

Financial Statements

The Princess Margaret Hospital Foundation
March 31, 2010

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, 2010 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, 2010 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 28, 2010.

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

	2010	2009
	\$	[000's] \$
ASSETS		
Cash <i>[note 3]</i>	53,070	43,311
Accounts receivable	88	683
Investments, at market <i>[note 4]</i>	265,803	216,504
Capital assets, net <i>[note 5]</i>	—	98
Other assets <i>[note 6]</i>	7,452	6,885
	326,413	267,481
LIABILITIES AND FUND BALANCES		
Liabilities		
Due to University Health Network <i>[note 17]</i>	19,334	18,476
Accounts payable and accrued liabilities	1,275	1,229
Deferred revenue <i>[notes 11, 12 and 14]</i>	21,222	16,261
Total liabilities	41,831	35,966
Fund balances		
General Fund	10,161	4,187
Restricted Fund <i>[note 7]</i>	165,769	137,746
Endowment Fund <i>[note 8]</i>	108,652	89,582
Total fund balances	284,582	231,515
	326,413	267,481

Commitment and contingency *[note 18]*

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>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$ [000's]	\$	\$ [000's]	\$	\$ [000's]	\$	\$ [000's]	\$
Gross fundraising revenue <i>[note 9]</i>	5,219	5,442	62,058	63,245	3,253	4,117	70,530	72,804
Direct fundraising expenses <i>[notes 11 and 12]</i>	(1,525)	(1,287)	(10,783)	(13,954)	—	—	(12,308)	(15,241)
Net fundraising	3,694	4,155	51,275	49,291	3,253	4,117	58,222	57,563
Gross lottery revenue <i>[note 14]</i>	—	—	50,206	56,897	—	—	50,206	56,897
Direct lottery expenses <i>[note 14]</i>	—	—	(38,457)	(41,310)	—	—	(38,457)	(41,310)
Net lottery	—	—	11,749	15,587	—	—	11,749	15,587
Net fundraising and lottery revenue	3,694	4,155	63,024	64,878	3,253	4,117	69,971	73,150
Investment income (loss) <i>[note 15]</i>	25,103	(753)	6,264	613	12,291	(18,327)	43,658	(18,467)
Net revenue, including investment income (loss)	28,797	3,402	69,288	65,491	15,544	(14,210)	113,629	54,683
General fundraising and administrative expenses	5,561	5,793	1,183	1,499	—	—	6,744	7,292
Excess (deficiency) of revenue over expenses before grants	23,236	(2,391)	68,105	63,992	15,544	(14,210)	106,885	47,391
Grants								
Ontario Cancer Institute/Princess Margaret Hospital <i>[note 17]</i>	1	267	53,817	61,683	—	154	53,818	62,104
Excess (deficiency) of revenue over expenses and grants for the year	23,235	(2,658)	14,288	2,309	15,544	(14,364)	53,067	(14,713)
Fund balances, beginning of year	4,187	3,165	137,746	133,945	89,582	109,118	231,515	246,228
Interfund transfers <i>[note 16]</i>	(17,261)	3,680	13,735	1,492	3,526	(5,172)	—	—
Fund balances, end of year	10,161	4,187	165,769	137,746	108,652	89,582	284,582	231,515

See accompanying notes

The Princess Margaret Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2010

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:

Changes in accounting policies

Effective April 1, 2009, the Foundation has adopted retroactively those revisions to the 4400 series and certain other sections to amend or improve those parts of the CICA Handbook related to not-for-profit organizations that impact its financial statements. The revisions that have been adopted together with their impact are set out below.

Certain revenues and expenses related to fundraising and lotteries previously presented net on the statement of operations with the details in the notes to the financial statements are now presented on a gross basis.

Additional disclosures required as a result of adopting CICA 4470, Disclosure of Allocated Expenses for Not-for-Profit Organizations, have also been provided in the accounting policies.

In February 2009, the Accounting Standards Board amended CICA 1000, Financial Statement Concepts, to clarify that assets not meeting the definition of an asset are not permitted to be recognized on the balance sheet. The Foundation has reviewed costs recorded on the balance sheet and determined that no adjustment is required to the financial statements. An accounting policy note has been added with respect to the accounting for future lotteries and special events; note 6 has been added providing details of other assets and certain amounts on the balance sheet have been reclassified.

