

Financial Statements

The Princess Margaret Cancer Foundation

March 31, 2013

INDEPENDENT AUDITORS' REPORT

To the Members of
The Princess Margaret Cancer Foundation

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **The Princess Margaret Cancer Foundation** which comprise the balance sheets as at March 31, 2013 and 2012, and April 1, 2011 and the statements of revenue, expenses and changes in fund balances and cash flows for the years ended March 31, 2013 and 2012, 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 accounting standards for not-for-profit organizations, 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 in our audits 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 Cancer Foundation** as at March 31, 2013 and 2012 and April 1, 2011, and the results of its operations and its cash flows for the years ended March 31, 2013 and 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Canada Corporations Act, we report that, in our opinion, Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Toronto, Canada,
June 26, 2013.

Ernst + Young LLP

Chartered Accountants
Licensed Public Accountants

The Princess Margaret Cancer Foundation
 Incorporated under the laws of Canada

BALANCE SHEETS

	March 31, 2013 \$	March 31, 2012 \$	April 1, 2011 \$
	[000's]	[000's]	
ASSETS			
Cash and cash equivalents <i>[note 3]</i>	67,640	54,541	52,598
Accounts receivable	842	2,364	2,229
Investments, at market <i>[note 4]</i>	374,649	342,193	310,749
Other assets <i>[note 5]</i>	3,622	4,034	2,760
	446,753	403,132	368,336
LIABILITIES AND FUND BALANCES			
Liabilities			
Due to University Health Network <i>[note 13][f]</i>	25,432	27,068	19,962
Accounts payable and accrued liabilities	3,131	3,074	3,024
Deferred revenue <i>[note 10]</i>	22,224	24,570	21,675
Total liabilities	50,787	54,712	44,661
Commitments <i>[note 4][c]</i>			
Fund balances			
General Fund	10,351	10,032	10,135
Restricted Fund <i>[note 6]</i>	264,128	226,974	195,839
Endowment Fund <i>[note 7]</i>	121,487	111,414	117,701
Total fund balances	395,966	348,420	323,675
	446,753	403,132	368,336

See accompanying notes

On behalf of the Board:

Director

Director

The Princess Margaret Cancer Foundation

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCES

Years ended March 31

	<u>General Fund</u>		<u>Restricted Fund</u>		<u>Endowment Fund</u>		<u>Total</u>	
	2013	2012	2013	2012	2013	2012	2013	2012
	\$ [000's]	\$	\$ [000's]	\$	\$ [000's]	\$	\$ [000's]	\$
Gross fundraising revenue <i>[notes 8 and 13[e]]</i>	8,946	5,942	75,672	72,759	1,293	1,445	85,911	80,146
Direct fundraising expenses <i>[notes 9, 10[b] and [c]]</i>	(3,547)	(2,480)	(13,252)	(12,373)	—	—	(16,799)	(14,853)
Net fundraising	5,399	3,462	62,420	60,386	1,293	1,445	69,112	65,293
Gross lottery revenue <i>[note 10[d]]</i>	—	—	58,193	56,778	—	—	58,193	56,778
Direct lottery expenses, including prizes <i>[note 10[d]]</i>	—	—	(38,823)	(39,549)	—	—	(38,823)	(39,549)
Net lottery	—	—	19,370	17,229	—	—	19,370	17,229
Net fundraising and lottery revenue	5,399	3,462	81,790	77,615	1,293	1,445	88,482	82,522
General fundraising and administrative expenses <i>[note 13]</i>	(7,706)	(6,821)	(1,461)	(1,412)	—	—	(9,167)	(8,233)
Investment income (loss) <i>[note 11]</i>	22,700	15,504	5,626	2,256	4,684	(3,820)	33,010	13,940
Excess of revenue over expenses before grants	20,393	12,145	85,955	78,459	5,977	(2,375)	112,325	88,229
Grants to Ontario Cancer Institute/The Princess Margaret Cancer Centre <i>[note 13[a]]</i>	—	(3)	(64,779)	(63,481)	—	—	(64,779)	(63,484)
Excess (deficiency) of revenue over expenses for the year	20,393	12,142	21,176	14,978	5,977	(2,375)	47,546	24,745
Fund balances, beginning of year	10,032	10,135	226,974	195,839	111,414	117,701	348,420	323,675
Interfund transfers <i>[note 12]</i>	(20,074)	(12,245)	15,978	16,157	4,096	(3,912)	—	—
Fund balances, end of year	10,351	10,032	264,128	226,974	121,487	111,414	395,966	348,420

