

Financial Statements

The Princess Margaret Hospital Foundation
March 31, 2012

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, 2012, and the statements of revenue, expenses and changes in fund balances and cash flows 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, 2012 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 27, 2012.

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

	2012	2011
	\$	[000's] \$
ASSETS		
Cash and cash equivalents <i>[note 3]</i>	54,541	52,598
Accounts receivable	1,764	1,669
Investments, at market <i>[note 4]</i>	342,193	310,749
Capital assets, net <i>[note 5]</i>	107	118
Other assets <i>[note 6]</i>	12,689	9,928
	411,294	375,062
LIABILITIES AND FUND BALANCES		
Liabilities		
Due to University Health Network <i>[note 17][f]</i>	27,068	19,962
Accounts payable and accrued liabilities	3,074	3,024
Deferred revenue <i>[notes 11, 12 and 14]</i>	32,154	29,452
Total liabilities	62,296	52,438
Commitments <i>[notes 4[d] and 18]</i>		
Fund balances		
General Fund	10,032	10,135
Restricted Fund <i>[note 7]</i>	227,552	194,788
Endowment Fund <i>[note 8]</i>	111,414	117,701
Total fund balances	348,998	322,624
	411,294	375,062

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>	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$ [000's]	\$	\$ [000's]	\$	\$ [000's]	\$	\$ [000's]	\$
Gross fundraising revenue <i>[notes 9 and 17[e]]</i>	5,942	6,528	72,912	67,028	1,445	1,812	80,299	75,368
Direct fundraising expenses <i>[notes 11 and 12]</i>	(2,480)	(1,984)	(11,748)	(11,290)	—	—	(14,228)	(13,274)
Net fundraising	3,462	4,544	61,164	55,738	1,445	1,812	66,071	62,094
Gross lottery revenue <i>[note 14]</i>	—	—	56,778	52,210	—	—	56,778	52,210
Direct lottery expenses <i>[note 14]</i>	—	—	(38,698)	(37,060)	—	—	(38,698)	(37,060)
Net lottery	—	—	18,080	15,150	—	—	18,080	15,150
Net fundraising and lottery revenue	3,462	4,544	79,244	70,888	1,445	1,812	84,151	77,244
Investment income (loss) <i>[note 15]</i>	15,504	13,400	2,256	5,841	(3,820)	3,549	13,940	22,790
Net revenue, including investment income	18,966	17,944	81,500	76,729	(2,375)	5,361	98,091	100,034
General fundraising and administrative expenses <i>[note 17]</i>	6,821	6,443	1,412	1,227	—	—	8,233	7,670
Excess of revenue over expenses before grants	12,145	11,501	80,088	75,502	(2,375)	5,361	89,858	92,364
Grants								
Ontario Cancer Institute/Princess Margaret Hospital <i>[note 17[a]]</i>	3	—	63,481	54,322	—	—	63,484	54,322
Excess of revenue over expenses and grants for the year	12,142	11,501	16,607	21,180	(2,375)	5,361	26,374	38,042
Fund balances, beginning of year	10,135	10,161	194,788	165,769	117,701	108,652	322,624	284,582
Interfund transfers <i>[note 16]</i>	(12,245)	(11,527)	16,157	7,839	(3,912)	3,688	—	—
Fund balances, end of year	10,032	10,135	227,552	194,788	111,414	117,701	348,998	322,624

See accompanying notes

The Princess Margaret Hospital Foundation

STATEMENT OF CASH FLOWS

Year ended March 31

	2012	2011
	\$	[000's] \$
OPERATING ACTIVITIES		
Excess of revenue over expenses and grants for the year	26,374	38,042
Items not involving cash		
Amortization of capital assets	84	59
Accrued income on investments	(582)	(150)
Unrealized gain on investments	(1,138)	(7,841)
Net change in non-cash working capital balances		
Accounts receivable	(95)	(1,581)
Other assets	(2,761)	(2,476)
Due to University Health Network	7,106	628
Accounts payable and accrued liabilities	50	1,749
Deferred revenue	2,702	8,230
Cash provided by operating activities	31,740	36,660
INVESTING ACTIVITIES		
Contributions to externally managed investments	(17,000)	(22,000)
Investment income reinvested	(12,724)	(14,955)
Additions to capital assets	(73)	(177)
Cash used in investing activities	(29,797)	(37,132)
Net increase (decrease) in cash and cash equivalents during the year	1,943	(472)
Cash and cash equivalents, beginning of year	52,598	53,070
Cash and cash equivalents, end of year	54,541	52,598

See accompanying notes

The Princess Margaret Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2012

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

The Accounting Standards Board of the CICA has 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. The Foundation will transition to the new standards in fiscal 2013. 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 invested by the Foundation in perpetuity.

