

Financial statements

The Princess Margaret Cancer Foundation
March 31, 2017



Independent auditors' report

To the Members of
The Princess Margaret Cancer Foundation

We have audited the accompanying financial statements of **The Princess Margaret Cancer Foundation**, which comprise the balance sheet as at March 31, 2017 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, 2017, 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 28, 2017

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants



The Princess Margaret Cancer Foundation
Incorporated under the laws of Canada

Balance sheet
[in thousands]

As at March 31

	2017	2016
	\$	\$
Assets		
Cash and cash equivalents <i>[note 3]</i>	94,347	72,130
Accounts receivable	1,305	1,440
Investments <i>[note 4]</i>	512,028	487,056
Other assets <i>[note 5]</i>	5,678	7,847
	613,358	568,473
Liabilities and fund balances		
Liabilities		
Due to University Health Network, net <i>[note 13[f]]</i>	46,724	39,968
Accounts payable and accrued liabilities	3,183	3,212
Deferred revenue <i>[note 10[d]]</i>	26,192	27,199
Total liabilities	76,099	70,379
Contingencies and commitments <i>[notes 4[c] and 10[d]]</i>		
Fund balances		
General Fund	15,143	10,855
Restricted Fund <i>[note 6]</i>	271,819	253,402
Endowment Fund <i>[note 7]</i>	250,297	233,837
Total fund balances	537,259	498,094
	613,358	568,473

See accompanying notes

On behalf of the Board:

Director

Director

The Princess Margaret Cancer Foundation

Statement of revenue, expenses and changes in fund balances

[in thousands]

Year ended March 31

	General Fund		Restricted Fund		Endowment Fund		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$
Gross fundraising revenue <i>[note 8]</i>	8,271	7,428	83,971	87,123	2,960	1,264	95,202	95,815
Direct fundraising expenses <i>[notes 10[b] and [c]]</i>	(3,273)	(2,910)	(11,717)	(13,883)	—	—	(14,990)	(16,793)
Net fundraising	4,998	4,518	72,254	73,240	2,960	1,264	80,212	79,022
Gross lottery revenue <i>[note 10[d]]</i>	—	—	72,334	70,947	—	—	72,334	70,947
Direct lottery expenses, including prizes <i>[note 10[d]]</i>	—	—	(44,640)	(46,153)	—	—	(44,640)	(46,153)
Net lottery	—	—	27,694	24,794	—	—	27,694	24,794
Net fundraising and lottery revenue	4,998	4,518	99,948	98,034	2,960	1,264	107,906	103,816
General fundraising and administrative expenses <i>[note 13[b]]</i>	(9,835)	(9,145)	(1,452)	(1,579)	—	—	(11,287)	(10,724)
Investment income (loss) <i>[note 11]</i>	31,185	2,401	5,228	695	8,593	(4,756)	45,006	(1,660)
Excess (deficiency) of revenue over expenses before grants	26,348	(2,226)	103,724	97,150	11,553	(3,492)	141,625	91,432
Grants to Princess Margaret Cancer Centre at UHN <i>[note 13[a]]</i>	(109)	(70)	(102,351)	(96,391)	—	—	(102,460)	(96,461)
Excess (deficiency) of revenue over expenses for the year	26,239	(2,296)	1,373	759	11,553	(3,492)	39,165	(5,029)
Fund balances, beginning of year	10,855	9,944	253,402	247,181	233,837	245,998	498,094	503,123
Interfund transfers <i>[note 12]</i>	(21,951)	3,207	17,044	5,462	4,907	(8,669)	—	—
Fund balances, end of year	15,143	10,855	271,819	253,402	250,297	233,837	537,259	498,094

See accompanying notes

The Princess Margaret Cancer Foundation

Statement of cash flows

[in thousands]