The Princess Margaret Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

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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.

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.

The Princess Margaret Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2010

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.

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. Translation gains and losses are included in the statement of revenue, expenses and changes in fund balances.

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 and events revenue is recognized in the fiscal year in which the program is concluded. Revenue related to lotteries for which prize draws take place and events that take place subsequent to the year end are deferred.

The Princess Margaret Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2010

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 services are not recognized.

Allocation of expenses

Direct fundraising and lottery expenses represent expenses and costs of any personnel that are directly related to these activities. No costs of personnel in general fundraising or other general fundraising and administrative expenses are included in these balances. General fundraising and administrative expenses are allocated to the Restricted Fund as a percentage of net revenue on special events and a fixed amount determined by the Board for strategic events.

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

Other assets

Costs directly related to the development of future lotteries and events are presented as other assets when the Foundation can reliably demonstrate that there is a future economic benefit associated with these costs. These costs are expensed over their useful life, which is when the lottery or event is held. Such costs are expensed immediately when there is insufficient evidence that the costs are recoverable.

The Princess Margaret Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2010

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.

3. CASH

Cash consists primarily of amounts held for the General and Restricted Funds 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, 2010

4. INVESTMENTS

[a] Investments consist of the following:

	2010	2009
	\$	\$
Cash	569	13,959
Short-term investments	3,491	4,793
Bonds		
Canada/Provincial	22,009	23,997
Corporate	121,010	90,472
Pooled funds		
Canadian	18,289	19,348
Global	—	3,603
	161,308	137,420
Equities		
Canadian	13,768	8,270
US and other foreign	52,683	25,770
	66,451	34,040
Alternative investments	33,250	29,110
Forward foreign exchange contracts	734	(2,818)
	265,803	216,504

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, 2010, one contract with a US bank allows the Foundation to sell US \$39,000 on April 7, 2010 at an exchange rate of 1.03397. The fair market value of this contract as at March 31, 2010 is a gain of \$734.

At March 31, 2009, one contract with a US bank allowed the Foundation to sell US \$40,000 on April 6, 2009 at an exchange rate of 1.1887. The fair market value of this contract as at March 31, 2009 was a loss of \$2,818.

The Princess Margaret Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2010

[b] Investments are managed as two pools:

- Investments related to the Endowment Fund are invested as follows: short-term investments - 1% [2009 - 11%], bonds - 10% [2009 - 20%], equities - 61% [2009 - 40%], and alternative investments - 28% [2009 - 29%].
- 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 4.71% [2009 - 6.81%] and an average term to maturity of 10.8 years [2009 - 9.9 years].

[c] The Foundation has made a commitment to invest \$16,500 in private capital over the next three to five years.

5. CAPITAL ASSETS

Capital assets consist of the following:

	2010			2009		
	Cost \$	Accumulated amortization \$	Net book value \$	Cost \$	Accumulated amortization \$	Net book value \$
Office equipment	230	230	—	230	165	65
Computer hardware and software	317	317	—	317	284	33
	547	547	—	547	449	98

Amortization expense recorded in the accounts is \$98 [2009 - \$66]. Capital asset purchases were nil [2009 - \$8].

The Princess Margaret Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2010

6. OTHER ASSETS

Other assets consist of the following:

	2010	2009
	\$	\$
Future events		
Weekend to End Women's Cancers <i>[note 11]</i>	1,256	1,010
Ride to Conquer Cancer <i>[note 12]</i>	1,949	1,920
Others	189	136
Future lotteries <i>[note 14]</i>	4,058	3,819
	7,452	6,885

7. RESTRICTED FUND

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

	2010	2009
	\$	\$
Donor-restricted balances		
Restricted for research purposes	104,284	98,202
Restricted for purchase of capital assets	19,938	10,940
Restricted for patient support and other	28,566	26,182
	152,788	135,324
Internally imposed restrictions		
Restricted for research purposes	2,866	2,287
Special reserve	10,115	135
	12,981	2,422
	165,769	137,746

The Princess Margaret Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2010

8. 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.