See accompanying notes

The Princess Margaret Cancer Foundation

STATEMENTS OF CASH FLOWS

Years ended March 31

	2013	2012
	\$	[000's] \$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	47,546	24,745
Items not involving cash		
Amortization of capital assets	95	84
Accrued income on investments	143	(582)
Unrealized gain on investments	(10,280)	(1,138)
Net change in non-cash balances related to operations		
Accounts receivable	1,522	(135)
Other assets	353	(1,285)
Due to University Health Network	(1,636)	7,106
Accounts payable and accrued liabilities	57	50
Deferred revenue	(2,346)	2,895
Cash provided by operating activities	35,454	31,740
INVESTING ACTIVITIES		
Investment income reinvested	(22,319)	(12,724)
Contributions to externally managed investments	—	(17,000)
Additions to capital assets	(36)	(73)
Cash used in investing activities	(22,355)	(29,797)
Net increase in cash and cash equivalents during the year	13,099	1,943
Cash and cash equivalents, beginning of year	54,541	52,598
Cash and cash equivalents, end of year	67,640	54,541

See accompanying notes

The Princess Margaret Cancer Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2013

1. PURPOSE OF THE ORGANIZATION

The Princess Margaret Cancer 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 and The Princess Margaret Cancer Centre, 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

These financial statements are prepared in accordance with Part III of the Canadian Institute of Chartered Accountants' ["CICA"] Handbook – Accounting Standards for Not-for-Profit Organizations, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

These financial statements are the first financial statements that the Foundation has prepared in accordance with Part III of the CICA Handbook – Accounting, which constitutes generally accepted accounting principles for not-for-profit organizations in Canada ["GAAP"]. The changes in opening fund balances and impact of first-time adoption of accounting standards for not-for-profit organizations is described in note 16.

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 statements of revenue, expenses and changes in fund balances.

The Princess Margaret Cancer Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2013

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

Investments reported at fair value consist of equity instruments that are quoted in an active market as well as investments in pooled funds and any investments in fixed income securities that the Foundation designates upon purchase to be measured at fair value. Transaction costs are recognized in the statements of revenues, expenses and changes in fund balances in the period during which they are incurred.

Investments in fixed income securities not designated to be measured at fair value are initially recorded at fair value plus transaction costs and are subsequently measured at amortized cost using the straight-line method, less any provision for impairment.

All transactions are recorded on a trade date basis.

Derivative financial instruments are marked to market, with gains and losses recognized in the statements of revenues, expenses and changes in fund balances in the year in which the changes in market value occur.

Other financial instruments, including accounts receivable and accounts payable, are recorded at fair value and are subsequently measured at cost, net of any provisions for impairment.

The Princess Margaret Cancer Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2013

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 statements of revenue, expenses and changes in fund balances.

Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions, which include bequests and other donations. Bequests are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other donations are recorded when received since pledges are not legally enforceable claims. Unrestricted contributions are recognized as revenue in the General Fund when initially recorded in the accounts. Externally restricted contributions, except endowment contributions, are recognized as revenue in the Expendable Restricted Fund when initially recorded in the accounts. Externally restricted endowment contributions are recognized as revenue in the Endowment Fund when initially recorded in the accounts.

Investment income (loss) consists of interest, dividends, income distributions from pooled funds, and realized and unrealized gains and losses. Investment income earned on the Endowment Fund or Expendable Restricted Fund resources that must be spent on donor-restricted activities is recognized as revenue of the Expendable 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, Expendable Restricted Fund and General Fund resources is recognized as revenue of the General Fund. Investment losses are allocated in a manner consistent with investment income.

Lottery revenue is recognized in the fiscal year in which the final draw takes place. Revenue in connection with events, other than donations, is recorded when earned. Donations received related to an event are recorded consistent with the recognition of donation revenue.

Grant recognition

Grants are recognized when approved and the recipient has met all conditions.

The Princess Margaret Cancer Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2013

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.

