

Financials

March 31, 2009

The accompanying financial statements of The Princess Margaret Hospital Foundation were prepared by management in accordance with generally accepted accounting principles.

Management is responsible for the integrity and objectivity of the financial statements and has established systems of internal control which are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for the preparation of financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Board exercises its responsibilities through the Investment Committee, composed of members of the Board, who meet regularly with representatives of management and with the external investment managers and consultants, to monitor the performance of the investment portfolio. The Audit & Accountability Committee comprised of members of the Board and the community, meets regularly with management to monitor the financial activity of the Foundation together with the functioning of the accounting and control systems. This Committee also meets with management and the external auditors to review the results of the auditing activity.

The external auditors have conducted an independent audit, in accordance with generally accepted standards, and have expressed their opinions on the financial statements. Their report outlines the nature of their audit and their opinion on the fairness of the financial statements of The Princess Margaret Hospital Foundation and the accounting principles followed in management's preparation thereof.



Keith P. Ambachtsheer
Chairman, Board of Directors



Paul Alofs
President & CEO



John H. Bowey, FCA
Chair, Audit &
Accountability Committee



Asha Raheja, CMA
Treasurer

AUDITORS' REPORT

To the Members of
The Princess Margaret Hospital Foundation

We have audited the balance sheet of **The Princess Margaret Hospital Foundation** as at March 31, 2009 and the statement of revenue, expenses and changes in fund balances for the year then ended. These financial statements are the responsibility of the Foundation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Toronto, Canada,
May 29, 2009.

Ernst + Young LLP

Chartered Accountants
Licensed Public Accountants

The Princess Margaret Hospital Foundation
Incorporated under the laws of Canada

BALANCE SHEET

As at March 31

	2009	2008
	\$	[000's] \$
ASSETS		
Cash <i>[note 3]</i>	43,311	43,714
Accounts receivable	683	75
Deferred expenses <i>[notes 9, 10 and 12]</i>	6,885	8,297
Investments, at market <i>[note 4]</i>	216,504	239,500
Capital assets, net <i>[note 5]</i>	98	156
	267,481	291,742
LIABILITIES AND FUND BALANCES		
Liabilities		
Due to University Health Network <i>[note 15]</i>	18,476	17,350
Accounts payable	1,229	1,224
Deferred revenue <i>[notes 9, 10 and 12]</i>	16,261	26,940
Total liabilities	35,966	45,514
Fund balances		
General Fund	4,187	3,165
Restricted Fund <i>[note 6]</i>	137,746	133,945
Endowment Fund <i>[note 7]</i>	89,582	109,118
Total fund balances	231,515	246,228
	267,481	291,742

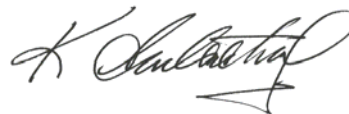
Commitments and contingencies *[note 16]*

See accompanying notes

On behalf of the Board:



