

Financial Statements of

**HUNTINGTON SOCIETY
OF CANADA**

Year ended June 30, 2017



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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, 2017, 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, 2017, and the results of its operations and its cash flows for the year ended June 30, 2017 in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

October 21, 2017
Waterloo, Canada

HUNTINGTON SOCIETY OF CANADA

Statement of Financial Position

June 30, 2017 with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash	\$ 1,562,952	\$ 1,367,435
Investments (note 2)	2,875,733	3,201,922
Accounts receivable (note 3)	48,803	173,835
Prepaid expenses	79,255	71,054
	<u>4,566,743</u>	<u>4,814,246</u>
Capital assets (note 4)	27,451	35,771
	<u>\$ 4,594,194</u>	<u>\$ 4,850,017</u>

Liabilities and Fund Balances

Liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 147,333	\$ 76,301
Deferred revenue (note 6)	769,518	1,329,435
	<u>916,851</u>	<u>1,405,736</u>
Net assets:		
General Fund	834,635	661,978
Invested in Capital Assets	27,451	35,771
Endowment Fund	1,876,190	1,884,494
Laura's Hope Fund	17,316	17,316
Ralph Walker Research Fund	921,751	844,722
	<u>3,677,343</u>	<u>3,444,281</u>
Commitments (note 7)		
	<u>\$ 4,594,194</u>	<u>\$ 4,850,017</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

HUNTINGTON SOCIETY OF CANADA

Statement of Operations

Year ended June 30, 2017, with comparative information for 2016

	General Fund	Capital Assets Fund	Endowment Fund	Laura's Hope Fund	Ralph Walker Research Fund	Total 2017	Total 2016
Revenue:							
Donations	\$ 1,579,689	\$ -	\$ 15,670	\$ -	\$ 746,262	\$ 2,341,621	\$ 2,134,433
Grants	270,080	-	-	-	205,601	475,681	485,467
Chapter and volunteer fundraising revenue (note 8)	1,264,103	-	-	-	6,364	1,270,467	1,573,314
Investment and interest income (note 9)	71,662	-	-	-	33,724	105,386	140,687
Realized gain (loss) on sale of investments	5,211	-	-	-	2,452	7,663	(20,573)
Unrealized gain (loss) on investments	2,866	-	62,101	-	30,573	95,540	(75,229)
Other income	79,042	-	-	-	-	79,042	15,943
	3,272,653	-	77,771	-	1,024,976	4,375,400	4,254,042
Expenses:							
Research	63,639	-	-	-	947,947	1,011,586	1,183,825
Family services	1,371,664	-	-	-	-	1,371,664	1,309,237
Public awareness and education	451,864	-	-	-	-	451,864	333,544
Chapter and volunteer support	169,994	-	-	-	-	169,994	159,512
Development	384,074	-	-	-	-	384,074	397,032
Chapter and volunteer fundraising expenses (note 8)	292,715	-	-	-	-	292,715	361,776
Administration	443,381	-	-	-	-	443,381	432,148
Amortization	-	17,060	-	-	-	17,060	20,603
	3,177,331	17,060	-	-	947,947	4,142,338	4,197,677
Excess of revenue over expenses (expenses over revenue)	\$ 95,322	\$ (17,060)	\$ 77,771	\$ -	\$ 77,029	\$ 233,062	\$ 56,365

See accompanying notes to financial statements.

HUNTINGTON SOCIETY OF CANADA

Statement of Changes in Fund Balances

Year ended June 30, 2017, with comparative information for 2016

	General Fund	Capital Assets Fund	Endowment Fund	Laura's Hope Fund	Ralph Walker Research Fund	Total 2017	Total 2016
Fund balances, beginning of year	\$ 661,978	\$ 35,771	\$ 1,884,494	\$ 17,316	\$ 844,722	\$ 3,444,281	\$ 3,387,916
Excess (deficiency) of revenue over expenses	95,322	(17,060)	77,771	-	77,029	233,062	56,365
Interfund transfers (note 10)	77,335	8,740	(86,075)	-	-	-	-
Fund balances, end of year	\$ 834,635	\$ 27,451	\$ 1,876,190	\$ 17,316	\$ 921,751	\$ 3,677,343	\$ 3,444,281

See accompanying notes to financial statements.

HUNTINGTON SOCIETY OF CANADA

Statement of Cash Flows

Year ended June 30, 2017, with comparative information for 2016

	2017	2016
Cash provided by (applied to):		
Operations:		
Excess of revenue over expenses	\$ 233,062	\$ 56,365
Items not involving cash:		
Realized (gain)/loss on sale of investments	(7,663)	20,573
Unrealized (gain)/loss on investments	(95,540)	75,229
Amortization	17,060	20,603
Changes in non-cash operating assets and liabilities:		
Accounts receivable	125,032	116,241
Prepaid expenses	(8,201)	(26,991)
Accounts payable and accrued liabilities	71,032	16,075
Deferred revenue	(559,917)	1,246,818
	(225,135)	1,524,913
Investments:		
Purchase of capital assets	(8,740)	(6,257)
Redemption of investments, net	429,392	(1,068,075)
	420,652	(1,074,332)
Increase in cash	195,517	450,581
Cash, beginning of year	1,367,435	916,854
Cash, end of year	\$ 1,562,952	\$ 1,367,435

See accompanying notes to financial statements.

