

Financial Statements

The Princess Margaret Hospital Foundation

March 31, 2011

INDEPENDENT AUDITORS' REPORT

To the Members of
The Princess Margaret Hospital Foundation

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **The Princess Margaret Hospital Foundation**, which comprise the balance sheet as at March 31, 2011 and the statement of revenue, expenses and changes in fund balances for the year then ended, and 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 the auditors' 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, the auditors 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **The Princess Margaret Hospital Foundation** as at March 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Canada Corporations Act, we report that, in our opinion, Canadian generally accepted accounting principles have been applied on a basis consistent with that of the preceding year.

Toronto, Canada,
June 22, 2011.

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

	2011	2010
	\$	[000's] \$
ASSETS		
Cash and cash equivalents <i>[note 3]</i>	52,598	53,070
Accounts receivable	1,669	88
Investments, at market <i>[note 4]</i>	310,749	265,803
Capital assets, net <i>[note 5]</i>	118	—
Other assets <i>[note 6]</i>	8,235	7,452
	373,369	326,413
LIABILITIES AND FUND BALANCES		
Liabilities		
Due to University Health Network <i>[note 17][f]</i>	19,962	19,334
Accounts payable and accrued liabilities	1,331	1,275
Deferred revenue <i>[notes 11, 12 and 14]</i>	29,452	21,222
Total liabilities	50,745	41,831
Commitment <i>[note 18]</i>		
Fund balances		
General Fund	10,135	10,161
Restricted Fund <i>[note 7]</i>	194,788	165,769
Endowment Fund <i>[note 8]</i>	117,701	108,652
Total fund balances	322,624	284,582
	373,369	326,413

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>	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$ [000's]	\$	\$ [000's]	\$	\$ [000's]	\$	\$ [000's]	\$
Gross fundraising revenue <i>[notes 9 and 17[e]]</i>	6,528	5,219	67,028	62,058	1,812	3,253	75,368	70,530
Direct fundraising expenses <i>[notes 11 and 12]</i>	(1,984)	(1,525)	(11,290)	(10,783)	—	—	(13,274)	(12,308)
Net fundraising	4,544	3,694	55,738	51,275	1,812	3,253	62,094	58,222
Gross lottery revenue <i>[note 14]</i>	—	—	52,210	50,206	—	—	52,210	50,206
Direct lottery expenses <i>[note 14]</i>	—	—	(37,060)	(38,457)	—	—	(37,060)	(38,457)
Net lottery	—	—	15,150	11,749	—	—	15,150	11,749
Net fundraising and lottery revenue	4,544	3,694	70,888	63,024	1,812	3,253	77,244	69,971
Investment income <i>[note 15]</i>	13,400	25,103	5,841	6,264	3,549	12,291	22,790	43,658
Net revenue, including investment income	17,944	28,797	76,729	69,288	5,361	15,544	100,034	113,629
General fundraising and administrative expenses <i>[note 17]</i>	6,443	5,561	1,227	1,183	—	—	7,670	6,744
Excess of revenue over expenses before grants	11,501	23,236	75,502	68,105	5,361	15,544	92,364	106,885
Grants								
Ontario Cancer Institute/Princess Margaret Hospital <i>[note 17[a]]</i>	—	1	54,322	53,817	—	—	54,322	53,818
Excess of revenue over expenses and grants for the year	11,501	23,235	21,180	14,288	5,361	15,544	38,042	53,067
Fund balances, beginning of year	10,161	4,187	165,769	137,746	108,652	89,582	284,582	231,515
Interfund transfers <i>[note 16]</i>	(11,527)	(17,261)	7,839	13,735	3,688	3,526	—	—
Fund balances, end of year	10,135	10,161	194,788	165,769	117,701	108,652	322,624	284,582

See accompanying notes

The Princess Margaret Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2011

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:

Future changes in accounting policies

In December 2010, the Accounting Standards Board of the Canadian Institute of Chartered Accountants ["CICA"] issued Part III of the CICA Handbook that sets out the accounting standards for not-for-profit organizations that are effective for fiscal years beginning on or after January 1, 2012, with an option to early-adopt. The Foundation is currently evaluating the impact of these standards.

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]

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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 and 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, 2011

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 of 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 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.

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.

The Princess Margaret Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

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Cash and cash equivalents

Cash and cash equivalents consist of cash deposits and short-term investments with an original term to maturity less than 90 days or able to be cashed on demand. Cash and investments meeting the definition of cash and cash equivalents that are held for investing rather than liquidity purposes are classified as investments.

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.

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*.

The Princess Margaret Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

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Employee future benefit plans

The Foundation participates in a multi-employer defined benefit pension plan and non-pension defined benefit plans 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 AND CASH EQUIVALENTS

Cash and cash equivalents consist 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.