Director



Director

The Princess Margaret Hospital Foundation

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCES

Year ended March 31

	<u>General Fund</u>		<u>Restricted Fund</u>		<u>Endowment Fund</u>		<u>Total</u>	
	2009	2008	2009	2008	2009	2008	2009	2008
	\$ [000's]	\$	\$ [000's]	\$	\$ [000's]	\$	\$ [000's]	\$
REVENUE								
Fundraising, net <i>[note 8]</i>	4,185	5,059	30,369	28,564	4,117	6,187	38,671	39,810
Strategic events, net <i>[notes 9 and 10]</i>	312	—	18,430	12,966	—	—	18,742	12,966
Lotteries, net <i>[note 12]</i>	—	—	15,587	13,714	—	—	15,587	13,714
Other <i>[note 11]</i>	150	—	—	—	—	—	150	—
	4,647	5,059	64,386	55,244	4,117	6,187	73,150	66,490
Investment income (loss) <i>[note 13]</i>	(753)	4,245	613	2,642	(18,327)	(415)	(18,467)	6,472
	3,894	9,304	64,999	57,886	(14,210)	5,772	54,683	72,962
EXPENSES								
Fundraising and administrative <i>[note 15]</i>	6,285	6,188	1,007	503	—	—	7,292	6,691
Excess (deficiency) of revenue over expenses before grants	(2,391)	3,116	63,992	57,383	(14,210)	5,772	47,391	66,271
Grants								
Ontario Cancer Institute/Princess Margaret Hospital <i>[notes 11[a] and 15]</i>	267	—	61,683	54,637	154	—	62,104	54,637
Excess (deficiency) of revenue over expenses for the year	(2,658)	3,116	2,309	2,746	(14,364)	5,772	(14,713)	11,634
Fund balances, beginning of year	3,165	1,286	133,945	125,800	109,118	107,508	246,228	234,594
Interfund transfers <i>[note 14]</i>	3,680	(1,237)	1,492	5,399	(5,172)	(4,162)	—	—
Fund balances, end of year	4,187	3,165	137,746	133,945	89,582	109,118	231,515	246,228

See accompanying notes

The Princess Margaret Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2009

1. PURPOSE OF THE ORGANIZATION

The Princess Margaret Hospital Foundation [the "Foundation"] is incorporated under the Canada Corporations Act. The Foundation was established to solicit, receive and maintain funds and to apply these funds to improve and enhance cancer research, professional education and patient care activities provided by the Ontario Cancer Institute/Princess Margaret Hospital ["OCI/PMH"], which are part of the University Health Network ["UHN"].

The Foundation is a public foundation registered under the Income Tax Act (Canada) [the "Act"] and, as such, is exempt from income taxes and able to issue donation receipts for income tax purposes, under Registration Number 88900 7597 RR 0001.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Foundation have been prepared in accordance with Canadian generally accepted accounting principles. The following summary of significant accounting policies is set forth to facilitate the understanding of these financial statements:

Fund accounting

In order to ensure observance of the limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the donors or in accordance with directives issued by the Board of Directors [the "Board"]. Transfers between the funds are made when it is considered appropriate and authorized by the Board. To meet these objectives of financial reporting and stewardship over assets, certain interfund transfers are necessary to ensure the appropriate allocation of assets and liabilities to the respective funds. These interfund transfers are recorded in the statement of revenue, expenses and changes in fund balances.

The Princess Margaret Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2009

For financial reporting purposes, the accounts have been classified into the following funds:

[a] General Fund

The General Fund accounts for the Foundation's general fundraising, granting and administrative activities. The General Fund reports unrestricted resources available for immediate purposes.

[b] Restricted Fund

The Restricted Fund includes those funds where resources are to be used for an identified purpose as specified by the donor, as stipulated by the fundraising appeal or as determined by the Board.

[c] Endowment Fund

The Endowment Fund includes those funds where either donor or internal restrictions require that the principal be maintained by the Foundation on a permanent basis.

Investments and investment income

The investments of the Foundation are recorded at market value. Publicly traded securities are valued based on the latest bid prices. Pooled funds and other investments that are not publicly traded are valued based on values reported by the external investment manager. Short-term securities are valued based on cost plus accrued income, which approximates fair value. Transactions are recorded on a settlement date basis and transaction costs are expensed as incurred. Investment income, which consists of dividends, interest, distributions from pooled funds, realized and unrealized gains and losses, is recorded as revenue in the statement of revenue, expenses and changes in fund balances.

Investment income earned on Endowment Fund or Restricted Fund resources that must be spent on donor-restricted activities is recognized as revenue of the Restricted Fund. Investment income subject to donor restrictions stipulating that it be added to the principal amount of the endowment is recognized as revenue of the Endowment Fund. Unrestricted investment income earned on Endowment Fund, Restricted Fund and General Fund resources is recognized as revenue of the General Fund.

