

Financial Statements

**The Princess Margaret Cancer Foundation**  
March 31, 2015



Building a better  
working world

# 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 sheet as at March 31, 2015 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 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 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 Cancer Foundation** as at March 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Toronto, Canada  
June 24, 2015

*Ernst + Young LLP*

Chartered Professional Accountants  
Licensed Public Accountants

**The Princess Margaret Cancer Foundation**  
 Incorporated under the laws of Canada

**BALANCE SHEET**

As at March 31

	2015	2014
	\$	[000's] \$
<b>ASSETS</b>		
Cash and cash equivalents <i>[note 3]</i>	73,847	72,804
Due from University Health Network <i>[note 13[f]]</i>	5,100	7,500
Accounts receivable	1,336	2,794
Investments <i>[note 4]</i>	489,746	433,081
Other assets <i>[note 5]</i>	6,050	3,776
	<b>576,079</b>	<b>519,955</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities</b>		
Due to University Health Network <i>[note 13[f]]</i>	42,676	35,013
Accounts payable and accrued liabilities	4,588	3,834
Deferred revenue <i>[note 10[d]]</i>	25,692	22,287
<b>Total liabilities</b>	<b>72,956</b>	<b>61,134</b>
Contingencies and commitments <i>[notes 4[c] and 10[d]]</i>		
<b>Fund balances</b>		
General Fund	9,944	10,275
Restricted Fund <i>[note 6]</i>	247,181	306,199
Endowment Fund <i>[note 7]</i>	245,998	142,347
<b>Total fund balances</b>	<b>503,123</b>	<b>458,821</b>
	<b>576,079</b>	<b>519,955</b>

*See accompanying notes*

On behalf of the Board:

Director

Director

The Princess Margaret Cancer Foundation

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCES

Year ended March 31

	<u>General Fund</u>		<u>Restricted Fund</u>		<u>Endowment Fund</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	\$ [000's]	\$	\$ [000's]	\$	\$ [000's]	\$	\$ [000's]	\$
Gross fundraising revenue <i>[note 8]</i>	<b>9,312</b>	11,841	<b>80,849</b>	78,256	<b>4,179</b>	4,820	<b>94,340</b>	94,917
Direct fundraising expenses <i>[notes 10[b] and [c]]</i>	<b>(3,955)</b>	(2,710)	<b>(12,268)</b>	(11,382)	—	—	<b>(16,223)</b>	(14,092)
Net fundraising	<b>5,357</b>	9,131	<b>68,581</b>	66,874	<b>4,179</b>	4,820	<b>78,117</b>	80,825
Gross lottery revenue <i>[note 10[d]]</i>	—	—	<b>70,899</b>	63,022	—	—	<b>70,899</b>	63,022
Direct lottery expenses, including prizes <i>[note 10[d]]</i>	—	—	<b>(47,145)</b>	(41,940)	—	—	<b>(47,145)</b>	(41,940)
Net lottery	—	—	<b>23,754</b>	21,082	—	—	<b>23,754</b>	21,082
<b>Net fundraising and lottery revenue</b>	<b>5,357</b>	9,131	<b>92,335</b>	87,956	<b>4,179</b>	4,820	<b>101,871</b>	101,907
General fundraising and administrative expenses <i>[note 13[b]]</i>	<b>(8,563)</b>	(8,410)	<b>(1,559)</b>	(1,394)	—	—	<b>(10,122)</b>	(9,804)
Investment income <i>[note 11]</i>	<b>34,240</b>	15,849	<b>4,989</b>	5,259	<b>8,800</b>	12,045	<b>48,029</b>	33,153
<b>Excess of revenue over expenses before grants</b>	<b>31,034</b>	16,570	<b>95,765</b>	91,821	<b>12,979</b>	16,865	<b>139,778</b>	125,256
Grants to Princess Margaret Cancer Centre at UHN <i>[note 13[a]]</i>	<b>(200)</b>	(5)	<b>(95,276)</b>	(62,396)	—	—	<b>(95,476)</b>	(62,401)
<b>Excess of revenue over expenses for the year</b>	<b>30,834</b>	16,565	<b>489</b>	29,425	<b>12,979</b>	16,865	<b>44,302</b>	62,855
Fund balances, beginning of year	<b>10,275</b>	10,351	<b>306,199</b>	264,128	<b>142,347</b>	121,487	<b>458,821</b>	395,966
Interfund transfers <i>[note 12]</i>	<b>(31,165)</b>	(16,641)	<b>(59,507)</b>	12,646	<b>90,672</b>	3,995	—	—
<b>Fund balances, end of year</b>	<b>9,944</b>	10,275	<b>247,181</b>	306,199	<b>245,998</b>	142,347	<b>503,123</b>	458,821

