

Financial Statements of

**HUNTINGTON SOCIETY
OF CANADA**

Year ended June 30, 2011



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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, 2011, 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 generally accepted accounting principles, 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.



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, 2011, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

September 26, 2011
Waterloo, Canada

HUNTINGTON SOCIETY OF CANADA

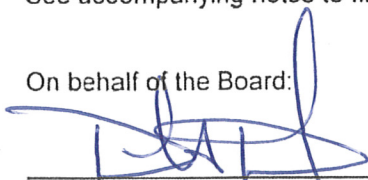
Statement of Financial Position

June 30, 2011 with comparative figures for 2010

	2011	2010
Assets		
Current assets:		
Cash	\$ -	\$ 345,090
Investments (note 2)	3,319,373	3,380,513
Accounts receivable	358,682	194,904
Inventory	-	4,898
Accrued interest receivable	3,008	26
Prepaid expenses	45,047	58,269
	<u>3,726,110</u>	<u>3,983,700</u>
Equipment (note 3)	37,656	27,012
	<u>\$ 3,763,766</u>	<u>\$ 4,010,712</u>
Liabilities and Fund Balances		
Liabilities:		
Bank indebtedness	\$ 425,242	\$ -
Accounts payable and accrued liabilities	109,357	417,600
Deferred contributions (note 4)	213,010	695,645
	<u>747,609</u>	<u>1,113,245</u>
Net assets:		
General Fund	762,388	713,807
Invested in Capital Assets	37,656	27,012
Endowment Fund	1,629,776	1,476,720
Ralph Walker Research Fund	409,443	508,762
Laura's Hope Fund	176,894	171,166
	<u>3,016,157</u>	<u>2,897,467</u>
Commitments (note 5)		
	<u>\$ 3,763,766</u>	<u>\$ 4,010,712</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, 2011, with comparative figures for 2010

	General Fund	Capital Fund	Endowment Fund	Ralph Walker Research Fund	Laura's Hope Fund	Total 2011	Total 2010
Revenue:							
Donations:							
Individuals	\$ 932,114	\$ -	\$ 9,450	\$ 130,682	\$ 5,760	\$ 1,078,006	\$ 958,776
Corporate	191,590	-	1,000	23,000	-	215,590	181,098
Groups	6,356	-	-	-	-	6,356	25,580
Bequests	27,000	-	-	-	-	27,000	48,236
Honour/Memorial	91,576	-	340	2,908	10	94,834	97,474
Government grants	19,522	-	-	-	-	19,522	46,828
Foundation grants	330,043	-	-	199,739	-	529,782	1,037,958
Chapter and volunteer fundraising activities (note 6)	1,088,407	-	5,000	20,590	-	1,113,997	902,970
Investment and interest income (note 7)	60,304	-	-	4,592	-	66,306	69,070
Gain (loss) on sale of investments	28,154	-	-	-	1,410	28,154	(25,431)
	2,775,066	-	15,790	381,511	7,180	3,179,547	3,342,559
Expenditures:							
Research	382,000	-	-	505,227	1,452	888,679	1,247,931
Individual and family services	942,276	-	-	-	-	942,276	857,070
Education and public awareness	483,257	-	-	-	-	483,257	413,614
Volunteer development	185,276	-	-	-	-	185,276	208,152
Meetings and workshops	106,110	-	-	-	-	106,110	118,247
Governance and accountability costs (note 8)	239,043	-	-	-	-	239,043	197,036
Fundraising	307,603	-	-	-	-	307,603	296,120
Administration	133,754	-	-	-	-	133,754	151,739
Amortization	-	20,116	-	-	-	20,116	32,903
	2,779,319	20,116	-	505,227	1,452	3,306,114	3,522,812
Excess of revenue over expenditures (expenditures over revenue)	\$ (4,253)	\$ (20,116)	\$ 15,790	\$ (123,716)	\$ 5,728	\$ (126,567)	\$ (180,253)

See accompanying notes to financial statements.

HUNTINGTON SOCIETY OF CANADA

Statement of Changes in Fund Balances

Year ended June 30, 2011, with comparative figures for 2010

	General Fund	Capital Fund	Endowment Fund	Ralph Walker Research Fund	Laura's Hope Fund	Total 2011	Total 2010
Fund balances, beginning of year	\$ 713,807	\$ 27,012	\$ 1,476,720	\$ 508,762	\$ 171,166	\$ 2,897,467	\$ 3,028,606
Excess of revenue over expenditures (expenditures over revenue)	(4,253)	(20,116)	15,790	(123,716)	5,728	(126,567)	(180,253)
Unrealized gain (loss) on investment classified as available-for-sale (note 2)	83,594	-	137,266	24,397	-	245,257	49,114
Interfund transfers (note 9)	(30,760)	30,760	-	-	-	-	-
Fund balances, end of year	\$ 762,388	\$ 37,656	\$ 1,629,776	\$ 409,443	\$ 176,894	\$ 3,016,157	\$ 2,897,467

See accompanying notes to financial statements.