Derivative financial instruments are marked to market, with gains and losses recognized in income in the year in which the changes in market value occur.

The Princess Margaret Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2009

Foreign currency translation

Revenue and expenses denominated in foreign currencies are translated into Canadian dollars at the transaction date. Investments and other monetary items denominated in foreign currencies are translated at the year-end rate.

Revenue recognition

Donations are recorded on a cash basis since pledges are not legally enforceable claims.

Donor-restricted donations for endowment purposes are recognized as revenue in the Endowment Fund. Other donor-restricted donations are recognized as revenue of the Restricted Fund. Unrestricted donations are recognized as revenue of the General Fund.

Lottery, Weekend to End Breast Cancer and other events revenue are recognized net of all related expenses in the fiscal year in which the program is concluded. Revenue and expenses related to lotteries for which prize draws take place and events that take place subsequent to the year end are deferred.

Grant recognition

Grants are recognized when payable.

Contributed goods and services

Contributed capital assets that are transferred to UHN are recognized at their fair market value in the financial statements. Other contributed goods and services are not recognized.

Capital assets

Purchased capital assets are recorded at cost. Donated capital assets are recorded at fair value at the date of contribution.

Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Office equipment	10 years
Computer hardware and software	3 years

The Princess Margaret Hospital Foundation

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[in thousands]

March 31, 2009

Financial instruments

The Foundation is subject to market, currency and interest rate price risks with respect to its investments. To manage these risks, the Foundation has established a target mix of investment types designated to achieve the optimum return with reasonable risk tolerance.

The Foundation has chosen to apply CICA 3861: *Financial Instruments - Disclosure and Presentation* in place of CICA 3862: *Financial Instruments - Disclosures* and CICA 3863: *Financial Instruments - Presentation*.

Employee future benefit plans

The Foundation participates in a multi-employer defined benefit pension plan and a non-pension defined benefit plan sponsored by UHN. Contributions to these plans are expensed when due.

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 the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Changes in accounting policies

Effective April 1, 2008, the Foundation adopted the recommendations of CICA 1535: *Capital Disclosures*, which require the disclosure of qualitative and quantitative information that enables users of the financial statements to evaluate the Foundation's objectives, policies and processes for managing capital. The adoption of these recommendations only required additional disclosures which are provided in note 19.

Effective April 1, 2008, the Foundation adopted retroactively the changes to the recommendations in CICA 4400: *Financial Statement Presentation for Not-For-Profit Organizations* that eliminate the requirement to separately disclose the amount of fund balances invested in capital assets, that were previously disclosed as a component of the General Fund. The Foundation has therefore eliminated from the financial statements details about the amount of fund balances invested in capital assets that were previously disclosed as a component of the General Fund and the calculation of this amount.

The Princess Margaret Hospital Foundation

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[in thousands]

March 31, 2009

Future changes in accounting policies

The CICA has issued revisions to the 4400 series and certain other sections to amend or improve certain parts of the CICA Handbook that relate to not-for-profit organizations. With respect to presentation, these changes include making the disclosure of fund balances invested in capital assets optional, making CICA 1540: *Cash Flow Statements* applicable to not-for-profit organizations; and requiring the reporting of revenues and expenses on a gross basis in the statement of operations unless not required by other guidance. A new section, CICA 4470: *Disclosure of Allocated Expenses by Not-for-Profit Organizations*, was included in the revisions which requires certain disclosures when fundraising and general support expenses are allocated to other functions. These changes in accounting policies must be adopted by years beginning on or after January 1, 2009 with earlier adoption permitted. Management has adopted the recommendations related to the disclosure of fund balances invested in capital assets and is assessing the impact of the other revisions. However, the impact will be limited to reclassification of numbers in the statements and additional disclosures.