Year ended March 31

	2017	2016
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenses for the year	39,165	(5,029)
Add (deduct) item not involving cash		
Unrealized loss (gain) on investments	(7,117)	5,966
Changes in non-cash working capital balances related to operations		
Accounts receivable	135	(104)
Other assets	2,169	(1,797)
Due to University Health Network	6,756	2,392
Accounts payable and accrued liabilities	(29)	(1,376)
Deferred revenue	(1,007)	1,507
Cash provided by operating activities	40,072	1,559
Investing activities		
Investment income reinvested	(37,855)	(2,526)
Contributions from (to) externally managed investments	20,000	(750)
Cash used in investing activities	(17,855)	(3,276)
Net increase (decrease) in cash and cash equivalents during the year	22,217	(1,717)
Cash and cash equivalents, beginning of year	72,130	73,847
Cash and cash equivalents, end of year	94,347	72,130

See accompanying notes

The Princess Margaret Cancer Foundation

Notes to financial statements

[in thousands]

March 31, 2017

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 *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.

[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.

The Princess Margaret Cancer Foundation

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[in thousands]

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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.

Alternative investments are valued at the net asset value per unit reported by each investment fund manager, which represents fair value.

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. Transaction costs are recognized in the statement of revenue, expenses and changes in fund balances in the period during which they are incurred.

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 and accrued liabilities, 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.

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.

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[in thousands]

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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.

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 that are 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]

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4. Investments

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

	2017	2016
	\$	\$
Equities		
Canadian	63,001	54,759
US and other foreign	133,646	125,997
	196,647	180,756
Cash	3,598	118
Short-term investments	7,382	6,382
Bonds	209,431	215,437
Alternative investments		
Hedge funds	59,832	42,724
Private capital pooled funds	36,925	28,443
Forward foreign exchange contracts <i>[note 4[d]]</i>	(1,787)	13,196
	512,028	487,056

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 – a Long Term Pool and a Medium Term Pool. The Long Term Pool is used for investments related to externally endowed funds and certain internally endowed funds where the strategy is to invest for the longer term. Other funds are invested in the Medium Term Pool.

- As at March 31, investments related to the Long Term Pool are invested as follows: equities – 65% [2016 – 67%], cash and short-term investments – 3% [2016 – 1%], bonds – 1% [2016 – 1%], and alternative investments – 31% [2016 – 31%].
- As at March 31, investments related to the Medium Term Pool are invested as follows: bonds – 66% [2016 – 68%], equities – 22% [2016 – 20%], alternative investments – 10% [2016 – 10%], and cash and short-term investments – 2% [2016 – 2%].

[c] The Foundation has outstanding commitments to invest \$33,906 [2016 – \$24,996] in private capital over the next three to five years.

[d] In order to manage foreign currency exposure, the Foundation has entered into forward foreign exchange contracts with a bank as follows:

- [i] Maturing on June 7, 2017: The sale of US\$118,600 at an exchange rate of 1.31391. The fair market value of this contract as at March 31, 2017 is a loss of \$1,807 [2016 – gain of \$12,903], which is included in investments on the balance sheet *[note 4[a]]*.
- [ii] Maturing on June 21, 2017: The sale of US\$11,731 at an exchange rate of 1.33023. The fair market value of this contract as at March 31, 2017 is a gain of \$20 [2016 – gain of \$293], which is included in investments on the balance sheet *[note 4[a]]*.

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Notes to financial statements

[in thousands]

March 31, 2017

5. Other assets

Other assets consist of the following:

	2017	2016
	\$	\$
Prepaid expenses related to future events <i>[notes 10[b] and [c]]</i>	299	415
Prepaid expenses related to future lotteries <i>[note 10[d]]</i>	5,292	7,259
Other assets	87	173
	5,678	7,847

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:

	2017	2016
	\$	\$
Donor restricted balances		
Restricted for research, patient care and other purposes	250,277	242,395
Internally imposed restrictions		
Restricted for research, patient care and other purposes	21,542	11,007
	271,819	253,402

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]*.