See accompanying notes

## The Princess Margaret Cancer Foundation

### STATEMENT OF CASH FLOWS

Year ended March 31

	2015	2014
	\$	[000's] \$
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses for the year	44,302	62,855
Item not involving cash		
Unrealized gain on investments	(22,295)	(19,594)
Changes in non-cash balances related to operations		
Accounts receivable	1,458	(1,952)
Other assets	(2,274)	(154)
Due to/from University Health Network	10,063	2,081
Accounts payable and accrued liabilities	754	703
Deferred revenue	3,405	63
<b>Cash provided by operating activities</b>	<b>35,413</b>	<b>44,002</b>
<b>INVESTING ACTIVITIES</b>		
Investment income reinvested	(24,370)	(13,838)
Contributions to externally managed investments	(10,000)	(25,000)
<b>Cash used in investing activities</b>	<b>(34,370)</b>	<b>(38,838)</b>
<b>Net increase in cash and cash equivalents</b>		
<b>during the year</b>	<b>1,043</b>	<b>5,164</b>
Cash and cash equivalents, beginning of year	72,804	67,640
<b>Cash and cash equivalents, end of year</b>	<b>73,847</b>	<b>72,804</b>

*See accompanying notes*

## **The Princess Margaret Cancer Foundation**

### **NOTES TO FINANCIAL STATEMENTS**

[in thousands]

March 31, 2015

#### **1. PURPOSE OF THE ORGANIZATION**

The Princess Margaret Cancer Foundation [the “Foundation”] is continued under the Canada Not-for-profit 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 Princess Margaret Cancer Centre at UHN, which is 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 Chartered Professional Accountants of Canada [“CPA Canada”] Handbook – Accounting, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

##### **Fund accounting**

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

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

##### **[a] General Fund**

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

## **The Princess Margaret Cancer Foundation**

### **NOTES TO FINANCIAL STATEMENTS**

[in thousands]

March 31, 2015

#### **[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 permanently.

#### **Financial Instruments**

Investments reported at fair value consist of equity instruments quoted in an active market as well as investments in pooled funds and any investments in fixed income securities and equities not quoted in an active market that the Foundation designates upon purchase to be measured at fair value. Transaction costs are recognized in the statement of revenue, expenses and changes in fund balances in the period during which they are incurred.

Investments in fixed income securities and equities not quoted in an active market not designated to be measured at fair value are initially recorded at fair value plus transaction costs and are subsequently measured at cost or 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 statement of revenue, 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.

#### **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.



## **The Princess Margaret Cancer Foundation**

### **NOTES TO FINANCIAL STATEMENTS**

[in thousands]

March 31, 2015

#### **Revenue recognition**

The Foundation follows the restricted fund method of accounting for contributions, which include bequests and other donations. Bequests are recorded 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 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 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. 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.

#### **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.

# The Princess Margaret Cancer Foundation

## NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2015

### 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

### 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.

## The Princess Margaret Cancer Foundation

### NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2015

#### 4. INVESTMENTS

[a] Investments, all of which are recorded at fair value, consist of the following:

	2015	2014
	\$	\$
Equities		
Canadian	54,794	15,596
US and other foreign	93,710	89,525
	148,504	105,121
Cash	12,830	15,306
Short-term investments	7,320	19,368
Bonds	269,272	254,903
Alternative investments		
-Hedge funds	39,329	28,093
-Private capital pooled funds	21,399	12,746
Forward foreign exchange contracts [note 4[d]]	(8,908)	(2,456)
	489,746	433,081

The amounts invested in traditional pooled funds have been allocated among the asset classes, based on the asset classes held by the pooled funds.

