

Financial Statements of

**HUNTINGTON SOCIETY  
OF CANADA**

And Independent Auditors' Report thereon

For the nine month period ended March 31, 2019



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## INDEPENDENT AUDITORS' REPORT

To the Members of the Huntington Society of Canada

### ***Qualified Opinion***

We have audited the financial statements of Huntington Society of Canada (the Entity), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations for the nine month period ended March 31, 2019
- the statement of changes in fund balances for the nine month period ended March 31, 2019
- the statement of cash flows for the nine month period ended March 31, 2019
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the "**Basis for Qualified Opinion**" section of our auditors' report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, and its results of operations and its cash flows for the nine month period then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### ***Basis for Qualified Opinion***

In common with many not-for-profit organizations, the Entity derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Entity.



Page 2

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statements of financial position as at end of March 31, 2019 and June 30, 2018
- the fundraising revenue and excess of revenue over expenses reported in the statements of operations for the nine month period ended March 31, 2019 and the year ended June 30, 2018
- the fund balances, at the beginning and end of the period, reported in the statement of changes in fund balances for the nine month period ended March 31, 2019 and the year ended June 30, 2018
- the excess of revenue over expenses reported in the statements of cash flows for the nine month period ended March 31, 2019 and the year ended June 30, 2018

Our opinion on the financial statements for the year ended June 30, 2018 was qualified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### ***Other Information***

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in the annual report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the annual report as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.



### ***Responsibilities of Management and Those Charged With Governance 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



Page 4

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada  
September 21, 2019

# HUNTINGTON SOCIETY OF CANADA

## Statement of Financial Position

March 31, 2019, with comparative information at June 30, 2018

	2019	2018
<b>Assets</b>		
Current assets:		
Cash	\$ 1,007,463	\$ 1,287,995
Investments (note 2)	3,037,917	3,084,049
Accounts receivable (note 3)	30,111	49,360
Prepaid expenses	96,150	106,536
	<u>4,171,641</u>	<u>4,527,940</u>
Capital assets (note 4)	19,600	17,509
	<u>\$ 4,191,241</u>	<u>\$ 4,545,449</u>

## Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 80,163	\$ 70,431
Deferred revenue (note 6)	489,841	448,298
	<u>570,004</u>	<u>518,729</u>
Fund Balances:		
General Fund	582,573	1,103,053
Capital Assets Fund	19,600	17,509
Endowment Fund	1,887,916	1,885,521
Laura's Hope Fund	17,847	17,316
Ralph Walker Research Fund	1,113,301	1,003,321
	<u>3,621,237</u>	<u>4,026,720</u>
Commitments (note 7)		
Subsequent event (note 7)		
	<u>\$ 4,191,241</u>	<u>\$ 4,545,449</u>

See accompanying notes to financial statements.

On behalf of the Board:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

# HUNTINGTON SOCIETY OF CANADA

## Statement of Operations

Nine month period ended March 31, 2019, with comparative information for the year ended June 30, 2018

	General Fund	Capital Assets Fund	Endowment Fund	Laura's Hope Fund	Ralph Walker Research Fund	Total Nine month period ended March 31, 2019	Total Year ended June 30, 2018
<b>Revenue:</b>							
Donations	\$ 901,717	\$ -	\$ -	\$ -	\$ 72,771	\$ 974,488	\$ 2,176,173
Grants	170,461	-	-	-	366,156	536,617	530,815
Chapter and volunteer fundraising revenue (note 8)	753,024	-	-	-	140	753,164	1,436,724
Investment income (note 9)	56,580	-	-	531	35,965	93,076	102,877
Change in fair value of investments	(139)	-	2,395	-	1,104	3,360	22,353
Other income	91,499	-	-	-	-	91,499	17,365
	1,973,142	-	2,395	531	476,136	2,452,204	4,286,307
<b>Expenses:</b>							
Research	72,771	-	-	-	366,156	438,927	1,073,019
Family services	991,916	-	-	-	-	991,916	1,290,806
Public awareness and education	350,421	-	-	-	-	350,421	314,930
Chapter and volunteer support	122,843	-	-	-	-	122,843	138,553
Development	291,112	-	-	-	-	291,112	386,731
Chapter and volunteer fundraising expenses (note 8)	245,044	-	-	-	-	245,044	241,428
Administration	412,418	-	-	-	-	412,418	481,521
Amortization	-	5,006	-	-	-	5,006	9,942
	2,486,525	5,006	-	-	366,156	2,857,687	3,936,930
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ (513,383)</b>	<b>\$ (5,006)</b>	<b>\$ 2,395</b>	<b>\$ 531</b>	<b>\$ 109,980</b>	<b>\$ (405,483)</b>	<b>\$ 349,377</b>

See accompanying notes to financial statements.