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Notes to financial statements

[in thousands]

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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:

	2017	2016
	\$	\$
Externally imposed endowments		
Endowments, the income from which must be used for research, patient care and other purposes	135,808	124,263
Internally imposed endowments approved by the Board		
Funds restricted for research, patient care and other purposes	71,291	70,373
Unrestricted funds	43,198	39,201
	114,489	109,574
	250,297	233,837

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, 2017

8. Gross fundraising revenue

Gross fundraising revenue consists of the following:

	General Fund		Restricted Fund		Endowment Fund	
	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$
Annual programs <i>[note 13[e]]</i>	3,946	4,276	14,158	15,179	153	181
Major gifts and bequests <i>[note 13[e]]</i>	4,325	3,152	43,953	31,430	2,807	1,083
One Walk To Conquer Cancer <i>[notes 10[b] and 13[e]]</i>	—	—	6,579	7,747	—	—
Ride to Conquer Cancer <i>[notes 10[c] and 13[e]]</i>	—	—	19,021	19,364	—	—
Other <i>[note 13[d]]</i>	—	—	260	13,403	—	—
	8,271	7,428	83,971	87,123	2,960	1,264

9. Royalties

The Foundation has licensed the Ride to Conquer Cancer to other cancer charities across Canada to support their fundraising efforts. The licensing of the event to other charities has resulted in \$711 [2016 – \$821] of royalty revenue, related to fundraising by other charities, to be used for collaborative research projects, which has been included in the Ride to Conquer Cancer fundraising revenue *[note 10[c]]*. During fiscal 2017, the Ride to Conquer Cancer raised \$36,541 [2016 – \$39,927] gross revenue nationally, including the Toronto event revenue.

10. Events and lotteries

[a] During the years ended March 31, 2017 and 2016, the Foundation held several events and lotteries, the details of which are set out below. Generally accepted accounting principles require that certain revenue and expenses related to these events and lotteries be recorded in a different year from when the event or lottery is held.

[b] The Foundation held a fundraising event, the One Walk To Conquer Cancer. The financial results of the event are as follows:

	2017	2016
	\$	\$
Gross revenue <i>[note 8]</i>	6,579	7,747
Direct expenses	2,547	3,853
Net revenue	4,032	3,894

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Notes to financial statements

[in thousands]

March 31, 2017

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

	2017	2016
	\$	\$
Gross revenue <i>[notes 8 and 9]</i>	19,021	19,364
Direct expenses	6,403	6,821
Net revenue	12,618	12,543

- [d] During the year ended March 31, 2017, the Foundation held six [2016 – six] lotteries. The financial results of the lotteries are as follows:

	2017	2016
	\$	\$
Gross revenue	72,334	70,947
Direct expenses, including prizes <i>[note 13[g]]</i>	44,640	46,153
Net revenue	27,694	24,794

Prior to March 31, 2017, the Foundation committed to carrying out the spring 2017 Princess Margaret Cancer Centre Home Lottery [the “Home Lottery”] and 50/50 add-on, which were held in May 2017, and the Princess Margaret Cancer Centre Cash Calendar [the “Calendar Lottery”], which is being held in the month of June. As at March 31, 2017, revenue of \$25,649 [2016 – \$26,523] received during the year ended March 31, 2017 associated with these lotteries has been deferred and recorded as deferred revenue on the balance sheet. Total expenses of \$9,324 [2016 – \$12,719] were incurred with respect to these lotteries, of which \$4,032 [2016 – \$5,460] has been included in direct expenses in the statement of revenue, expenses and changes in fund balances and \$5,292 [2016 – \$7,259] has been included in other assets on the balance sheet *[note 5]*.

The Foundation has four standby letters of credit obtained in connection with the Home Lottery, 50/50 and Calendar Lottery. Two letters of credit totalling \$14,039 expire on July 18, 2017, one letter of credit for \$1,000 expires on May 15, 2017 and one letter of credit for \$1,150 expires on October 31, 2017.

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Notes to financial statements

[in thousands]

March 31, 2017

11. Investment income (loss)

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

	2017	2016
	\$	\$
Interest and dividends	12,541	15,135
Realized gains (losses)	25,990	(10,142)
Net change in unrealized gain (losses) on investments	7,117	(5,966)
	45,648	(973)
Less investment management and custodial fees	642	687
	45,006	(1,660)

[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.