In February 2008, the Accounting Standards Board amended CICA 1000: *Financial Statement Concepts* to clarify that assets not meeting the definition of an asset or the recognition criteria are not permitted to be recognized on the balance sheet. The amendments are effective for financial statements for fiscal years beginning on or after October 1, 2008. The Foundation is examining its current approach to recognizing costs as assets and will implement these standards effective April 1, 2009 retroactively with restatement of the prior year. The impact of implementing these amendments on the financial statements is currently not known.

3. CASH

Cash consists primarily of amounts held for the Restricted Fund and net funds received in advance related to lotteries and events to be held during the next fiscal year.

The Princess Margaret Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2009

4. INVESTMENTS

[a] Investments consist of the following:

	2009	2008
	\$	\$
Cash	13,959	9,977
Short-term investments	4,793	3,312
Bonds		
Canada/Provincial	23,997	23,903
Corporate	90,472	89,026
Pooled funds		
Canadian	19,348	6,518
Global	3,603	—
	137,420	119,447
Equities		
Canadian	8,270	23,818
U.S. and other foreign	25,770	29,126
	34,040	52,944
Alternative investments	29,110	53,820
Forward foreign exchange contracts	(2,818)	—
	216,504	239,500

Alternative investments include investments in hedge funds and private capital. The amounts invested in pooled funds have been allocated among the asset classes, based on the asset classes held by the pooled funds.

In order to manage foreign currency exposure, the Foundation has entered into a forward foreign exchange contract. At March 31, 2009, one contract with a US bank allows the Foundation to sell US \$40 million on April 6, 2009 at an exchange rate of 1.1887. The fair market value of this contract as at March 31, 2009 is a loss of \$2,818.

[b] Investments are managed as two pools:

- Investments related to the Endowment Fund are invested as follows: short-term investments – 11% [2008 - 1%], bonds – 20% [2008 - nil], equities – 40% [2008 - 50%], alternative investments – 29% [2008 – 49%]. During the year, the Foundation reallocated the investments held for endowments to reflect the revised asset mix included in the updated Statement of Investment Policies and Goals.

The Princess Margaret Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

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- Investments related to the General and Restricted Funds are substantially invested in short-term investments and bonds. The fixed income securities in the general and restricted portfolio had a weighted average yield of 7.87% [2008 - 5.27%] and an average term to maturity of 8.9 years [2008 - 8.5 years].

[c] The Foundation has made a commitment to invest \$18,000 in private capital over the next 3 to 5 years.

5. CAPITAL ASSETS

Capital assets consist of the following:

	2009			2008		
	Cost	Accumulated	Net	Cost	Accumulated	Net
	\$	amortization	book	\$	amortization	book
		\$	value		\$	value
			\$			\$
Office equipment	230	165	65	230	147	83
Computer hardware and software	317	284	33	309	236	73
	547	449	98	539	383	156

Amortization expense recorded in the accounts is \$66 [2008 - \$98]. Capital asset purchases were \$8 [2008 - \$82].

The Princess Margaret Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2009

6. RESTRICTED FUND

The Restricted Fund consists of funds available for spending that are restricted by donors or the Board for the following purposes:

	2009	2008
	\$	\$
Donor-restricted balances		
Restricted for research purposes	98,202	102,944
Restricted for purchase of capital assets	10,940	8,214
Restricted for patient support and other	26,182	20,682
	135,324	131,840
Internally imposed restrictions		
Restricted for research purposes	2,287	1,942
Other	135	163
	2,422	2,105
	137,746	133,945

7. ENDOWMENT FUND

The Endowment Fund consists of externally restricted contributions received by the Foundation where the endowment principal is required to be maintained intact. The Endowment Fund also includes internal resources transferred by the Board to the Endowment Fund, with the intention that the principal be maintained intact. The investment income generated from assets held for endowment purposes must be used in accordance with the various purposes established by the donors or the Board.