# HUNTINGTON SOCIETY OF CANADA

## Statement of Changes in Fund Balances

Nine month period ended March 31, 2019, with comparative information for the year ended June 30, 2018

	General Fund	Capital Assets Fund	Endowment Fund	Laura's Hope Fund	Ralph Walker Research Fund	Nine month period ended March 31, 2019	Year ended June 30, 2018
Fund balances, beginning of period	\$ 1,103,053	\$ 17,509	\$ 1,885,521	\$ 17,316	\$ 1,003,321	\$ 4,026,720	\$ 3,677,343
Excess (deficiency) of revenue over expenses	(513,383)	(5,006)	2,395	531	109,980	(405,483)	349,377
Interfund transfers (note 10)	(7,097)	7,097	-	-	-	-	-
Fund balances, end of period	\$ 582,573	\$ 19,600	\$ 1,887,916	\$ 17,847	\$ 1,113,301	\$ 3,621,237	\$ 4,026,720

See accompanying notes to financial statements.

# HUNTINGTON SOCIETY OF CANADA

## Statement of Cash Flows

Nine month period ended March 31, 2019, with comparative information for the year ended June 30, 2018

	Nine month Period ended March 31, 2019	Year ended June 30, 2018
Cash provided by (applied to):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ (405,483)	\$ 349,377
Items not involving cash:		
Change in fair value of investments	(3,360)	(22,353)
Amortization	5,006	9,942
Changes in non-cash operating assets and liabilities:		
Accounts receivable	19,249	(557)
Prepaid expenses	10,386	(27,281)
Accounts payable and accrued liabilities	9,732	(76,902)
Deferred revenue	41,543	(321,220)
	<u>(322,927)</u>	<u>(88,994)</u>
Investments:		
Purchase of capital assets	(7,097)	-
Sale (purchase) of investments, net	49,492	(185,963)
	<u>42,395</u>	<u>(185,963)</u>
Decrease in cash	(280,532)	(274,957)
Cash, beginning of period	1,287,995	1,562,952
Cash, end of period	<u>\$ 1,007,463</u>	<u>\$ 1,287,995</u>

See accompanying notes to financial statements.

# HUNTINGTON SOCIETY OF CANADA

## Notes to Financial Statements

Nine month period ended March 31, 2019

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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.

During the year, the Board of Directors approved a change of year end to March 31 and was granted permission by the Canada Revenue Agency.

### **1. Significant accounting policies:**

The financial statements have been prepared by management in accordance with the Chartered Professional Accountants of Canada Handbook Part III - Canadian 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 Resource Centres across Canada, and are prepared using the restricted fund method for contributions.

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 undesignedated donations are recorded in this fund.

The Capital Assets Fund is an internally restricted fund used for the acquisition, amortization, and disposal of capital assets, as well as financing costs.

The Endowment Fund is an internally and externally restricted fund. Donations received which the donor has designated specifically for endowment purposes (externally restricted) represents less than 10% of the Fund. The remainder of the Fund is internally restricted by the Board of Directors. 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 Financial Statements, continued

Nine month period ended March 31, 2019

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## 1. Significant accounting policies (continued):

### (a) Fund accounting (continued):

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 an internally restricted fund established in 1983 to commemorate the 10<sup>th</sup> 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.

Chapter and volunteer fundraising revenue is recognized as revenue when received or receivable and when the fundraising event takes place.

### (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:

Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at cost or amortized cost. Equity instruments that are quoted in an active market are subsequently measured at fair value.

# HUNTINGTON SOCIETY OF CANADA

Notes to Financial Statements, continued

Nine month period ended March 31, 2019

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## 1. Significant accounting policies (continued):

### (d) Financial instruments (continued):

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.

### (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 (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.

### (g) Use of estimates:

The preparation of these financial statements require 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 Financial Statements, continued

Nine month period ended March 31, 2019

## 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	March 31, 2019	June 30, 2018
Global Balanced Fund	\$ 2,636,174	\$ 2,603,303
Treasury bills and GIC's	401,743	480,746
<b>Total</b>	<b>\$ 3,037,917</b>	<b>\$ 3,084,049</b>

Investments by fund	March 31, 2019	June 30, 2018
General Fund	\$ 18,853	\$ 177,891
Endowment Fund	1,887,916	1,885,521
Laura's Hope Fund	17,847	17,316
Ralph Walker Research Fund	1,113,301	1,003,321
<b>Total</b>	<b>\$ 3,037,917</b>	<b>\$ 3,084,049</b>

Guaranteed investment certificates ("GIC") held during the year yield interest between the range of 0.85% to 1.50% (2018 - 0.80% to 1.60%), and have maturity dates from August 2019 to November 2019.

