

Financial Statements of

**HUNTINGTON SOCIETY
OF CANADA**

Year ended June 30, 2016



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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, 2016, the statements of operations, changes in fund balances and cash flows for the year then ended, 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.



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

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, 2016, and the results of its operations and its cash flows for the year ended June 30, 2016 in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada

HUNTINGTON SOCIETY OF CANADA

Statement of Financial Position

June 30, 2016 with comparative information for 2015

	2016	2015
Assets		
Current assets		
Cash	\$ 1,367,435	\$ 916,854
Investments (note 2)	3,201,922	2,229,649
Accounts receivable (note 3)	173,835	290,076
Prepaid expenses	71,054	44,063
	4,814,246	3,480,642
Capital assets (note 4)	35,771	50,117
	\$ 4,850,017	\$ 3,530,759
Liabilities and Fund Balances		
Liabilities		
Accounts payable and accrued liabilities (note 5)	\$ 76,301	\$ 60,226
Deferred revenue (note 6)	1,329,435	82,617
	1,405,736	142,843
Net assets		
General fund	661,978	664,162
Capital assets fund	35,771	50,117
Endowment fund	1,884,494	1,914,534
Laura's Hope fund	17,316	12,273
Ralph Walker Research fund	844,722	746,830
	3,444,281	3,387,916
Commitments (note 7)		
	\$ 4,850,017	\$ 3,530,759

See accompanying notes to the financial statements.

On behalf of the Board:

HUNTINGTON SOCIETY OF CANADA

Statement of Operations

Year ended June 30, 2016 with comparative information for 2015

	General Fund	Capital Assets Fund	Endowment Fund	Laura's Hope Fund	Ralph Walker Research Fund	Total 2016	Total 2015
Revenue							
Donations	\$ 1,577,307	\$ -	\$ 15,580	\$ 5,000	\$ 536,546	\$ 2,134,433	\$ 1,976,789
Grants	149,340	-	-	-	336,127	485,467	423,156
Chapter and volunteer fundraising revenue (note 8)	1,557,860	-	400	-	15,054	1,573,314	1,605,278
Investment and interest income (note 9)	130,796	-	-	43	9,848	140,687	138,866
Realized (loss) gain on sale of investments	(20,492)	-	-	-	(81)	(20,573)	29,417
Unrealized (loss) gain on investments	(24,607)	-	(46,020)	-	(4,602)	(75,229)	38,151
Other income	15,943	-	-	-	-	15,943	52,059
	3,386,147	-	(30,040)	5,043	892,892	4,254,042	4,263,716
Expenses							
Research	388,825	-	-	-	795,000	1,183,825	995,651
Family services	1,309,237	-	-	-	-	1,309,237	1,227,917
Public awareness and education	333,544	-	-	-	-	333,544	380,995
Chapter and volunteer support	159,512	-	-	-	-	159,512	166,375
Development	397,032	-	-	-	-	397,032	382,183
Chapter and volunteer fundraising expenses (note 8)	361,776	-	-	-	-	361,776	280,625
Administration	432,148	-	-	-	-	432,148	445,705
Amortization	-	20,603	-	-	-	20,603	18,750
	3,382,074	20,603	-	-	795,000	4,197,677	3,898,201
Excess (deficiency) of revenue over expenses	\$ 4,073	\$ (20,603)	\$ (30,040)	\$ 5,043	\$ 97,892	\$ 56,365	\$ 365,515

See accompanying notes to the financial statements.

HUNTINGTON SOCIETY OF CANADA

Statement of Changes in Fund Balances

Year ended June 30, 2016 with comparative information for 2015

	General Fund	Capital Assets Fund	Endowment Fund	Laura's Hope Fund	Ralph Walker Research Fund	Total 2016	Total 2015
Fund balances, beginning of year	\$ 664,162	\$ 50,117	\$ 1,914,534	\$ 12,273	\$ 746,830	\$ 3,387,916	\$ 3,022,401
Excess (deficiency) of revenue over expenses	4,073	(20,603)	(30,040)	5,043	97,892	56,365	365,515
Interfund transfers (note 10)	(6,257)	6,257	-	-	-	-	-
Fund balances, end of year	\$ 661,978	\$ 35,771	\$ 1,884,494	\$ 17,316	\$ 844,722	\$ 3,444,281	\$ 3,387,916

