

Financial Statements of

**HUNTINGTON SOCIETY
OF CANADA**

Years ended June 30, 2013 and 2012



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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 statements of financial position as at June 30, 2013, June 30, 2012, and July 1, 2011, the statements of operations, changes in fund balances and cash flows for the years ended June 30, 2013 and 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 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, 2013, June 30, 2012 and July 1, 2011 and the results of its operations, changes in fund balances and its cash flows for the years ended June 30, 2013 and 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

September 19, 2013
Waterloo, Canada

HUNTINGTON SOCIETY OF CANADA

Statements of Financial Position

June 30, 2013, June 30, 2012 and July 1, 2011

	June 30, 2013	June 30, 2012	July 1, 2011
Assets			
Current assets			
Cash	\$ 274,225	\$ 148,842	\$ -
Investments (note 2)	2,490,204	2,551,859	3,319,373
Accounts receivable (note 3)	156,391	182,463	361,690
Prepaid expenses	45,171	56,658	45,047
	<u>2,965,991</u>	<u>2,939,822</u>	<u>3,726,110</u>
Capital assets (note 4)	38,316	28,762	37,656
	<u>\$ 3,004,307</u>	<u>\$ 2,968,584</u>	<u>\$ 3,763,766</u>

Liabilities and Fund Balances

Liabilities			
Bank indebtedness	\$ -	\$ -	\$ 425,242
Accounts payable and accrued liabilities (note 5)	239,847	130,523	109,357
Deferred revenue (note 6)	100,251	248,914	213,010
	<u>340,098</u>	<u>379,437</u>	<u>747,609</u>
Net assets			
General fund	709,286	731,073	762,388
Capital assets fund	38,316	28,762	37,656
Endowment fund	1,730,464	1,618,442	1,629,776
Laura's Hope fund	3,049	68,312	176,894
Ralph Walker Research fund	183,094	142,558	409,443
	<u>2,664,209</u>	<u>2,589,147</u>	<u>3,016,157</u>
Commitments (note 7)			
	<u>\$ 3,004,307</u>	<u>\$ 2,968,584</u>	<u>\$ 3,763,766</u>

See accompanying notes to the financial statements.

On behalf of the Board:

Director

Director

HUNTINGTON SOCIETY OF CANADA

Statements of Operations

Years ended June 30, 2013 and 2012

	General Fund	Capital Assets Fund	Endowment Fund	Laura's Hope Fund	Ralph Walker Research Fund	Total 2013	Total 2012
Revenue							
Donations	\$ 1,405,675	\$ -	\$ 13,535	\$ 17,842	\$ 199,997	\$ 1,637,049	\$ 1,319,915
Grants	63,376	-	-	-	100,250	163,626	375,510
Chapter and volunteer fundraising revenue (note 8)	1,813,951	-	2,800	-	22,274	1,839,025	1,608,097
Investment and interest income (note 9)	74,468	-	-	715	1,830	77,013	84,922
Realized gain on sale of investments	35,423	-	-	-	1,964	37,387	25,727
Unrealized gain (loss) on investments	29,601	-	95,687	-	12,391	137,679	(50,681)
Other income	42,006	-	-	-	-	42,006	10,500
	3,464,500	-	112,022	18,557	338,706	3,933,785	3,373,990
Expenses							
Research	378,648	-	-	83,820	298,170	760,638	820,485
Family services	1,191,255	-	-	-	-	1,191,255	1,078,131
Public awareness and education	391,828	-	-	-	-	391,828	262,599
Chapter and volunteer support	169,505	-	-	-	-	169,505	137,750
Development	375,832	-	-	-	-	375,832	479,369
Chapter and volunteer fundraising expenses (note 8)	472,254	-	-	-	-	472,254	547,259
Administration	479,664	-	-	-	-	479,664	459,091
Amortization	-	17,747	-	-	-	17,747	16,316
	3,458,986	17,747	-	83,820	298,170	3,858,723	3,801,000
Excess (deficiency) of revenue over expenses	\$ 5,514	\$ (17,747)	\$ 112,022	\$ (65,263)	\$ 40,536	\$ 75,062	\$ (427,010)

See accompanying notes to the financial statements.