Major categories of restrictions on fund balances are as follows:

	2010	2009
	\$	\$
Externally imposed endowments		
Endowments, the income from which must be used for research purposes	77,894	64,361
Endowments, the income from which must be used for other restricted purposes	12,892	11,039
	90,786	75,400
Internally imposed endowments approved by the Board		
Funds restricted for research	8,798	7,379
Funds restricted for other purposes	688	590
Unrestricted funds	8,380	6,213
	17,866	14,182
	108,652	89,582

The Princess Margaret Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2010

9. GROSS FUNDRAISING REVENUE

Gross fundraising revenue consists of the following:

	<u>General Fund</u>		<u>Restricted Fund</u>		<u>Endowment Fund</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$	\$	\$	\$	\$	\$
Annual programs <i>[note 13[a]]</i>	3,859	3,389	8,684	9,796	384	221
Major gifts and bequests	1,360	1,743	25,702	22,238	2,869	3,896
Weekend to End Women's Cancers <i>[note 11]</i>	—	—	11,685	13,499	—	—
Ride to Conquer Cancer <i>[notes 10 and 12]</i>	—	310	15,987	14,504	—	—
Brazilian Ball <i>[note 13]</i>	—	—	—	3,208	—	—
	5,219	5,442	62,058	63,245	3,253	4,117

10. ROYALTIES

The Foundation has licensed the Ride to Conquer Cancer to other cancer charities across Canada to support their fundraising efforts. During fiscal 2010, the Ride to Conquer Cancer raised \$36,800 gross revenue nationally, including the Toronto event revenue. This has resulted in \$968 royalty revenue, to be used for collaborative research projects, which has been included in the Ride to Conquer Cancer fundraising revenue *[note 9]*.

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[in thousands]

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11. WEEKEND TO END WOMEN'S CANCERS

During the year, the Foundation held a fundraising event, the Weekend to End Women's Cancers. In fiscal 2009, the event was called the Weekend to End Breast Cancer. Financial results included in the statement of revenue, expenses and changes in fund balances are as follows:

	2010	2009
	\$	\$
Revenue <i>[note 9]</i>	11,685	13,499
Direct expenses		
Logistics	3,350	3,245
Marketing and other	1,051	1,193
	4,401	4,438
	7,284	9,061

As at March 31, 2010, revenue of \$1,669 [2009 - \$1,603] received during the year ended March 31, 2010 associated with the event to be held in September 2010 has been deferred and recorded in the balance sheet. Costs of \$1,255 [2009 - \$1,010] incurred during the year ended March 31, 2010 have been included in other assets *[note 6]* 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, 2011.

12. RIDE TO CONQUER CANCER

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

	2010	2009
	\$	\$
Revenue <i>[note 9]</i>	15,987	14,814
Direct expenses		
Logistics	3,733	3,154
Marketing and other	1,562	1,979
	5,295	5,133
	10,692	9,681

The Princess Margaret Hospital Foundation

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[in thousands]

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As at March 31, 2010, revenue of \$5,204 [2009 - \$4,504] received during the year ended March 31, 2010 associated with the event to be held in September 2010 has been deferred and recorded in the balance sheet. Costs of \$1,949 [2009 - \$1,920] incurred during the year ended March 31, 2010 have been included in other assets [note 6] 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, 2011.

13. BRAZILIAN BALL AND PROVINCIAL GRANT

[a] In fiscal 2009, the Foundation was the beneficiary of the Brazilian Ball [the "Ball"]. 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. Since the Foundation is acting as a paymaster for this grant, the Province of Ontario will pay the Foundation \$3,000 per year over five years. In fiscal 2010, the second payment of \$3,000 was received and \$2,850 was paid to UHN who, jointly with Cancer Care Ontario, is administrating the grant. The receipt of the grant from the Province and payment to UHN have not been recorded in these financial statements. An amount of \$150 was recorded as annual program fundraising revenue [note 9] 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:

	2010	2009
	\$	\$
Revenue	—	3,208
Expenses	—	2,124
	—	1,084

The Princess Margaret Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2010

14. LOTTERIES

During the years ended March 31, 2010 and 2009, the Foundation held two lotteries. Financial results are as follows:

	2010	2009
	\$	\$
Revenue	50,206	56,897
Direct expenses		
Prizes	20,732	21,797
Marketing and other	17,725	19,513
	38,457	41,310
	11,749	15,587