[b] Investments are managed as two pools:

- Investments related to the Endowment Fund are invested as follows: equities – 67% [2014 – 71%], cash and short-term investments – 8% [2014 – 4%], bonds – 2% [2014 – 1%], and alternative investments – 23% [2014 – 24%].
- Investments related to the General and Restricted Funds are invested as follows: bonds – 82% [2014 – 88%], equities – 12% [2014 – 1%], alternative investments – 4% [2014 – 5%], and cash and short-term investments – 2% [2014 – 6%].

[c] The Foundation has outstanding commitments to invest \$26,588 [2014 – \$11,008] in private capital over the next three to five years.

## The Princess Margaret Cancer Foundation

### NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2015

[d] In order to manage foreign currency exposure, the Foundation has entered into a forward foreign exchange contract with a US bank maturing on April 2, 2015: sale of US\$88,300 at an exchange rate of 1.1656. The fair market value of this contract as at March 31, 2015 is a loss of \$8,908 [2014 – \$2,456] which is included in investments on the balance sheet [note 4[a]].

#### 5. OTHER ASSETS

Other assets consist of the following:

	2015	2014
	\$	\$
Prepaid expenses related to future events		
Weekend to End Women's Cancers [note 10[b]]	164	78
Ride to Conquer Cancer [note 10[c]]	264	274
Other	112	121
Prepaid expenses related to future lotteries [note 10[d]]	5,510	3,291
Other	—	12
	<b>6,050</b>	<b>3,776</b>

#### 6. RESTRICTED FUND

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

	2015	2014
	\$	\$
<b>Donor-restricted balances</b>		
Restricted for research, patient care and other purposes	221,330	254,586
<b>Internally imposed restrictions</b>		
Restricted for research, patient care and other purposes	25,851	26,613
Special reserve	—	25,000
	<b>25,851</b>	<b>51,613</b>
	<b>247,181</b>	<b>306,199</b>

## The Princess Margaret Cancer Foundation

### NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2015

During the year, the Board approved transfers from the General Fund to the Restricted Fund and from the Restricted Fund to the Endowment Fund to set aside funds for various purposes [note 12].

#### 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 permanently. The Endowment Fund also includes internal resources transferred by the Board to the Endowment Fund, with the intention that the principal be maintained intact, and may be drawn down to fund operating activities and grants as required. 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:

	2015	2014
	\$	\$
<hr/>		
<b>Externally imposed endowments</b>		
Endowments, the income from which must be used for research, patient care and other purposes	<b>132,614</b>	117,506
<hr/>		
<b>Internally imposed endowments approved by the Board</b>		
Funds restricted for research, patient care and other purposes	<b>72,172</b>	12,520
Unrestricted funds	<b>41,212</b>	12,321
	<b>113,384</b>	24,841
	<b>245,998</b>	142,347
<hr/>		

During the year, the Board approved transfers from the Restricted Fund to the Endowment Fund to set aside funds for various purposes [note 12].

## The Princess Margaret Cancer Foundation

### NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2015

#### 8. GROSS FUNDRAISING REVENUE

Gross fundraising revenue consists of the following:

	<u>General Fund</u>		<u>Restricted Fund</u>		<u>Endowment Fund</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	\$	\$	\$	\$	\$	\$
Annual programs <i>[note 13[e]]</i>	<b>4,261</b>	4,203	<b>15,105</b>	12,245	<b>210</b>	1,108
Major gifts and bequests <i>[note 13[e]]</i>	<b>5,051</b>	5,426	<b>32,578</b>	28,437	<b>3,969</b>	3,712
Weekend to End Women's Cancers <i>[note 10[b]]</i>	—	—	<b>7,214</b>	8,404	—	—
Ride to Conquer Cancer <i>[note 10[c]]</i>	—	—	<b>20,174</b>	20,197	—	—
Other <i>[note 13[d]]</i>	—	2,212	<b>5,778</b>	8,973	—	—
	<b>9,312</b>	11,841	<b>80,849</b>	78,256	<b>4,179</b>	4,820