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	3 years

The Princess Margaret Cancer Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2013

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, all of which are recorded at fair value, consist of the following:

	March 31, 2013 \$	March 31, 2012 \$	April 1, 2011 \$
Equities			
Canadian	12,950	13,067	16,435
US and other foreign	74,820	64,114	64,997
	87,770	77,181	81,432
Cash	4,815	1,405	6,568
Short-term investments	4,381	3,850	3,335
Bonds	243,619	226,379	190,584
Alternative investments	35,367	31,288	26,067
Forward foreign exchange contract [notes 4[d] and [e]]	(1,303)	2,090	2,763
	374,649	342,193	310,749

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.

The Princess Margaret Cancer Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2013

[b] Investments are managed as two pools:

- Investments related to the Endowment Fund are invested as follows: equities - 69% [2012 - 67%; 2011 - 68%], cash and short-term investments - 4% [2012 - nil; 2011 - 5%], bonds - 2% [2012 - 7%; 2011 - 6%], and alternative investments - 25% [2012 - 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 3.7% [2012 - 4.2%; 2011 - 5.0%] and an average term to maturity of 8 years [2012 - 9.1 years; 2011 - 8.6 years].

[c] The Foundation has outstanding commitments to invest \$11,444 [2012 - \$7,168; 2011 - \$10,900] in private capital over the next three to five years.

[d] In order to manage foreign currency exposure, the Foundation has entered into a number of forward foreign exchange contracts with a US bank. There are three contracts, maturing on April 3, 2013. One contract allows the sale of US\$5,700 at an exchange rate of 1.0174. The second contract allows the sale of US\$48,300 at an exchange rate of 0.9871. The third contract allows the purchase of US\$53,476 at an exchange rate of 1.0259. Another contract maturing on July 3, 2013 allows the sale of US\$54,600 at an exchange rate of 1.0275. The fair market value of this contract as at March 31, 2013 is a loss of \$1,393 [2012 - \$2,090; 2011 - \$2,763].

[e] The Foundation has also entered into two forward foreign exchange contracts with a Canadian bank. One contract, maturing June 18, 2013, allows the sale of AUD\$405 at an exchange rate of 1.0570. The second contract, maturing June 20, 2013 allows the sale of US\$10,331 at an exchange rate of 1.0267. The fair market value of this contract as at March 31, 2013 is a gain of \$90.

The Princess Margaret Cancer Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2013

5. OTHER ASSETS

Other assets consist of the following:

	March 31, 2013	March 31, 2012	April 1, 2011
	\$	\$	\$
Prepaid expenses related to future events			
Weekend to End Women's Cancers <i>[note 10[b]]</i>	69	65	45
Ride to Conquer Cancer <i>[note 10[c]]</i>	211	114	93
Other	71	162	14
Prepaid expenses related to future lotteries <i>[note 10[d]]</i>	3,223	3,586	2,490
Other	48	107	118
	3,622	4,034	2,760

6. RESTRICTED FUND

The Restricted Fund consists of funds available for spending for priorities in progress at The Ontario Cancer Institute and The Princess Margaret Cancer Centre that are restricted by donors or the Board for the following purposes:

	March 31, 2013	March 31, 2012	April 1, 2011
	\$	\$	\$
Donor-restricted balances			
Restricted for research, patient care and other purposes	188,764	168,574	148,298
Restricted for purchase of capital assets	29,996	26,285	27,597
	218,760	194,859	175,895
Internally imposed restrictions			
Restricted for research, patient care and other purposes	20,368	12,695	3,444
Special reserve	25,000	19,420	16,500
	45,368	32,115	19,944
	264,128	226,974	195,839

The Princess Margaret Cancer Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2013

7. 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:

	March 31, 2013	March 31, 2012	April 1, 2011
	\$	\$	\$
Externally imposed endowments			
Endowments, the income from which must be used for research, patient care and other purposes	99,305	90,361	96,626
	99,305	90,361	96,626
Internally imposed endowments approved by the Board			
Funds restricted for research, patient care and other purposes	11,175	10,581	10,026
Unrestricted funds	11,007	10,472	11,049
	22,182	21,053	21,075
	121,487	111,414	117,701

The Princess Margaret Cancer Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2013

8. GROSS FUNDRAISING REVENUE

Gross fundraising revenue consists of the following:

	<u>General Fund</u>		<u>Restricted Fund</u>		<u>Endowment Fund</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	\$	\$	\$	\$	\$	\$
Annual programs	4,197	4,171	12,520	11,950	75	147
Major gifts and bequests	4,749	1,771	33,492	31,190	1,218	1,298
Weekend to End Women's Cancers <i>[note 10[b]]</i>	—	—	9,422	9,838	—	—
Ride to Conquer Cancer <i>[note 10[c]]</i>	—	—	20,238	19,781	—	—
	8,946	5,942	75,672	72,759	1,293	1,445

9. ROYALTIES

The Foundation has licensed the Ride to Conquer Cancer to other cancer charities across Canada to support their fundraising efforts. During fiscal 2013, the Ride to Conquer Cancer raised \$46,922 [2012 - \$47,331] gross revenue nationally, including the Toronto event revenue. This has resulted in \$1,190 [2012 - \$1,264] of royalty revenue, to be used for collaborative research projects, which has been included in the Ride to Conquer Cancer fundraising revenue *[note 8]*.