HUNTINGTON SOCIETY OF CANADA

Statement of Cash Flows

Year ended June 30, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (applied to):		
Operations:		
Excess of expenditures over revenue	\$ (126,567)	\$ (180,253)
Items not involving cash:		
Amortization of equipment	20,116	32,903
Loss (gain) on sale of investments	(28,154)	25,430
Changes in non-cash operating assets and liabilities:		
Accounts receivable	(163,778)	(63,445)
Inventory	4,898	(4,325)
Accrued interest receivable	(2,982)	(8)
Prepaid expenses	13,222	8,497
Accounts payable and accrued liabilities	(308,243)	46,026
Deferred contributions	(482,635)	323,960
	(1,074,123)	188,785
Investments:		
Purchase of equipment	(30,760)	(12,957)
Sale (purchase) of investments, net	334,551	(65,117)
	303,791	(78,074)
Increase (decrease) in cash	(770,332)	110,711
Cash, beginning of year	345,090	234,379
Cash (bank indebtedness), end of year	\$ (425,242)	\$ 345,090
Supplemental cash flow information:		
Cash received for interest income	\$ 63,325	\$ 69,069

See accompanying notes to financial statements.

HUNTINGTON SOCIETY OF CANADA

Notes to Financial Statements, page 1

Year ended June 30, 2011

The Huntington Society of Canada (the "Society") is incorporated under the laws of Canada. The Society is a national network of volunteers and professionals working together to find new treatments and, ultimately, a cure for Huntington disease, and to improve the quality of life of individuals with Huntington disease and their families.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

(a) Fund accounting:

The financial statements of the Society are maintained on an accrual basis in accordance with the principles of fund accounting. Accordingly, all financial transactions have been recorded in five funds: General Fund, Capital Fund, Endowment Fund, Ralph Walker Research Fund and Laura's Hope Fund. The statement of financial position reports the assets, liabilities and net assets of all five funds combined.

- (i) The General Fund is an unrestricted fund used at the direction of the Board of Directors to fulfill the mission of the Society in all areas including services, research, education and administration. All undesignated donations are allocated to this fund.
- (ii) The Capital Fund accounts for funds related to the acquisition, amortization and disposal of capital assets and fundraising activities related to capital assets.
- (iii) 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 Huntington 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 will be used to fund operational expenditures.
- (iv) 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 the Ralph Walker Research Fund have been restricted for research, along with any related expenses.

HUNTINGTON SOCIETY OF CANADA

Notes to Financial Statements, page 2

Year ended June 30, 2011

1. Significant accounting policies (continued):

(a) Fund accounting (continued):

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

(b) Revenue recognition:

The Society follows the deferral method of accounting for contributions.

Restricted contributions, other than endowment contributions, are recognized as revenue of the appropriate fund in the year in which the related expenditures are incurred. Restricted contributions for the purchase of capital assets are deferred and recognized as revenue on the same basis as the amortization expense related to the capital assets. Unrestricted contributions, and contributions for the Ralph Walker Research Fund, Laura's Hope Fund and from chapters and area representatives, are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Pledge receivable is stated at net realizable value when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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

Endowment contributions are recognized as revenue resulting in an increase in net assets of the Endowment Fund.

(c) Inventory:

Inventory is stated at the lower of cost and net realizable value.

HUNTINGTON SOCIETY OF CANADA

Notes to Financial Statements, page 3

Year ended June 30, 2011

1. Significant accounting policies (continued):

(d) 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 statements.

(e) Investments:

Investments are recorded at fair value.

(f) Equipment:

Purchased equipment is capitalized and stated at cost. Amortization is provided using the following methods and annual rates:

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

(g) 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.

(h) Tax status:

The Society is a Charitable Organization under the Income Tax Act and, as such, is exempt from income taxes.

HUNTINGTON SOCIETY OF CANADA

Notes to Financial Statements, page 4

Year ended June 30, 2011

1. Significant accounting policies (continued):

(i) 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.

(j) Financial instruments:

The Society has adopted the following classifications for financial assets and financial liabilities:

- Cash is classified as held-for-trading.
- Accounts receivable and accrued interest receivable are classified as loans and receivables.
- Investments are classified as available-for-sale.
- Accounts payable and accrued liabilities are classified as other liabilities.

Financial assets and liabilities classified as held-for-trading are measured at fair value with the change in fair value recorded in the statement of operations. The fair value of financial instruments is defined as market value. Financial assets classified as loans and receivables and financial liabilities classified as other liabilities are subsequently measured at amortized cost using the effective interest method. Available-for-sale financial assets that have a quoted price in an active market are measured at fair value with the change in unrealized gains or losses recorded in changes in fund balances. Such gains or losses are reclassified to the statement of operations when the related financial asset is disposed of or when the decline in value is considered to be other-than-temporary.