The Princess Margaret Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2009

Major categories of restrictions on fund balances are as follows:

	2009 \$	2008 \$
Externally imposed endowments		
Endowments, the income from which must be used for research purposes	64,361	79,295
Endowments, the income from which must be used for other restricted purposes	11,039	12,783
	75,400	92,078
Internally imposed endowments approved by the Board		
Funds restricted for research	7,379	9,767
Funds restricted for other purposes	590	784
Unrestricted funds	6,213	6,489
	14,182	17,040
	89,582	109,118

8. FUNDRAISING

	<u>General Fund</u>		<u>Restricted Fund</u>		<u>Endowment Fund</u>	
	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$
Fundraising revenue						
Annual programs	3,729	3,404	12,515	10,981	221	296
Major gifts and bequests	1,743	2,389	22,238	21,302	3,896	5,891
	5,472	5,793	34,753	32,283	4,117	6,187
Less direct program costs	1,287	734	4,384	3,719	—	—
Net fundraising	4,185	5,059	30,369	28,564	4,117	6,187

The Princess Margaret Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2009

9. WEEKEND TO END BREAST CANCER

During the year, the Foundation held a fundraising event, the Weekend to End Breast Cancer. Financial results included in strategic events on the statement of revenue, expenses and changes in fund balances are as follows:

	2009	2008
	\$	\$
Revenue	13,499	17,415
Expenses		
Logistics	3,245	3,277
Marketing and other	1,193	1,172
	4,438	4,449
	9,061	12,966

As at March 31, 2009, costs of \$1,010 [2008 - \$1,066] incurred and revenue of \$1,603 [2008 - \$1,859] received during the year ended March 31, 2009 associated with the event to be held in September 2009 have been deferred and recorded in the balance sheet. The results of the event will be recorded as revenue and expenses in the financial statements for the year ending March 31, 2010.

10. RIDE TO CONQUER CANCER

During the year, the Foundation held a new fundraising event, the Ride to Conquer Cancer. Financial results included in strategic events on the statement of revenue, expenses and changes in fund balances are as follows:

	2009	2008
	\$	\$
Revenue	14,814	—
Expenses		
Logistics	3,154	—
Marketing and other	1,979	—
	5,133	—
	9,681	—

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[in thousands]

March 31, 2009

As at March 31, 2009, costs of \$1,920 [2008 - \$2,117] incurred and revenue of \$4,504 [2008 - \$4,668] received during the year ended March 31, 2009 associated with the event to be held in September 2009 have been deferred and recorded in the balance sheet. The results of the event will be recorded as revenue and expense in the financial statements for the year ending March 31, 2010.

11. BRAZILIAN BALL AND PROVINCIAL GRANT

[a] The Foundation was the beneficiary of the Brazilian Ball [the "Ball"] held May 24, 2008. In addition to the net proceeds from the gala, as part of the Brazilian Ball campaign, the Foundation raised additional amounts for nursing programs and research at the Campbell Family Centre Research Institute. Net proceeds from the gala, details of which are set out below, and pledges, some of which will be recorded in the future, which total approximately \$7,000, were received.

In addition, a grant of \$15,000 was announced by the Province of Ontario to support The Anna Maria de Souza Knowledge Transfer Centre for Oncology Nursing [the "Centre"]. Since the Foundation is acting as a paymaster for this grant, the Province of Ontario will pay the Foundation \$3,000 per year over 5 years. In fiscal 2009, the first payment of \$3,000 was received and \$2,850 was paid to the University Health Network who, jointly with Cancer Care Ontario, is administering the grant. An amount of \$150 was recorded as other revenue in the General Fund representing the Foundation's fee.

