be held and used whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable.

(f) Use of estimates:

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported revenues and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of equipment, accounts payable and accrued liabilities and valuation allowances for accounts receivable. Actual results could differ from those estimates.

The assets and liabilities which require management to make significant estimates and assumptions in determining carrying values include accounts receivable, capital assets, and accrued liabilities.

HUNTINGTON SOCIETY OF CANADA

Notes to the Financial Statements
Year ended June 30, 2014

2. Accounts receivable:

	2014	2013
Accounts receivable	\$ 109,869	\$ 116,791
GST/HST receivable	29,871	37,212
Accrued interest receivable	1,735	2,388
Total	\$ 141,475	\$ 156,391

3. Investments:

Investments of the General fund, Endowment fund, Laura's Hope fund, and Ralph Walker Research fund are combined, and consist of the following:

Fair value of investments by type:	2014	2013
GIC's	\$ 269,048	\$ 562,522
Equities and mutual fund investments	2,048,539	\$ 1,927,682
Total	\$ 2,317,587	\$ 2,490,204

Fair value of investments by fund:	2014	2013
General fund	\$ 92,550	\$ 576,646
Endowment fund	1,870,153	1,730,464
Laura's Hope fund	-	-
Ralph Walker Research fund	354,884	183,094
Total	\$ 2,317,587	\$ 2,490,204

4. Capital assets:

			2014	2013
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment and software	\$ 136,375	\$ 109,704	\$ 26,671	\$ 18,243
Office furniture and equipment	35,149	16,996	18,153	20,073
Total	\$ 171,524	\$ 126,700	\$ 44,824	\$ 38,316

Amortization for the year was \$18,748 (2013 - \$17,747). Loss on disposal of capital assets for the year was \$1,155 (2013 - nil).

HUNTINGTON SOCIETY OF CANADA

Notes to the Financial Statements
Year ended June 30, 2014

5. Accounts payable and accrued liabilities:

Government remittances payable included in accounts payable and accrual liabilities was nil (2013 - \$20,199).

6. Deferred revenue:

Deferred revenue represents contributions related to future expenses and contributions made on the condition by the donor that these funds be restricted for a special purpose.

	2014	2013
Balance, beginning of year	\$ 100,251	\$ 248,914
Contributions received	93,120	142,751
Contributions recognized as revenue	(120,251)	(291,414)
Balance, end of year	\$ 73,120	\$ 100,251

7. Commitments:

The Society is committed to the following payments under operating leases for its National Office and Resource Centres and equipment, as well as for research grants:

	Lease agreements	Research grants	Total
2015	\$ 66,262	\$ 365,000	\$ 431,262
2016	47,005	53,333	100,338
2017	6,250	39,167	45,417
2018	6,000	-	6,000
2019	5,000	-	5,000
	\$ 130,517	\$ 457,500	\$ 588,017

HUNTINGTON SOCIETY OF CANADA

Notes to the Financial Statements
Year ended June 30, 2014

8. Chapter and volunteer fundraising:

Chapter and volunteer fundraising consists of the following:

	Events	Gaming	2014	2013
Revenue	\$ 1,301,859	\$ 281,840	\$ 1,583,699	\$ 1,839,025
Expenses	324,067	129,721	453,788	472,254
Total	\$ 977,792	\$ 152,119	\$ 1,129,911	\$ 1,366,771

Chapter and volunteer fundraising revenue and expenses include fair values for donated materials during the year totaling \$35,970 (2013 - \$37,869).

Gaming revenue includes the Ontario Nevada break-open ticket program. Revenue in the current year from Nevada is \$170,766 (2013 - \$217,189), with net revenue of \$48,470 (2013 - \$71,276).

Approximately 20% of Nevada expenses are the cost of the tickets, with 75% of the remaining expenses comprising provincially legislated license and administration fees, as well as retailer fees.

Nevada expenses are reduced by the recoverable portion of HST, since the Society is reimbursed by the government in the form of an HST rebate.

9. Investment and interest income:

The original amount in the Endowment fund was established by a grant from Trillium Foundation to the Society. The income from this fund is to be used for general operations and is, therefore, reported in the General fund.

	General fund	Laura's Hope fund	Ralph Walker Research fund	2014	2013
Investment and interest income earned on:					
Endowment fund investments	\$ 79,168	\$ -	\$ -	\$ 79,168	\$ 52,899
Other investments	25,851	161	7,917	33,929	24,114
Total	\$ 105,019	\$ 161	\$ 7,917	\$ 113,097	\$ 77,013

10. Interfund transfers:

During the year, transfers were made from the General fund to the Capital assets fund in order to fund the cash outlays for acquisitions of capital assets.

HUNTINGTON SOCIETY OF CANADA

Notes to the Financial Statements
Year ended June 30, 2014

11. Financial instruments

Market risk

Market risk is the risk that a value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual instrument, its issuer, or all factors affecting all instruments traded in the market. To manage this risk, the Society has established a target mix by investment types designed to achieve optimal return with reasonable risk tolerance.

Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Society's cash flows, financial position, and operations. Interest rate changes have a direct impact on the market valuation of the Society's fixed income securities. To manage this risk, the Society has established a target mix by investment types designed to achieve optimal return with reasonable risk tolerances.

Credit risk

Credit risk is the risk that counterparties fail to perform as contracted. The Society is not exposed to a concentration of credit risk relating to receivables.

Currency risk

Currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Some of the Society's funds are invested in financial instruments and enter into transactions denominated in foreign currencies, which differ from the Society's measurement currency, the Canadian dollar. Consequently, the Society is exposed to risks that the exchange rate of the Canadian dollar will change in a manner that has an adverse affect on the value of the portion of the Society's assets and liabilities denominated in foreign currencies. The Society's overall currency positions and exposures are monitored by the Portfolio manager.