#### 9. ROYALTIES

The Foundation has licensed the Ride to Conquer Cancer to other cancer charities across Canada to support their fundraising efforts. During fiscal 2015, the Ride to Conquer Cancer raised \$41,826 [2014 – \$44,731] gross revenue nationally, including the Toronto event revenue. The licensing of the event to other charities has resulted in \$910 [2014 – \$1,104] of royalty revenue, to be used for collaborative research projects, which has been included in the Ride to Conquer Cancer fundraising revenue *[note 10[b]]*.

#### 10. EVENTS AND LOTTERIES

[a] During the years ended March 31, 2015 and 2014, the Foundation held several events and lotteries, the details of which are set out below. Generally accepted accounting principles require 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, 2015

- [b] The Foundation held a fundraising event, the Weekend to End Women's Cancers. The financial results of the event are as follows:

	2015	2014
	\$	\$
Gross revenue <i>[note 8]</i>	7,214	8,404
Direct expenses	2,650	3,157
<b>Net revenue</b>	<b>4,564</b>	<b>5,247</b>

- [c] The Foundation held a fundraising event, the Ride to Conquer Cancer. The financial results of the event are as follows:

	2015	2014
	\$	\$
Gross revenue <i>[notes 8 and 9]</i>	20,174	20,197
Direct expenses	6,460	6,235
<b>Net revenue</b>	<b>13,714</b>	<b>13,962</b>

- [d] During the year ended March 31, 2015, the Foundation held six [2014 – four] lotteries. The financial results of the lotteries are as follows:

	2015	2014
	\$	\$
Gross revenue	70,899	63,022
Direct expenses, including prizes <i>[note 13[g]]</i>	47,145	41,940
<b>Net revenue</b>	<b>23,754</b>	<b>21,082</b>

## The Princess Margaret Cancer Foundation

### NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2015

Prior to March 31, 2015, the Foundation committed to carrying out the spring 2015 Princess Margaret Cancer Centre Home Lottery [the “Home Lottery”] and 50/50 Add-on, which were held in May 2015, and the Princess Margaret Cancer Centre Cash Calendar [the “Calendar Lottery”], which is being held in the month of June. As at March 31, 2015, revenue of \$25,052 [2014 – \$21,649] received during the year ended March 31, 2015 associated with these lotteries has been deferred and recorded as deferred revenue on the balance sheet. Total expenses of \$10,935 [2014 – \$8,071] were incurred with respect to these lotteries, of which \$5,425 [2014 – \$4,780] has been included in direct expenses in the statement of revenue, expenses and changes in fund balances and \$5,510 [2014 – \$3,291] has been included in other assets on the balance sheet [note 5].

The Foundation has three standby letters of credit obtained in connection with the Home, 50/50 and Calendar Lotteries. Two letters of credit totalling \$12,635 expire on July 6, 2015 and one letter of credit for \$1,000 expires on August 14, 2015.

#### 11. INVESTMENT INCOME

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

	2015	2014
	\$	\$
Interest and dividends	<b>15,584</b>	12,783
Realized gains	<b>10,861</b>	1,392
Net change in unrealized gain on investments	<b>22,295</b>	19,594
	<b>48,740</b>	33,769
Less investment management and custodial fees	<b>711</b>	616
	<b>48,029</b>	33,153

[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 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.