[b] Financial results of the Ball included in fundraising revenue on the statement of revenue, expenses and changes in fund balances are as follows:

	2009	2008
	\$	\$
Revenue	3,208	—
Expenses	2,124	—
	1,084	—

The Princess Margaret Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2009

[c] Included in the gross revenue and expenses of the Ball are the net proceeds of a fund raising raffle [Lottery License PMH0642 issued by the Alcohol and Gaming Commission of Ontario], the details of which are as follows:

	2009	2008
	\$	\$
Gross proceeds	90	—
Expenses	4	—
Net proceeds	86	—

12. LOTTERIES

During the year ended March 31, 2009, the Foundation held 2 lotteries [2008 - three lotteries]. Financial results are as follows:

	2009	2008
	\$	\$
Revenue	56,897	66,632
Expenses		
Prizes	21,797	28,433
Marketing and other	19,513	24,485
	41,310	52,918
	15,587	13,714

Prior to March 31, 2009, the Foundation committed to carrying out the spring 2009 Princess Margaret Hospital Home Lottery [the "Home Lottery"], which was held in May 2009. As at March 31, 2009, costs of \$3,819 [2008 - \$4,322] incurred and revenue of \$9,648 [2008 - \$18,255] received during the year ended March 31, 2009 associated with the Home Lottery have been deferred and recorded in the balance sheet. The results of the Home Lottery will be recorded as revenue and expense in the financial statements for the year ending March 31, 2010. The Foundation has a standby letter of credit of \$12,954 that expires on July 13, 2009 obtained in connection with the Home Lottery.

The Princess Margaret Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2009

13. INVESTMENT INCOME (LOSS)

[a] Investment income (loss) earned on the Foundation's assets consists of the following:

	2009	2008
	\$	\$
Interest and dividends	10,662	14,871
Realized gains (losses)	(7,414)	1,293
Net change in unrealized loss on investments	(21,274)	(8,757)
	(18,026)	7,407
Less investment management and custodial fees	441	935
	(18,467)	6,472

[b] Investment income is allocated among the funds based on the Foundation's capital preservation policy. This policy has the objective of protecting the real value of the endowments by limiting the amount of earned income available for spending and requiring the reinvestment of any income earned in excess of this limit. This preservation of capital is recorded as revenue of the Endowment Fund for externally endowed funds. For internally endowed funds, the preservation of capital is recorded as income of the General Fund and transferred to the Endowment Fund in the statement of revenue, expenses and changes in fund balances. In any year, should net investment income not be sufficient to fund the amount required for spending, the amount that is to be made available for spending is funded by a transfer from the Endowment Fund.

Currently, the income available for spending is set at 4% of the market value of the Endowment Fund balances. An additional 1% is recorded in the General Fund to cover administrative costs.

Investment income recorded in the Restricted Fund represents income earned on endowments where the donor has stipulated that the income must be used for restricted purposes or where there are agreements requiring income to be allocated to restricted funds.

[c] Gains and losses arising from the sale of donated investments that fund specific endowed or restricted funds are recorded in these funds.

[d] In 2009, investments held for endowments incurred an investment loss of \$18,327. As a result, no investment income was available for preservation of capital, to make available for spending or to cover administrative costs. With respect to externally endowed funds, the funds available for spending of \$3,724 were transferred from the Endowment Fund to the Restricted Fund and the amount available to cover administrative costs of \$931 was

The Princess Margaret Hospital Foundation

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[in thousands]

March 31, 2009

transferred from the Endowment Fund to the General Fund. With respect to internally endowed funds, the funds available for spending of \$694 were transferred from the Endowment Fund to the Restricted Fund. The amount available to cover administrative expense of \$173 was transferred from the Endowment Fund to the General Fund and \$3,438 to cover investment losses was transferred from the Endowment Fund to the General Fund.

In 2008, investments held for endowments incurred an investment loss of \$415. As a result, no investment income was available for preservation of capital, to make available for spending or to cover administrative costs. With respect to externally endowed funds, the funds available for spending of \$4,555 were transferred from the Endowment Fund to the Restricted Fund and the amount available to cover administrative costs of \$910 was transferred from the Endowment Fund to the General Fund. With respect to internally endowed funds, the shortfall of funds available for spending of \$810 was transferred from the Endowment Fund to the Restricted Fund and the amount available to cover administrative costs of \$233 was transferred from the Endowment Fund to the General Fund.