Currently, the income available for spending is set at 3.5% [2016 – 3.5%] of the market value of the Endowment Fund balances. An additional 1% [2016 – 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 2017, investment income earned on investments held for endowments totalled \$24,303, of which \$13,334 was allocated for the preservation of capital. Of this amount, \$8,593 related to externally endowed funds was recorded as investment income of the Endowment Fund. Capital preservation of \$4,741 related to Board endowed funds was recorded as investment income of the General Fund and then transferred to the Endowment Fund [note 12]. In 2017, the amount made available for spending of \$4,407 related to externally endowed funds was recorded as income of the Restricted Fund. The amount of \$3,839 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 [note 12]. An amount of \$2,723 was included in General Fund investment income related to the funds made available to cover administrative costs.

The Princess Margaret Cancer Foundation

Notes to financial statements

[in thousands]

March 31, 2017

In 2016, investments held for endowments incurred an investment loss of \$6,325. As a result, no investment income was available for preservation of capital, to make available for spending or to cover administrative costs. With respect to externally endowed funds, the funds available for spending of \$4,167 were transferred from the Endowment Fund to the Restricted Fund and the amount available to cover administrative costs of \$1,191 was transferred from the Endowment Fund to the General Fund. With respect to internally endowed funds, the funds available for spending of \$3,728 were transferred from the Endowment Fund to the Restricted Fund. The amount available to cover administrative expense of \$1,058 was transferred from the Endowment Fund to the General Fund and \$1,569 to cover investment losses was transferred from the Endowment Fund to the General Fund.

12. Interfund transfers

Transfers between funds consist of the following:

	General Fund		Restricted Fund		Endowment Fund	
	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$
Board and donor approved re: fund restrictions	(13,371)	(611)	13,205	(2,433)	166	3,044
Allocation of investment income in accordance with Board policy [note 11[d]]	(8,580)	3,818	3,839	7,895	4,741	(11,713)
	(21,951)	3,207	17,044	5,462	4,907	(8,669)

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

The Princess Margaret Cancer Foundation

Notes to financial statements

[in thousands]

March 31, 2017

13. Related party transactions

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

	General Fund		Restricted Fund		Endowment Fund	
	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$
Equipment	—	—	9,618	8,137	—	—
Research, education and patient care	109	70	89,009	85,206	—	—
Construction of centres within the hospital	—	—	3,724	3,048	—	—
	109	70	102,351	96,391	—	—

- [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 [2016 – \$50] paid to UHN for office space, service fees and use of furniture and equipment.
- [c] The Foundation reimburses UHN for salaries and benefits of \$10,386 [2016 – \$9,812] associated with UHN staff working at the Foundation.
- [d] During the year ended March 31, 2017, UHN transferred \$260 [2016 – \$13,403] to the Foundation that is recorded as gross fundraising revenue in the Restricted Fund.
- [e] Gross fundraising revenue [note 8] includes \$1,684 [2016 – \$275] received from affiliated foundations. These donations were directed by the donors, through the affiliated foundations, to the Foundation.
- [f] Amounts due to UHN are non-interest bearing and due on demand. As at March 31, 2017 the net amount owing to UHN consists of accounts payable of \$51,810 [2016 – 49,181] and accounts receivable of \$5,086 [2016 – \$9,213].
- [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 for lottery administrative and other consulting services included in the statement of revenue, expenses and changes in fund balances for fiscal 2017 amounted to \$1,575 [2016 – \$1,542].

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Notes to financial statements

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March 31, 2017

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, 2017 were reported by the University to the Foundation:

	Endowment Fund	Expendable Fund
	\$	\$
Balance, at market value, April 30, 2016	12,675	1,340
Investment income	1,935	3
Transfer to Expendable Fund	(492)	492
Matching funds	—	6
Student awards	—	(622)
Balance, at market value, April 30, 2017	14,118	1,219

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.

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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 risk or currency risk] in connection with its investments in equity securities and pooled funds.

16. Comparative financial statements

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2017 financial statements.