## The Princess Margaret Cancer Foundation

### NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2015

Currently, the income available for spending is set at 3.5% [2014 – 3.5%] 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 2015, investment income earned on investments held for endowments totalled \$16,600 [2014 – \$20,152], of which \$10,600 [2014 – \$14,694] was allocated for the preservation of capital. Of this amount, \$8,800 [2014 – \$12,045] related to externally endowed funds was recorded as investment income of the Endowment Fund. Capital preservation of \$1,800 [2014 – \$2,649] related to Board endowed funds was recorded as investment income of the General Fund and then transferred to the Endowment Fund. In 2015, the amount made available for spending of \$3,869 [2014 – \$3,479] related to externally endowed funds was recorded as income of the Restricted Fund. The amount of \$797 [2014 – \$766] 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 \$1,334 [2014 – \$1,213] was included in General Fund investment income related to the funds made available to cover administrative costs.

## 12. INTERFUND TRANSFERS

Transfers between funds consist of the following:

	<u>General Fund</u>		<u>Restricted Fund</u>		<u>Endowment Fund</u>	
	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$
Board and donor approved re: fund restrictions	(28,568)	(13,226)	(60,304)	11,880	88,872	1,346
Allocation of investment income in accordance with Board policy [note 11[d]]	(2,597)	(3,415)	797	766	1,800	2,649
	(31,165)	(16,641)	(59,507)	12,646	90,672	3,995

## The Princess Margaret Cancer Foundation

### NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2015

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 Princess Margaret Cancer Centre at UHN:

	<u>General Fund</u>		<u>Restricted Fund</u>		<u>Endowment Fund</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	\$	\$	\$	\$	\$	\$
Equipment	—	—	<b>8,395</b>	3,002	—	—
Research, education and patient care	<b>200</b>	5	<b>74,958</b>	52,186	—	—
Construction of centres within the hospital	—	—	<b>11,923</b>	7,208	—	—
	<b>200</b>	5	<b>95,276</b>	62,396	—	—

[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 \$50 [2014 – \$25] paid to UHN for office space, service fees and use of furniture and equipment.

[c] The Foundation reimburses UHN for salaries and benefits of \$9,407 [2014 – \$9,142] associated with UHN staff working at the Foundation.

[d] During the year ended March 31, 2015, UHN transferred \$5,778 [2014 – \$8,973] to the Foundation that is recorded as gross fundraising revenue in the Restricted Fund.

[e] Gross fundraising revenue includes \$1,005 [2014 – \$388] received from affiliated foundations, of which \$917 [2014 – \$200] has been included in major gifts and bequests and \$88 [2014 – \$188] has been included in annual programs. These donations, which were received by the affiliated foundations, were directed by the donors to the Foundation.

[f] Amounts due to/from UHN are non-interest bearing and due on demand.

## The Princess Margaret Cancer Foundation

### NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2015

[g] The Board of Directors of the Foundation includes one member affiliated with a professional services firm that was retained by Foundation management, pursuant to a request for proposal process, to perform administration services for the lottery. Total fees included in the statement of revenue, expenses and changes in fund balances for fiscal 2015 were \$1,821 [2014 – \$1,473].

#### 14. UNIVERSITY OF TORONTO GRADUATE STUDENT ENDOWMENTS

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 Princess Margaret Cancer Centre at UHN facilities and engaged in cancer research.

During 2014, the Foundation negotiated an agreement in which a grant of \$150 from the Foundation to the University was matched equally by the University. This established a \$300 endowment to be held by the University for the benefit of PHD students in the Department of Medical Biophysics in the Faculty of Medicine, located at Princess Margaret Cancer Centre at UHN.

The following financial results for the year ended April 30, 2015 were reported by the University to the Foundation:

	<b>Endowment Fund</b>	<b>Expendable Fund</b>
	\$	\$
<b>Balance, at market value, April 30, 2014</b>	<b>11,904</b>	<b>1,244</b>
Investment gain	<b>1,795</b>	—
Transfer to Expendable Fund	<b>(495)</b>	<b>495</b>
Student awards	—	<b>(418)</b>
<b>Balance, at market value, April 30, 2015</b>	<b>13,204</b>	<b>1,321</b>

## **The Princess Margaret Cancer Foundation**

### **NOTES TO FINANCIAL STATEMENTS**

[in thousands]

March 31, 2015

#### **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 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.

##### **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.