4. INVESTMENTS

[a] Investments consist of the following:

	2011	2010
	\$	\$
Cash	6,568	569
Short-term investments	3,335	3,491
Canadian bonds	190,584	161,308
Equities		
Canadian	16,435	13,768
US and other foreign	64,997	52,683
	81,432	66,451
Alternative investments	26,067	33,250
Forward foreign exchange contracts	2,763	734
	310,749	265,803

The Princess Margaret Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2011

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 number of forward foreign exchange contracts with a US bank. At March 31, 2011, there are three contracts maturing on April 4, 2011. One contract allows the sale of CA\$49,380 at an exchange rate of 0.9759. The second contract allows the purchase of US\$22,000 at an exchange rate of 0.9887. The third contract allows the sale of US\$69,900 at an exchange rate of 1.01763. Another contract maturing on July 6, 2011 allows the sale of US\$51,000 at an exchange rate of 0.9776 [March 31, 2010 - one contract with a US bank to sell US\$39,000 on April 7, 2010 at an exchange rate of 1.03397]. The fair market value of these contracts as at March 31, 2011 is a gain of \$2,763 [2010 - \$734].

[b] Investments are managed as two pools:

- Investments related to the Endowment Fund are invested as follows: cash and short-term investments - 5% [2010 - 1%], bonds - 6% [2010 - 10%], equities - 68% [2010 - 61%] and alternative investments - 21% [2010 - 28%].
- 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 5.0% [2010 - 4.71%] and an average term to maturity of 14.4 years [2010 - 10.8 years].

[c] During the year ended March 31, 2011, \$22,000 was transferred to the investment portfolio.

[d] The Foundation has made a commitment to invest \$10,900 in private capital over the next three to five years.

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NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2011

5. CAPITAL ASSETS

Capital assets consist of the following:

	2011			2010		
	Cost \$	Accumulated amortization \$	Net book value \$	Cost \$	Accumulated amortization \$	Net book value \$
Office equipment	—	—	—	230	230	—
Computer hardware and software	177	59	118	317	317	—
	177	59	118	547	547	—

Amortization expense recorded in the accounts is \$59 [2010 - \$98]. Capital asset purchases were \$177 [2010 - nil].

6. OTHER ASSETS

Other assets consist of the following:

	2011 \$	2010 \$
Future events		
Weekend to End Women's Cancers [note 11]	1,036	1,256
Ride to Conquer Cancer [note 12]	1,884	1,949
Others	98	189
Future lotteries [note 14]	5,217	4,058
	8,235	7,452

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NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2011

7. RESTRICTED FUND

The Restricted Fund consists of funds available for spending for priorities in progress at OCI/PMH that are restricted by donors or the Board for the following purposes:

	2011	2010
	\$	\$
<hr/>		
Donor-restricted balances		
Restricted for research purposes	115,307	104,284
Restricted for purchase of capital assets	25,096	19,938
Restricted for patient support and other	33,941	28,566
	<hr/> 174,344	<hr/> 152,788
<hr/>		
Internally imposed restrictions		
Restricted for research purposes	3,343	2,866
Special reserve	17,101	10,115
	<hr/> 20,444	<hr/> 12,981
	<hr/> 194,788	<hr/> 165,769
<hr/>		

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.

The Princess Margaret Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2011

Major categories of restrictions on fund balances are as follows:

	2011	2010
	\$	\$
Externally imposed endowments		
Endowments, the income from which must be used for research purposes	83,047	77,894
Endowments, the income from which must be used for other restricted purposes	13,579	12,892
	96,626	90,786
Internally imposed endowments approved by the Board		
Funds restricted for research	9,309	8,798
Funds restricted for other purposes	717	688
Unrestricted funds	11,049	8,380
	21,075	17,866
	117,701	108,652

9. GROSS FUNDRAISING REVENUE

Gross fundraising revenue consists of the following:

	<u>General Fund</u>		<u>Restricted Fund</u>		<u>Endowment Fund</u>	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
Annual programs <i>[note 13]</i>	4,102	3,859	9,050	8,684	303	384
Major gifts and bequests	2,426	1,360	28,932	25,702	1,509	2,869
Weekend to End Women's Cancers <i>[note 11]</i>	—	—	11,127	11,685	—	—
Ride to Conquer Cancer <i>[notes 10 and 12]</i>	—	—	17,919	15,987	—	—
	6,528	5,219	67,028	62,058	1,812	3,253

The Princess Margaret Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2011

10. ROYALTIES

The Foundation has licensed the Ride to Conquer Cancer to other cancer charities across Canada to support their fundraising efforts. During fiscal 2011, the Ride to Conquer Cancer raised \$42,800 [2010 - \$36,800] gross revenue nationally, including the Toronto event revenue. This has resulted in \$1,181 [2010 - \$968] royalty revenue, to be used for collaborative research projects, which has been included in the Ride to Conquer Cancer fundraising revenue [note 9].

11. WEEKEND TO END WOMEN'S CANCERS

During the years ended March 31, 2011 and 2010, the Foundation held a fundraising event, the Weekend to End Women's Cancers. Financial results included in the statement of revenue, expenses and changes in fund balances are as follows:

	2011	2010
	\$	\$
Revenue [note 9]	11,127	11,685
Direct expenses		
Logistics	2,929	3,350
Marketing and other	1,064	1,051
	3,993	4,401
	7,134	7,284

As at March 31, 2011, revenue of \$1,596 [2010 - \$1,669] received during the year ended March 31, 2011 associated with the event to be held in September 2011 has been deferred and recorded in the balance sheet. Costs of \$1,036 [2010 - \$1,256] incurred during the year ended March 31, 2011 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, 2012.