HUNTINGTON SOCIETY OF CANADA

Notes to Financial Statements

Year ended June 30, 2017

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:

(a) 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.

HUNTINGTON SOCIETY OF CANADA

Notes to Financial Statements, continued

Year ended June 30, 2017

1. Significant accounting policies (continued):

(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.

(d) 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 Financial Statements, continued

Year ended June 30, 2017

1. Significant accounting policies (continued):

(e) 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%

(f) 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 (or 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.

(g) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 date of financial statements and the reported amounts of 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, equipment and leasehold improvements and accrued liabilities.

HUNTINGTON SOCIETY OF CANADA

Notes to Financial Statements, continued

Year ended June 30, 2017

2. Investments:

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

Investments by type	2017	2016
Equity and mutual fund investments	\$ 2,399,752	\$ 2,431,123
Treasury bills and GIC's	475,981	770,799
Total	\$ 2,875,733	\$ 3,201,922

Investments by fund	2017	2016
General Fund	\$ 72,749	\$ 467,663
Endowment Fund	1,876,190	1,884,494
Laura's Hope Fund	5,043	5,043
Ralph Walker Research Fund	921,751	844,722
Total	\$ 2,875,733	\$ 3,201,922

3. Accounts receivable:

	2017	2016
Accounts receivable	\$ 15,700	\$ 135,451
GST/HST receivable	29,832	32,098
Accrued interest receivable	3,271	6,286
Total	\$ 48,803	\$ 173,835

HUNTINGTON SOCIETY OF CANADA

Notes to Financial Statements, continued

Year ended June 30, 2017

4. Capital assets:

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment and software	\$ 170,445	\$ 159,183	\$ 11,262	\$ 17,374
Office furniture and equipment	40,119	23,930	16,189	18,397
Total	\$ 210,564	\$ 183,113	\$ 27,451	\$ 35,771

Amortization for the year was \$17,060 (2016 - \$20,603).

5. Accounts payable and accrued liabilities:

Government remittances payable included in accounts payable and accrued liabilities was \$nil (2016 - \$nil).

6. Deferred revenue:

	2017	2016
Balance, beginning of year	\$ 1,329,435	\$ 82,617
Add: contributions received	82,368	1,371,935
Less: contributions recognized as revenue	(642,285)	(125,117)
Balance, end of year	\$ 769,518	\$ 1,329,435

During fiscal 2016, the Society received a \$1 million donation restricted for a joint funding initiative with Brain Canada. In Fiscal 2017, \$322,850 of that restricted donation was transferred to Brain Canada to fund approved research. The remaining contributions of \$687,150 at June 30, 2017 will be transferred to Brain Canada no later than March 31, 2020 upon 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 Financial Statements, continued

Year ended June 30, 2017

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
2018	\$ 66,607	\$ 533,483	\$ 600,090
2019	44,500	356,033	400,533
2020	13,882	-	13,882
2021	7,892	-	7,892
2022	3,289	-	3,289
	<u>\$ 136,170</u>	<u>\$ 889,516</u>	<u>\$ 1,025,686</u>

8. Chapter and volunteer fundraising activities:

Chapter and volunteer fundraising consists of the following:

	Events	Gaming	2017	2016
Revenues	\$ 1,148,307	\$ 122,160	\$ 1,270,467	\$ 1,573,314
Expenses	282,030	10,685	292,715	361,776
Total	<u>\$ 866,277</u>	<u>\$ 111,475</u>	<u>\$ 977,752</u>	<u>\$ 1,211,538</u>

Chapter volunteer fundraising revenue and expenses include fair values for donated materials during the year totalling \$7,527 (2016 - \$34,926).

HUNTINGTON SOCIETY OF CANADA

Notes to Financial Statements, continued

Year ended June 30, 2017

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	2017	2016
Investment and interest earned on:					
Endowment Fund investments	\$ 68,500	\$ -	\$ -	\$ 68,500	\$ 91,557
Other investments	3,162	-	33,724	36,886	49,130
Total	\$ 71,662	\$ -	\$ 33,724	\$ 105,386	\$ 140,687

10. Interfund transfers:

During the year, transfers were made from the Endowment Fund to the General Fund, after receiving authorization by the original donors, to assist with the funding of ongoing operational costs. Transfers were also made during the year from the General Fund and the Capital Fund in order to fund the cash outlays for acquisitions of capital assets.

11. Financial instruments:

(i) 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.

(ii) 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.

HUNTINGTON SOCIETY OF CANADA

Notes to Financial Statements, continued

Year ended June 30, 2017

11. Financial instruments (continued):

(iii) 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.

(iv) 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 managed by the Society's investment portfolio manager and monitored by the Society's Investment Committee on a quarterly basis.