[e] In 2009, the Board approved transfers totalling \$862 from the General Fund to the Endowment Fund and \$2,926 from the Restricted Fund to the Endowment Fund. The transfers relate to internally endowed bequests and changes in the designation of funds as directed by donors or the Board.

In 2008, the Board approved transfers totalling \$2,346 from the General Fund to the Endowment Fund and \$34 to the Restricted Fund. These transfers relate to internally endowed bequests and changes in the designation of funds as directed by donors or the Board.

14. INTERFUND TRANSFERS

Transfers between funds consist of the following:

	<u>General Fund</u>		<u>Restricted Fund</u>		<u>Endowment Fund</u>	
	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$
Board and donor approved						
re: fund restrictions [note 13[e]]	(862)	(2,380)	(2,926)	34	3,788	2,346
Allocation of investment						
income in accordance						
with Board policy [note 13[d]]	4,542	1,143	4,418	5,365	(8,960)	(6,508)
	3,680	(1,237)	1,492	5,399	(5,172)	(4,162)

The Princess Margaret Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2009

15. RELATED PARTY TRANSACTIONS

[a] During the year, the Foundation funded the following projects carried out at the OCI/PMH and UHN:

	<u>General Fund</u>		<u>Restricted Fund</u>		<u>Endowment Fund</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	\$	\$	\$	\$	\$	\$
Equipment	7	—	8,243	2,984	—	—
Research	260	—	50,651	48,139	154	—
Construction of centres within the hospital	—	—	2,789	3,514	—	—
	267	—	61,683	54,637	154	—

[b] UHN provides certain services to the Foundation and pays some expenses on behalf of the Foundation. The Foundation reimburses UHN for all direct costs associated with services provided and expenses paid. Administrative expenses include a charge of \$104 [2008 - \$102] paid to UHN for office space and service fees.

[c] The Foundation pays certain common expenses on behalf of affiliated foundations and is reimbursed for these expenses. In addition, the Foundation reimburses affiliated foundations for those common expenses incurred by these foundations on behalf of the Foundation.

[d] Salaries, benefits and certain other expenses are paid by UHN and are reimbursed by the Foundation.

[e] Amounts due to UHN are non-interest bearing and due on demand. Transactions between UHN and the Foundation are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

16. COMMITMENTS AND CONTINGENCIES

[a] As at March 31, 2009, the Foundation approved plans to make a research grant of \$18,000 to OCI/PMH which will be expensed during the year ending March 31, 2010.

[b] The Foundation has received a claim for damages. The Foundation considers this claim to be without merit and is defending it.

The Princess Margaret Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2009

17. UNIVERSITY OF TORONTO GRADUATE STUDENT ENDOWMENT

During 1997, the Foundation negotiated an agreement in which a grant of \$3,300 from the Foundation to the University of Toronto [the "University"] was matched equally by the University and the Ontario Government through the Ontario Student Opportunity Trust Fund. This established a \$9,900 endowment to be held by the University for the benefit of graduate students studying with University faculty members located at the hospital facilities and engaged in cancer research.

The following financial results for the year ended April 30, 2009 were reported by the University to the Foundation:

	Endowment Fund	Expendable Fund
	\$	\$
Balance, at market value, as at April 30, 2008	12,830	585
Investment loss	(3,962)	—
Transfer to Expendable Fund	—	—
Student awards	—	(231)
Balance, at market value, as at April 30, 2009	8,868	354

18. STATEMENT OF CASH FLOWS

A separate statement of cash flows has not been presented since cash flows from operating, investing and financing activities are readily apparent from the other financial statements.

19. CAPITAL MANAGEMENT

In managing capital, the Foundation focuses on liquid resources available for operations. The Foundation's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at March 31, 2009, the Foundation has met its objective of having sufficient liquid resources to meet its current obligations.