HUNTINGTON SOCIETY OF CANADA

Statements of Changes in Fund Balances

Years ended June 30, 2013 and 2012

	General Fund	Capital Assets Fund	Endowment Fund	Laura's Hope Fund	Ralph Walker Research Fund	Total 2013	Total 2012
Fund balances, beginning of year	\$ 731,073	\$ 28,762	\$ 1,618,442	\$ 68,312	\$ 142,558	\$ 2,589,147	\$ 3,016,157
Excess (deficiency) of revenue over expenses	5,514	(17,747)	112,022	(65,263)	40,536	75,062	(427,010)
Interfund transfers (note 10)	(27,301)	27,301	-	-	-	-	-
Fund balances, end of year	\$ 709,286	\$ 38,316	\$ 1,730,464	\$ 3,049	\$ 183,094	\$ 2,664,209	\$ 2,589,147

See accompanying notes to the financial statements.

HUNTINGTON SOCIETY OF CANADA

Statements of Cash Flows

Years ended June 30, 2013 and 2012

	2013	2012
Cash provided by (used in):		
Operating activities		
Excess (deficiency) of revenue over expenses	\$ 75,062	\$ (427,010)
Non-cash items:		
Amortization	17,747	16,316
Realized gain on sale of investments	(37,387)	(25,727)
Unrealized (gain) loss on investments	(137,679)	50,681
Loss on disposal of capital assets	-	446
Change in non-cash operating assets and liabilities:		
Accounts receivable	26,072	179,227
Prepaid expenses	11,487	(11,611)
Accounts payable and accrued liabilities	109,324	21,166
Deferred revenue	(148,663)	35,904
	(84,037)	(160,608)
Investing activities		
Purchase of capital assets	(27,301)	(7,868)
Net sale of investments	236,721	742,560
	209,420	734,692
Increase in cash	125,383	574,084
Cash (bank indebtedness), beginning of year	148,842	(425,242)
Cash, end of year	\$ 274,225	\$ 148,842

See accompanying notes to the financial statements.

HUNTINGTON SOCIETY OF CANADA

Notes to the Financial Statements
Years ended June 30, 2013 and 2012

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 has 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 for which the Society has applied these new accounting standards for not-for-profit organizations.

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

A summary of transitional adjustments recorded to fund balances and excess (deficiency) of revenue over expenses is provided in note 12.

The Society is a registered charity under the Income Tax Act (Canada) and is, therefore, exempt from income taxes.

1. Significant accounting policies

Fund accounting

The financial statements include the operations of the National Office of the Society and its 12 Resource Centres, and are prepared on an accrual basis in accordance with the principles of fund accounting. Accordingly, all financial transactions have been recorded in the Society's five funds.

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.

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

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 and realized gains (losses) on the sale of investments in the Endowment fund are used to fund operational expenditures in the General Fund. Unrealized gains (losses) on Endowment fund investments are retained in the Endowment fund until realized through the sale of investments.

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.

HUNTINGTON SOCIETY OF CANADA

Notes to the Financial Statements
Years ended June 30, 2013 and 2012

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.

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.

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.

Financial instruments

Investments are recorded at fair value, as disclosed in note 2.

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.

HUNTINGTON SOCIETY OF CANADA

Notes to the Financial Statements
Years ended June 30, 2013 and 2012

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%

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.

Use of estimates

The preparation of these financial statements in accordance with the new accounting standards for not-for-profit organizations 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. 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
Years ended June 30, 2013 and 2012

2. 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:	June 30, 2013	June 30, 2012	July 1, 2011
Treasury bills and GIC's	\$ 562,522	\$ 882,841	\$ 914,453
Equities and mutual fund investments	1,927,682	1,669,018	2,404,920
Total	\$ 2,490,204	\$ 2,551,859	\$ 3,319,373

Fair value of investments by fund:	June 30, 2013	June 30, 2012	July 1, 2011
General fund	\$ 576,646	\$ 999,777	\$ 1,257,474
Endowment fund	1,730,464	1,310,439	1,807,614
Laura's Hope fund	-	59,408	73,685
Ralph Walker Research fund	183,094	182,235	180,600
Total	\$ 2,490,204	\$ 2,551,859	\$ 3,319,373

3. Accounts receivable

	June 30, 2013	June 30, 2012	July 1, 2011
Accounts receivable	\$ 116,791	\$ 146,413	\$ 279,416
GST/HST receivable	37,212	33,719	79,266
Accrued interest receivable	2,388	2,331	3,008
Total	\$ 156,391	\$ 182,463	\$ 361,690

HUNTINGTON SOCIETY OF CANADA

Notes to the Financial Statements
Years ended June 30, 2013 and 2012

4. Capital assets

June 30, 2013	Cost	Accumulated amortization	Net book value
Computer equipment and software	\$ 111,919	\$ 93,676	\$ 18,243
Office furniture and equipment	34,629	14,556	20,073
Total	\$ 146,548	\$ 108,232	\$ 38,316

June 30, 2012	Cost	Accumulated amortization	Net book value
Computer equipment and software	\$ 116,656	\$ 88,818	\$ 27,838
Office furniture and equipment	15,174	14,250	924
Total	\$ 131,830	\$ 103,068	\$ 28,762

July 1, 2011	Cost	Accumulated amortization	Net book value
Computer equipment and software	\$ 94,581	\$ 57,966	\$ 36,615
Office furniture and equipment	15,174	14,133	1,041
Total	\$ 109,755	\$ 72,099	\$ 37,656

Amortization for the year was \$17,747 (June 30, 2012 - \$16,315; July 1, 2011 - \$20,116).

5. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include government remittances payable of \$20,199 (June 30, 2012 - \$18,445; July 1, 2011 - \$16,912).

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.

	June 30, 2013	June 30, 2012	July 1, 2011
Balance, beginning of year	\$ 248,914	\$ 213,010	\$ 695,645
Contributions received	142,751	604,207	384,735
Contributions recognized as revenue	(291,414)	(568,303)	(867,370)
Balance, end of year	\$ 100,251	\$ 248,914	\$ 213,010

HUNTINGTON SOCIETY OF CANADA

Notes to the Financial Statements
Years ended June 30, 2013 and 2012

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
2014	\$ 75,443	\$ 190,000	\$ 265,443
2015	58,113	65,000	123,113
2016	40,051	-	40,051
2017	250	-	250
	\$ 173,857	\$ 255,000	\$ 428,857

8. Chapter and volunteer fundraising

Chapter and volunteer fundraising revenue and expenses are reported at gross on the Statements of Operations in these financial statements. In prior years, chapter and volunteer activities were shown net on the Statements of Operations.

Chapter and volunteer fundraising consists of the following:

	Events	Gaming	2013	2012
Revenue	\$ 1,364,060	\$ 474,965	\$ 1,839,025	\$ 1,608,097
Expenses	314,374	157,880	472,254	547,259
Net	\$ 1,049,686	\$ 317,085	\$ 1,366,771	\$ 1,060,838

Chapter and volunteer fundraising revenue and expenses include fair values for donated materials during the year totaling \$37,869 (2012 - \$31,443).

Gaming revenue includes the Ontario Nevada break-open ticket program. Revenue in the current year from Nevada is \$217,189 (2012 - \$241,337), with net revenue of \$71,276 (2012 - \$66,894).

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.

HUNTINGTON SOCIETY OF CANADA

Notes to the Financial Statements
Years ended June 30, 2013 and 2012

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	2013	2012
Investment and interest income earned on:					
Endowment fund investments	\$ 52,899	\$ -	\$ -	\$ 52,899	\$ 56,216
Other investments	21,569	715	1,830	24,114	28,706
Total	\$ 74,468	\$ 715	\$ 1,830	\$ 77,013	\$ 84,922

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.

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.

HUNTINGTON SOCIETY OF CANADA

Notes to the Financial Statements
Years ended June 30, 2013 and 2012

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.

12. Transitional adjustments

Fund balances

There is no impact on opening fund balances as of July 1, 2011, as a result of the transition to Canadian accounting standards for not-for-profit organizations.

Deficiency of revenue over expenses

The change in accounting standards does impact the reporting of deficiency of revenue over expenses, since the new standards require that unrealized gains and losses on investments, resulting from a change in fair value of investments, be reported directly on the Statement of Operations. Previously, unrealized gains and losses on investments were reported on the Statement of Changes in Fund Balances. Since investments continue to be recorded at fair value, there is no impact on investments or total net assets.

As a result of the retrospective application of these standards, the Society recorded the following transitional adjustment to deficiency of revenue over expenses for the year ended June 30, 2012:

Deficiency of revenue over expenses:

As previously reported under Canadian generally accepted accounting principles for the year ended June 30, 2012	\$ (376,329)
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Unrealized loss on investments	(50,681)
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As restated under new Canadian accounting standards for not-for-profit organizations for the year ended June 30, 2012	\$ (427,010)
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HUNTINGTON SOCIETY OF CANADA

Notes to the Financial Statements
Years ended June 30, 2013 and 2012

13. Subsequent event

Subsequent to the year-end, the Society terminated an employee which has resulted in a legal claim against the Society. In the opinion of management, any amount arising from the settlement of the claim will not have a material adverse effect on the financial position of the Society. Any amount, at this time undeterminable, arising from the resolution of this claim will be charged to operations in the period in which the claim is settled.

14. Comparative figures

Certain comparative figures for 2012 and 2011 have been reclassified to conform with the financial statement presentation adopted for the current year.