10. EVENTS AND LOTTERIES

[a] During the years ended March 31, 2013 and 2012, the Foundation held several events and lotteries, the details of which are set out below. These financial statements are the first financial statements that the Foundation has prepared in accordance with Part III of the CICA Handbook – Accounting, which constitutes GAAP as described in note 16, which has changed the way revenues and expenses are recorded for events and lotteries. GAAP requires that certain revenues and expenses related to these events and lotteries be recorded in a different year from when the event or lottery is held.

The Princess Margaret Cancer Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2013

- [b] During the years ended March 31, 2013 and 2012, the Foundation held a fundraising event, the Weekend to End Women's Cancers.

The financial results of the event are as follows:

	2013	2012
	\$	\$
Gross revenue	9,422	9,838
Direct expenses	3,949	3,846
Net revenue	5,473	5,992

- [c] During the years ended March 31, 2013 and 2012, the Foundation held a fundraising event, the Ride to Conquer Cancer. The financial results of the event are as follows:

	2013	2012
	\$	\$
Gross revenue	20,238	19,781
Direct expenses	6,351	5,906
Net revenue	13,887	13,875

- [d] During the years ended March 31, 2013 and 2012, the Foundation held two lotteries. The financial results of the lotteries are as follows:

	2013	2012
	\$	\$
Gross revenue	58,193	56,778
Direct expenses, including prizes	38,823	39,549
Net revenue	19,370	17,229

The Princess Margaret Cancer Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2013

Prior to March 31, 2013, the Foundation committed to carrying out the spring 2013 Princess Margaret Cancer Centre Home Lottery [the "Home Lottery"], which was held in May 2013, and the Princess Margaret Cancer Centre Cash Calendar [the "Calendar Lottery"], which is being held in the month of June. As at March 31, 2013, revenue of \$21,643 [2012 - \$24,044] received during the year ended March 31, 2013 associated with these lotteries has been deferred and recorded in the balance sheets. Costs of \$3,223 [2012 - \$3,586] incurred during the year ended March 31, 2013 have been included in other assets in the balance sheets.

The Foundation has two standby letters of credit [\$12,772 expiring July 8, 2013 and \$1,000 expiring August 15, 2013] obtained in connection with the Home and Calendar Lotteries.

11. INVESTMENT INCOME

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

	2013	2012
	\$	\$
Interest and dividends	13,284	11,886
Realized gains	10,059	1,488
Net change in unrealized gain on investments	10,280	1,138
	33,623	14,512
Less investment management and custodial fees	613	572
	33,010	13,940

[b] Investment income is allocated among the funds based on the Foundation's capital preservation and investment return policies. The 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 statements 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% [2012 - 3.5%] of the market value of the Endowment Fund balances. An additional 1% is recorded in the General Fund to cover administrative costs.

The Princess Margaret Cancer Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2013

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 2013, investment income earned on investments held for endowments totalled \$10,833, of which \$5,762 was allocated for the preservation of capital. Of this amount, \$4,687 related to externally endowed funds was recorded as investment income of the Endowment Fund. Capital preservation of \$1,075 related to Board endowed funds was recorded as investment income of the General Fund and then transferred to the Endowment Fund. In 2013, the amount made available for spending of \$3,200 related to externally endowed funds was recorded as income of the Restricted Fund. The amount of \$743 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 \$1,126 was included in General Fund investment income related to the funds made available to cover administrative costs.

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 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.