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 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]

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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]

March 31, 2012

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:

	2012	2011
	\$	\$
Cash	1,405	6,568
Short-term investments	3,850	3,335
Bonds	226,379	190,584
Equities		
Canadian	13,067	16,435
US and other foreign	64,114	64,997
	77,181	81,432
Alternative investments	31,288	26,067
Forward foreign exchange contract	2,090	2,763
	342,193	310,749

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[in thousands]

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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 with a US bank. This contract, maturing on April 5, 2012, allows the sale of US\$65,900 at an exchange rate of 1.0313. The fair market value of this contract as at March 31, 2012 is a gain of \$2,090 [2011 - \$2,763].

[b] Investments are managed as two pools:

- Investments related to the Endowment Fund are invested as follows: cash and short-term investments – 0% [2011 - 5%], bonds - 7% [2011 - 6%], equities - 67% [2011 - 68%] and alternative investments - 26% [2011 - 21%].
- 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 4.2% [2011 - 5.0%] and an average term to maturity of 9.1 years [2011 - 8.6 years].

[c] During the year ended March 31, 2012, \$17,000 [2011 - \$22,000] was transferred to the investment portfolio.

[d] The Foundation has outstanding commitments to invest \$7,168 [2011 - \$10,900] in private capital over the next three to five years.

5. CAPITAL ASSETS

Capital assets consist of the following:

	2012			2011		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
	\$	\$	\$	\$	\$	\$
Computer hardware and software	250	143	107	177	59	118
	250	143	107	177	59	118

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NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2012

6. OTHER ASSETS

Other assets consist of the following:

	2012	2011
	\$	\$
Future events		
Weekend to End Women's Cancers <i>[note 11]</i>	1,219	1,074
Ride to Conquer Cancer <i>[note 12]</i>	2,302	1,938
Others	403	98
Future lotteries <i>[note 14]</i>	8,765	6,818
	12,689	9,928

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:

	2012	2011
	\$	\$
Donor-restricted balances		
Restricted for research purposes	126,016	114,782
Restricted for purchase of capital assets	26,285	27,597
Restricted for patient support and other	43,136	32,465
	195,437	174,844
Internally imposed restrictions		
Restricted for research purposes	12,579	3,343
Special reserve	19,536	16,601
	32,115	19,944
	227,552	194,788

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NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2012

8. ENDOWMENT FUND

The Endowment Fund consists of externally restricted contributions received by the Foundation where the endowment principal is required to be invested by the Foundation in perpetuity. The Endowment Fund also includes internal resources transferred by the Board to the Endowment Fund, with the intention that the principal be invested in perpetuity. 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:

	2012	2011
	\$	\$
Externally imposed endowments		
Endowments, the income from which must be used for research purposes	77,851	83,047
Endowments, the income from which must be used for other restricted purposes	12,510	13,579
	90,361	96,626
Internally imposed endowments approved by the Board		
Funds restricted for research	9,925	9,309
Funds restricted for other purposes	656	717
Unrestricted funds	10,472	11,049
	21,053	21,075
	111,414	117,701

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NOTES TO FINANCIAL STATEMENTS

[in thousands]

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9. GROSS FUNDRAISING REVENUE

Gross fundraising revenue consists of the following:

	<u>General Fund</u>		<u>Restricted Fund</u>		<u>Endowment Fund</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	\$	\$	\$	\$	\$	\$
Annual programs <i>[note 13]</i>	4,171	4,102	12,251	9,050	147	303
Major gifts and bequests	1,771	2,426	31,190	28,932	1,298	1,509
Weekend to End Women's Cancers <i>[note 11]</i>	—	—	9,717	11,127	—	—
Ride to Conquer Cancer <i>[notes 10 and 12]</i>	—	—	19,754	17,919	—	—
	5,942	6,528	72,912	67,028	1,445	1,812

10. ROYALTIES

The Foundation has licensed the Ride to Conquer Cancer to other cancer charities across Canada to support their fundraising efforts. During fiscal 2012, the Ride to Conquer Cancer raised \$47,331 [2011 - \$42,800] gross revenue nationally, including the Toronto event revenue. This has resulted in \$1,264 [2011 - \$1,181] of 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, 2012 and 2011, 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:

	<u>2012</u>	<u>2011</u>
	\$	\$
Revenue <i>[note 9]</i>	9,717	11,127
Direct expenses		
Logistics	2,617	2,929
Marketing and other	1,103	1,064
	3,720	3,993
	5,997	7,134

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As at March 31, 2012, revenue of \$1,474 [2011 - \$1,596] received during the year ended March 31, 2012 associated with the event to be held in September 2012 has been deferred and recorded in the balance sheet. Costs of \$1,219 [2011 - \$1,074] incurred during the year ended March 31, 2012 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, 2013.

12. RIDE TO CONQUER CANCER

During the years ended March 31, 2012 and 2011, 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:

	2012	2011
	\$	\$
Revenue [notes 9 and 10]	19,754	17,919
Direct expenses		
Logistics	4,223	4,318
Marketing and other	1,341	1,122
	5,564	5,440
	14,190	12,479

As at March 31, 2012, revenue of \$6,054 [2011 - \$5,948] received during the year ended March 31, 2012 associated with the event to be held in June 2012 has been deferred and recorded in the balance sheet. Costs of \$2,302 [2011 - \$1,938] incurred during the year ended March 31, 2012 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, 2013.