Prior to March 31, 2010, the Foundation committed to carrying out the spring 2010 Princess Margaret Hospital Home Lottery [the "Home Lottery"], which was held in May 2010. As at March 31, 2010, revenue of \$14,002 [2009 - \$9,648] received during the year ended March 31, 2010 associated with the Home Lottery has been deferred and recorded in the balance sheet. Costs of \$4,058 [2009 - \$3,819] incurred during the year ended March 31, 2010 have been included in other assets [note 6] in the balance sheet. The results of the Home Lottery will be recorded as revenue and expenses in the financial statements for the year ending March 31, 2011. The Foundation has a standby letter of credit of \$12,750 that expires on July 19, 2010 obtained in connection with the Home Lottery.

15. INVESTMENT INCOME (LOSS)

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

	2010	2009
	\$	\$
Interest and dividends	9,070	10,662
Realized gains (losses)	9,063	(7,414)
Net change in unrealized gain/loss on investments	26,053	(21,274)
	44,186	(18,026)
Less investment management and custodial fees	528	441
	43,658	(18,467)

The Princess Margaret Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2010

[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 2010, investment income earned on investments held for endowments totaled \$20,403 of which \$14,649 was allocated for the preservation of capital. Of this amount, \$12,291 related to externally endowed funds was recorded as investment income in the Endowment Fund. Capital preservation of \$2,358 related to Board endowed funds was recorded as income in the General Fund and then transferred to the Endowment Fund.

The amount made available for spending of \$3,858 related to externally endowed funds was recorded as income in the Restricted Fund. The amount of \$744 made available related to internally endowed funds was recorded as investment income in the General Fund and then transferred to the Restricted Fund. An amount of \$1,152 is included in General Fund investment income related to the funds made available to cover administrative costs.

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 transferred from the Endowment Fund to the General Fund. With respect to internally endowed funds, the shortfall of funds available for spending of \$694 was transferred from the Endowment Fund to the Restricted Fund and the amount available to cover administrative

The Princess Margaret Hospital Foundation

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[in thousands]

March 31, 2010

costs 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.

16. INTERFUND TRANSFERS

[a] Transfers between funds consist of the following:

	<u>General Fund</u>		<u>Restricted Fund</u>		<u>Endowment Fund</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$	\$	\$	\$	\$	\$
Board and donor approved						
re: fund restrictions <i>[note 16[b]]</i>	(14,159)	(862)	12,991	(2,926)	1,168	3,788
Allocation of investment						
income in accordance						
with Board policy <i>[note 15[d]]</i>	(3,102)	4,542	744	4,418	2,358	(8,960)
	(17,261)	3,680	13,735	1,492	3,526	(5,172)

[b] In 2010, the Board approved transfers totalling \$12,991 from the General Fund to the Restricted Fund and \$1,168 from the General Fund to the Endowment Fund.

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 imposed restrictions approved by the Board and changes in the designation of funds as directed by donors.

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NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2010

17. 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>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$	\$	\$	\$	\$	\$
Equipment	—	7	4,841	8,243	—	—
Research	1	260	47,462	50,651	—	154
Construction of centres within the hospital	—	—	1,514	2,789	—	—
	1	267	53,817	61,683	—	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 \$25 [2009 - \$25] paid to UHN for office space, service fees and use of furniture and equipment.

[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] Fundraising includes \$1,983 received from affiliated foundations in connection with a donation recorded by those foundations directed by the donor to the Foundation.

[f] 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.

18. COMMITMENT AND CONTINGENCY

[a] As at March 31, 2010, 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, 2011.

[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, 2010

19. 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 OCI/PMH facilities and engaged in cancer research.

The following financial results for the year ended April 30, 2010 were reported by the University to the Foundation:

	Endowment Fund \$	Expendable Fund \$
Balance, at market value, as at April 30, 2009	8,868	354
Investment loss	1,303	—
Transfer to Expendable Fund	(443)	443
Student awards	—	(195)
Balance, at market value, as at April 30, 2010	9,728	602

20. 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.

21. 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, 2010, the Foundation has met its objective of having sufficient liquid resources to meet its current obligations.

22. COMPARATIVE FINANCIAL STATEMENTS

The Princess Margaret Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2010

The comparative financial statements have been reclassified from statements previously presented to conform to the revised presentation of the 2010 financial statements.