The Princess Margaret Cancer Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2013

12. INTERFUND TRANSFERS

Transfers between funds consist of the following:

	<u>General Fund</u>		<u>Restricted Fund</u>		<u>Endowment Fund</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	\$	\$	\$	\$	\$	\$
Board and donor approved re: fund restrictions	(18,256)	(14,194)	15,235	12,234	3,021	1,960
Allocation of investment income in accordance with Board policy [note 11[d]]	(1,818)	1,949	743	3,923	1,075	(5,872)
	(20,074)	(12,245)	15,978	16,157	4,096	(3,912)

The transfers relate to internally imposed restrictions approved by the Board and changes in the designation of funds as directed by donors.

13. RELATED PARTY TRANSACTIONS

[a] During the year, the Foundation funded the following projects carried out at The Ontario Cancer Institute and The Princess Margaret Cancer Centre and UHN:

	<u>General Fund</u>		<u>Restricted Fund</u>		<u>Endowment Fund</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	\$	\$	\$	\$	\$	\$
Equipment	—	—	2,000	4,622	—	—
Research, education and patient care	—	3	57,866	51,829	—	—
Construction of centres within the hospital	—	—	4,913	7,030	—	—
	—	3	64,779	63,481	—	—

[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 [2012 - \$25] paid to UHN for office space, service fees and use of furniture and equipment.

The Princess Margaret Cancer Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2013

- [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 \$45 [2012 - \$40] 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.
- [g] The Board of Directors of the 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 \$1,475 [2012 - \$1,510].

14. 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 The Ontario Cancer Institute and The Princess Margaret Cancer Centre facilities and engaged in cancer research.

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NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2013

The following financial results for the year ended April 30, 2013 were reported by the University to the Foundation:

	Endowment Fund	Expendable Fund
	\$	\$
Balance, at market value, April 30, 2012	9,877	1,106
Investment gain	1,119	—
Transfer to Expendable Fund	(461)	461
Student awards	—	(386)
Balance, at market value, April 30, 2013	10,535	1,181

15. FINANCIAL INSTRUMENTS

The Foundation is exposed to various financial risks through transactions in financial instruments.

Currency risk

The Foundation is exposed to foreign currency risk with respect to its investments denominated in foreign currencies, including the underlying investments of its pooled funds denominated in foreign currencies, because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar.

Credit risk

The Foundation is exposed to credit risk in connection with its short-term and fixed income investments because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation.

Interest rate risk

The Foundation is exposed to interest rate risk with respect to its fixed rate debt and its investments in fixed income investments and a pooled fund that holds fixed income securities because the fair value will fluctuate due to changes in market interest rates.

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[in thousands]

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Other price risk

The Foundation is exposed to other price risk through changes in market prices [other than changes arising from interest rate or currency risks] in connection with its investments in equity securities and pooled funds.

16. FIRST-TIME ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

These financial statements are the first financial statements that the Foundation has prepared in accordance with Part III of the CICA Handbook – Accounting, which constitutes generally accepted accounting principles for not-for-profit organizations in Canada ["GAAP"]. In preparing its opening balance sheet as at April 1, 2011 [the "Transition Date"], the Foundation has applied CICA Handbook Section 1501, *First-time Adoption for Not-for-Profit Organizations*.

The accounting policies that the Foundation has used in the preparation of its opening balance sheet have resulted in certain adjustments to balances that were presented in the balance sheet prepared in accordance with Part V of the CICA Handbook – Accounting ["Previous GAAP"]. These adjustments were recorded directly to the Foundation's fund balances at the Transition Date using the transitional provisions set out in Section 1501 and are described below.

Reconciliation

The following table provides a reconciliation of fund balances as at April 1, 2011 and the excess of revenue over expenses for the year ended March 31, 2012, as presented under Previous GAAP with those computed under GAAP:

	Excess of revenue over expenses for the year ended March 31, 2012	Total fund balance as at April 1, 2011
	\$	\$
Excess of revenue over expenses and net assets, Previous GAAP	26,374	322,624
Costs directly related to future events and lotteries [a]	(1,476)	(7,286)
Recognition of revenue related to events [b]	(153)	8,337
Excess of revenue over expenses and net assets, GAAP	24,745	323,675

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[in thousands]

March 31, 2013

[a] Costs directly related to future events and lotteries

Under Previous GAAP, costs directly related to the development of future events and lotteries were recognized as assets when the Foundation could demonstrate that there was future economic benefit associated with these costs. These costs are now expensed when incurred.

[b] Recognition of revenue related to events

The Foundation previously deferred donation revenue received in connection with events to be held subsequent to year-end. Donation revenue is now recorded when received. Revenue in connection with events, other than donations, is recorded when earned.