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 2012, the fourth payment of \$3,000 [2011 - third payment of \$3,000] was received and \$2,850 [2011 - \$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

The Princess Margaret Hospital Foundation

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[in thousands]

March 31, 2012

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.

14. LOTTERIES

During the years ended March 31, 2012 and 2011, the Foundation held two lotteries. Financial results included in the statement of revenue, expenses and changes in fund balances are as follows:

	2012 \$	2011 \$
Revenue	56,778	52,210
Direct expenses		
Prizes	22,222	20,878
Marketing and other	16,476	16,182
	38,698	37,060
	18,080	15,150

Prior to March 31, 2012, the Foundation committed to carrying out the spring 2012 Princess Margaret Hospital Home Lottery [the "Home Lottery"], which was held in May 2012. As at March 31, 2012, revenue of \$24,044 [2011 - \$21,058] received during the year ended March 31, 2012 associated with the Home Lottery has been deferred and recorded in the balance sheet. Costs of \$8,765 [2011 - \$6,818] incurred during the year ended March 31, 2012 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, 2013. The Foundation has a standby letter of credit of \$13,397 that expires on June 18, 2012 obtained in connection with the Home Lottery.

The Princess Margaret Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2012

15. INVESTMENT INCOME

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

	2012	2011
	\$	\$
Interest and dividends	11,886	10,581
Realized gains	1,488	4,888
Net change in unrealized gain on investments	1,138	7,841
	14,512	23,310
Less investment management and custodial fees	572	520
	13,940	22,790

[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 3.5% [2011- 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 2012, investments held for endowments incurred an investment loss of \$4,649. The loss of \$3,820 related to externally endowed funds was recorded as a direct reduction in the Endowment Fund. The loss of \$829 related to internally endowed funds was recorded in the

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[in thousands]

March 31, 2012

General Fund and an equal amount was transferred from the Endowment Fund to the General Fund to cover the loss. Because there was a loss, there was no investment income available for preservation of capital, to make an amount available for spending or to cover administrative costs. The amount made available for spending of \$3,923 was transferred from the Endowment Fund to the Restricted Fund and the amount available to cover administrative costs of \$1,120 was transferred from the Endowment Fund to the General Fund.

In 2011, investment income earned on investments held for endowments totaled \$10,042, of which \$4,341 was allocated for the preservation of capital. Of this amount, \$3,549 related to externally endowed funds was recorded as investment income of the Endowment Fund. Capital preservation of \$792 related to Board endowed funds was recorded as investment income of the General Fund and then transferred to the Endowment Fund. In 2011 the amount made available for spending of \$3,802 related to externally endowed funds was recorded as income of the Restricted Fund. The amount of \$759 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 was included in General Fund investment income related to the funds made available to cover administrative costs.

16. INTERFUND TRANSFERS

[a] Transfers between funds consist of the following:

	<u>General Fund</u>		<u>Restricted Fund</u>		<u>Endowment Fund</u>	
	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$
Board and donor approved						
re: fund restrictions <i>[note 16[b]]</i>	(14,194)	(9,976)	12,234	7,080	1,960	2,896
Allocation of investment						
income in accordance						
with Board policy <i>[note 15[d]]</i>	1,949	(1,551)	3,923	759	(5,872)	792
	(12,245)	(11,527)	16,157	7,839	(3,912)	3,688

[b] In 2012, the Board approved transfers totaling \$12,234 [2011 - \$7,080] from the General Fund to the Restricted Fund and \$1,960 [2011 - \$2,896] 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.

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[in thousands]

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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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	\$	\$	\$	\$	\$	\$
Equipment	—	—	4,622	2,490	—	—
Research	3	—	51,829	49,002	—	—
Construction of centres within the hospital	—	—	7,030	2,830	—	—
	3	—	63,481	54,322	—	—

[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 [2011 - \$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 \$40 [2011 - \$1,396] 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.

[g] The Board of Directors of The Princess Margaret Hospital Foundation includes two members, affiliated with a professional services firm which was independently retained by Foundation management, pursuant to a Request For Proposal Process, to perform administration services for the lottery program and donation processing services for The Road Hockey to Conquer Cancer fundraising event for total fees of \$1,458 [2011 - \$1,202].

The Princess Margaret Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2012

18. COMMITMENT

As at March 31, 2012, the Foundation has approved plans to make a research grant of \$19,200 to OCI/PMH which will be expensed during the year ending March 31, 2013.

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, 2012 were reported by the University to the Foundation:

	Endowment Fund	Expendable Fund
	\$	\$
Balance, at market value, as at April 30, 2011	10,227	858
Investment gain	112	—
Transfer to Expendable Fund	(462)	462
Student awards	—	(214)
Balance, at market value, as at April 30, 2012	9,877	1,106

20. 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, 2012, the Foundation has met its objective of having sufficient liquid resources to meet its current obligations.

The Princess Margaret Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2012

21. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2012 financial statements.