## 3. Accounts receivable:

	March 31, 2019	June 30, 2018
Accounts receivable	\$ 16,038	\$ 14,201
GST/HST receivable	12,049	31,762
Accrued interest receivable	2,024	3,397
Allowance of doubtful accounts	-	-
<b>Total</b>	<b>\$ 30,111</b>	<b>\$ 49,360</b>

# HUNTINGTON SOCIETY OF CANADA

Notes to Financial Statements, continued

Nine month period ended March 31, 2019

## 4. Capital assets:

			March 31, 2019	June 30, 2018
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment and software	\$ 177,542	\$ 170,901	\$ 6,641	\$ 3,262
Office furniture and equipment	40,119	27,160	12,959	14,247
Total	\$ 217,661	\$ 198,061	\$ 19,600	\$ 17,509

Amortization for the period was \$5,006 (June 30, 2018 - \$9,942).

## 5. Accounts payable and accrued liabilities:

Government remittances payable included in accounts payable and accrued liabilities was \$nil (June 30, 2018 - \$nil).

## 6. Deferred revenue:

	March 31, 2019	June 30, 2018
Balance, beginning of period	\$ 448,298	\$ 769,518
Add: contributions received	270,567	70,048
Less: contributions recognized as revenue	(62,774)	(90,368)
Less: transfer to Brain Canada	(166,250)	(300,900)
Balance, end of period	\$ 489,841	\$ 448,298

In 2016, the Society received a \$1 million donation restricted for a joint funding initiative with Brain Canada. Included in deferred revenue as at March 31, 2019 is \$212,000 (\$378,250 at June 30, 2018) that will be transferred to Brain Canada no later than March 31, 2020, at which time Brain Canada will contribute an equal amount and will administer the funding on behalf of the two parties.

# HUNTINGTON SOCIETY OF CANADA

Notes to Financial Statements, continued

Nine month period ended March 31, 2019

## 7. Commitments and subsequent event:

Subsequent to year end on June 11, 2019, the Society entered into a lease commitment for its National Office commencing October 1, 2019 until January 31, 2025. The following operating lease payments reflect the current and new operating leases for its National Office and Resource Centres and equipment, as well as for research grants:

	Lease Agreements	Research Grants	Total
2020	\$ 103,400	\$ 612,750	\$ 716,150
2021	176,387	193,163	369,550
2022	135,590	-	135,590
2023	129,990	-	129,990
2024	129,990	-	129,990
Total	\$ 675,357	\$ 805,913	\$ 1,481,270

## 8. Chapter and volunteer fundraising activities:

Chapter and volunteer fundraising consists of the following:

	Events	Gaming	March 31, 2019	June 30, 2018
Revenue	\$ 663,360	\$ 89,804	\$ 753,164	\$ 1,436,724
Expenses	235,461	9,583	245,044	241,428
Excess of revenue over expenses	\$ 427,899	\$ 80,221	\$ 508,120	\$ 1,195,296

Chapter and volunteer fundraising revenue and expenses include fair values for donated materials during the period totaling \$25,479 (June 30, 2018 - \$6,059).

# HUNTINGTON SOCIETY OF CANADA

Notes to Financial Statements, continued

Nine month period ended March 31, 2019

## 9. Investment income:

The original amount in the Endowment fund was established by a grant from the 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	Nine month period ended March 31, 2019	Year ended June 30, 2018
Investment income earned on:					
Endowment Fund investments	\$ 53,051	\$ 531	\$ 35,965	\$ 89,547	\$ 94,721
Other investments	3,529	-	-	3,529	8,156
<b>Total</b>	<b>\$ 56,580</b>	<b>\$ 531</b>	<b>\$ 35,965</b>	<b>\$ 93,076</b>	<b>\$ 102,877</b>

## 10. Interfund transfers:

During the year, a transfer was 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:

### (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

Nine month period ended March 31, 2019

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## 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 monitored by the Portfolio manager.

### (v) Liquidity risk:

Liquidity risk is the risk that the society will encounter difficulty in meeting obligations associated with financial liabilities. The Society believes that it is not exposed to significant liquidity risk as they have investments that are held in term deposits and guaranteed investment certificates that are highly liquid and can be disposed of to settle commitments.

## 12. Change in comparative information:

Certain comparative information have been reclassified to conform to the financial statement presentation adopted for the current year. The changes do not affect prior year excess revenue over expenses.