Unless otherwise noted, it is management's opinion that the Society is not exposed to significant interest rate, currency or credit risk arising from its financial instruments.

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Notes to Financial Statements, page 5

Year ended June 30, 2011

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	2011		2010	
	Fair value	Book value	Fair value	Book value
Treasury bills and GIC's	\$ 914,453	\$ 914,453	\$ 235,366	\$ 235,366
Equity and mutual fund investments	2,404,920	2,297,616	3,145,147	3,283,100
Total	\$ 3,319,373	\$ 3,212,070	\$ 3,380,513	\$ 3,518,466

Investments by Fund	2011		2010	
	Fair value	Book value	Fair value	Book value
General Fund	\$ 1,257,474	\$ 1,224,746	\$ 1,159,663	\$ 1,210,529
Endowment Fund	1,807,614	1,735,120	1,476,721	1,541,493
Ralph Walker Research Fund	73,685	71,604	508,763	531,078
Laura's Hope Fund	180,600	180,600	235,366	235,366
Total	\$ 3,319,373	\$ 3,212,070	\$ 3,380,513	\$ 3,518,466

3. Equipment:

	Cost	Accumulated amortization	2011	2010
			Net book value	Net book value
Computer equipment and software	\$ 94,581	\$ 57,966	\$ 36,615	\$ 25,837
Office furniture and equipment	15,174	14,133	1,041	1,175
Total	\$ 109,755	\$ 72,099	\$ 37,656	\$ 27,012

Amortization for the year was \$20,116 (2010 - \$32,903).

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Notes to Financial Statements, page 6

Year ended June 30, 2011

4. Deferred contributions:

	2011	2010
Balance, beginning of year	\$ 695,645	\$ 371,685
Add contributions received	384,735	1,073,564
Less contributions recognized as revenue	(867,370)	(749,604)
Balance, end of year	\$ 213,010	\$ 695,645

5. Commitments:

(a) Lease commitments:

The Society is committed to the following payments under long-term operating leases and service contracts for the next five years:

2012	\$ 71,521
2013	52,168
2014	31,082
2015	19,739
2016	17,149
Total	\$ 191,659

(b) Research commitments:

The Society is committed to the following payments over the next three years:

2012	\$ 320,936
2013	97,750
2014	67,000
Total	\$ 485,686

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Notes to Financial Statements, page 7

Year ended June 30, 2011

6. Chapter and volunteer fundraising activities:

Chapter and volunteer fundraising activities are shown net on the statement of operations. Net revenue consists of the following:

	Chapter and Volunteer Activities	Nevada	Total Chapter and Volunteer Activities 2011	2010
Gross revenue	\$ 1,408,373	\$ 194,572	\$ 1,602,945	\$ 1,359,536
Expenditures	354,924	134,024	488,948	456,566
Total	\$ 1,053,449	\$ 60,548	\$ 1,113,997	\$ 902,970

Chapter and volunteer activities gross revenue and expenditures include fair values for donated materials totaling \$16,089 (2010 - \$25,750).

The Ontario Nevada break-open ticket program is one component of the volunteer fundraising activities. Approximately 20% of total Nevada expenses are the cost of the tickets. Of the remaining expenses, 75% represents provincially legislated fees and retailer fees.

Nevada expenditures have been reduced by the appropriate portions of the HST. The Society is reimbursed by the government in the form of a HST rebate.

7. Investment and interest income:

The original amount in the Endowment Fund was established from a grant given by 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. An additional \$10,000 donation was received from other sources in 2009, \$14,055 in 2010 and \$15,790 in 2011.

Investment and interest income, which includes income earned on investments held for endowment, is reported in the following funds:

	General Fund	Ralph Walker Research Fund	Laura's Hope Fund	2011	2010
Investment and interest earned on:					
Endowment Fund investments	\$ 38,141	\$ -	\$ -	\$ 38,141	\$ 35,125
Other investments	22,163	4,592	1,410	28,165	33,945
Total	\$ 60,304	\$ 4,592	\$ 1,410	\$ 66,306	\$ 69,070

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Notes to Financial Statements, page 8

Year ended June 30, 2011

8. Governance and accountability costs:

The Society has made the decision to report separately in these financial statements on governance and accountability expenditures, such as, annual audit, meetings of the Board of Directors and other similar costs. These are expenditures that must be incurred to operate as a charity to maintain compliance with by-laws and other legal requirements, and to meet all responsibilities to stakeholders, donors, and regulators.

9. Interfund transfers:

Transfers are made from the Operating Fund to the Capital Fund in order to fund the cash outlays for capital asset acquisitions.

10. Financial instruments:

(i) Fair value of financial assets and financial liabilities:

The carrying values of cash, accounts receivable, accrued interest receivable, accounts payable and accrued liabilities approximates their fair value because of the relatively short period to maturity of the instruments. Market value of investments is disclosed in note 2.

(ii) Credit risk:

The maximum credit risk exposure for all the Society's financial assets is the carrying value of its assets.

11. Comparative figures:

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