The Princess Margaret Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

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12. RIDE TO CONQUER CANCER

During the years ended March 31, 2011 and 2010, 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:

	2011	2010
	\$	\$
Revenue [notes 9 and 10]	17,919	15,987
Direct expenses		
Logistics	4,318	3,733
Marketing and other	1,122	1,562
	5,440	5,295
	12,479	10,692

As at March 31, 2011, revenue of \$5,948 [2010 - \$5,240] received during the year ended March 31, 2011 associated with the event to be held in June 2011 has been deferred and recorded in the balance sheet. Costs of \$1,884 [2010 - \$1,949] incurred during the year ended March 31, 2011 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, 2012.

13. PROVINCIAL GRANT

In fiscal 2009, 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 2011, the third payment of \$3,000 [2010 - \$3,000] was received and \$2,850 [2010 - \$2,850] was paid to UHN who, jointly with Cancer Care Ontario, is administrating the grant. The receipt of the grant from the Province of Ontario 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.

The Princess Margaret Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2011

14. LOTTERIES

During the years ended March 31, 2011 and 2010, the Foundation held two lotteries. Financial results included in the statement of revenue, expenses and changes in fund balances are as follows:

	2011	2010
	\$	\$
Revenue	52,210	50,206
Direct expenses		
Prizes	20,878	20,732
Marketing and other	16,182	17,725
	37,060	38,457
	15,150	11,749

Prior to March 31, 2011, the Foundation committed to carrying out the spring 2011 Princess Margaret Hospital Home Lottery [the "Home Lottery"], which was held in May 2011. As at March 31, 2011, revenue of \$21,058 [2010 - \$14,002] received during the year ended March 31, 2011 associated with the Home Lottery has been deferred and recorded in the balance sheet. Costs of \$5,217 [2010 - \$4,058] incurred during the year ended March 31, 2011 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, 2012. The Foundation has a standby letter of credit of \$13,343 that expires on July 11, 2011 obtained in connection with the Home Lottery.

15. INVESTMENT INCOME

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

	2011	2010
	\$	\$
Interest and dividends	10,581	8,966
Realized gains	4,888	9,063
Net change in unrealized gain on investments	7,841	26,053
	23,310	44,082
Less investment management and custodial fees	520	424
	22,790	43,658

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[in thousands]

March 31, 2011

[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 2011, investment income earned on investments held for endowments totaled \$10,042 [2010 - \$20,403], of which \$4,341 [2010 - \$14,649] was allocated for the preservation of capital. Of this amount, \$3,549 [2010 - \$12,291] related to externally endowed funds was recorded as investment income of the Endowment Fund. Capital preservation of \$792 [2010 - \$2,358] related to Board endowed funds was recorded as investment income of the General Fund and then transferred to the Endowment Fund.

The amount made available for spending of \$3,802 [2010 - \$3,858] related to externally endowed funds was recorded as income of the Restricted Fund. The amount of \$759 [2010 - \$744] made available for spending related to internally endowed funds was recorded as investment income of the General Fund and then transferred to the Restricted Fund. An amount of \$1,140 [2010 - \$1,152] is included in General Fund investment income related to the funds made available to cover administrative costs.

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[in thousands]

March 31, 2011

16. INTERFUND TRANSFERS

[a] Transfers between funds consist of the following:

	<u>General Fund</u>		<u>Restricted Fund</u>		<u>Endowment Fund</u>	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
Board and donor approved re: fund restrictions <i>[note 16[b]]</i>	(9,976)	(14,159)	7,080	12,991	2,896	1,168
Allocation of investment income in accordance with Board policy <i>[note 15[d]]</i>	(1,551)	(3,102)	759	744	792	2,358
	(11,527)	(17,261)	7,839	13,735	3,688	3,526

[b] In 2011, the Board approved transfers totaling \$7,080 [2010 - \$12,991] from the General Fund to the Restricted Fund and \$2,896 [2010 - \$1,168] from the General 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.

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>	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
Equipment	—	—	2,490	4,841	—	—
Research	—	1	49,002	47,462	—	—
Construction of centres within the hospital	—	—	2,830	1,514	—	—
	—	1	54,322	53,817	—	—

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[in thousands]

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- [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 [2010 - \$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 \$1,396 [2010 - \$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

As at March 31, 2011, the Foundation approved plans to make a research grant of \$19,200 to OCI/PMH which will be expensed during the year ending March 31, 2012.

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.

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[in thousands]

March 31, 2011

The following financial results for the year ended April 30, 2011 were reported by the University to the Foundation:

	Endowment Fund	Expendable Fund
	\$	\$
Balance, at market value, as at April 30, 2010	9,728	602
Investment gain	954	—
Transfer to Expendable Fund	(455)	455
Student awards	—	(199)
Balance, at market value, as at April 30, 2011	10,227	858

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, 2011, the Foundation has met its objective of having sufficient liquid resources to meet its current obligations.