See accompanying notes to the financial statements

HUNTINGTON SOCIETY OF CANADA

Statement of Cash Flows

Year ended June 30, 2016 with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities		
Excess of revenue over expenses	\$ 56,365	\$ 365,515
Non-cash items:		
Realized (gain) / loss on sale of investments	20,573	(29,417)
Unrealized (gain) / loss on investments	75,229	(38,151)
Amortization	20,603	18,750
Change in non-cash operating assets and liabilities:		
Accounts receivable	116,241	(148,601)
Prepaid expenses	(26,991)	6,745
Accounts payable and accrued liabilities	16,075	(16,544)
Deferred revenue	1,246,818	9,497
	<u>1,524,913</u>	<u>167,794</u>
Investing activities		
Purchase of capital assets	(6,257)	(24,043)
Purchase of investments, net	(1,068,075)	155,506
	<u>(1,074,332)</u>	<u>131,463</u>
Increase in cash	450,581	299,257
Cash, beginning of year	916,854	617,597
Cash, end of year	<u>\$ 1,367,435</u>	<u>\$ 916,854</u>

See accompanying notes to the financial statements.

HUNTINGTON SOCIETY OF CANADA

Notes to the Financial Statements
Year ended June 30, 2016

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 (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 Resource Centres across Canada, 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 on the Endowment fund is used to fund operational expenditures.

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.

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.

HUNTINGTON SOCIETY OF CANADA

Notes to the Financial Statements
Year ended June 30, 2016

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.

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.

HUNTINGTON SOCIETY OF CANADA

Notes to the Financial Statements
Year ended June 30, 2016

Use of estimates

The preparation of these financial statements in accordance with the 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.

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:	2016	2015
Equities and mutual fund investments	\$ 2,431,123	\$ 2,110,049
GIC's	770,799	119,600
Total	\$ 3,201,922	\$ 2,229,649

Fair value of investments by fund:	2016	2015
General fund	\$ 467,663	\$ 98,284
Endowment fund	1,884,494	1,914,534
Laura's Hope fund	5,043	-
Ralph Walker Research fund	844,722	216,831
Total	\$ 3,201,922	\$ 2,229,649

3. Accounts receivable

	2016	2015
Accounts receivable	\$ 135,451	\$ 263,126
GST/HST receivable	32,098	25,592
Accrued interest receivable	6,286	1,358
Total	\$ 173,835	\$ 290,076

HUNTINGTON SOCIETY OF CANADA

Notes to the Financial Statements
Year ended June 30, 2016

4. Capital assets

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment and software	\$ 161,705	\$ 144,331	\$ 17,374	\$ 30,762
Office furniture and equipment	40,119	21,722	18,397	19,355
Total	\$ 201,824	\$ 166,053	\$ 35,771	\$ 50,117

Amortization for the year was \$20,603 (2015 - \$18,750). Loss on disposal of capital assets for the year was nil (2015 - \$nil).

5. Accounts payable and accrued liabilities

Government remittances payable included in accounts payable and accrued liabilities was nil (2015 - \$nil).

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.

	2016	2015
Balance, beginning of year	\$ 82,617	\$ 73,120
Contributions received	1,371,935	125,117
Contributions recognized as revenue	(125,117)	(115,620)
Balance, end of year	\$ 1,329,435	\$ 82,617

During the year the Society received a \$1 million donation restricted for a joint funding initiative with Brain Canada. The contributions will be transferred to Brain Canada prior to December 31, 2018, at which time Brain Canada will contribute an equal amount and will administer the funds on behalf of the two parties.

HUNTINGTON SOCIETY OF CANADA

Notes to the Financial Statements
Year ended June 30, 2016

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
2017	\$ 66,936	\$ 703,333	\$ 770,269
2018	61,665	408,334	469,999
2019	38,592	-	38,592
2020	7,893		7,893
2021	7,893		7,893
Thereafter	3,289		3,289
	\$ 186,268	\$ 1,111,667	\$ 1,297,935

8. Chapter and volunteer fundraising

Chapter and volunteer fundraising consists of the following:

	Events	Gaming	2016	2015
Revenue	\$ 1,314,624	\$ 258,690	\$ 1,573,314	\$ 1,605,278
Expenses	356,235	5,541	361,776	280,625
Net	\$ 958,389	\$ 253,149	\$ 1,211,538	\$ 1,324,653

Chapter and volunteer fundraising revenue and expenses include fair values for donated materials during the year totaling \$34,926 (2015 - \$36,681).

HUNTINGTON SOCIETY OF CANADA

Notes to the Financial Statements
Year ended June 30, 2016

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	2016	2015
Investment and interest income earned on:					
Endowment fund investments	\$ 91,557	\$ -	\$ -	\$ 91,557	\$ 97,206
Other investments	39,239	43	9,848	49,130	41,660
Total	\$ 130,796	\$ 43	\$ 9,848	\$ 140,687	\$ 138,866

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

Year ended June 30, 2016

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 effect 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. Comparative figures

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