

The Princess Margaret Cancer Foundation

Financial statements
March 31, 2024



Independent auditor's report

To the Members of
The Princess Margaret Cancer Foundation

Opinion

We have audited the financial statements of **The Princess Margaret Cancer Foundation** [the "Foundation"], which comprise the balance sheet as at March 31, 2024, and the statement of revenue, expenses and changes in fund balances and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2024, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the annual report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.



Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
June 18, 2024



The Princess Margaret Cancer Foundation

Balance sheet

[in thousands]

As at March 31

	2024	2023
	\$	\$
Assets		
Cash and cash equivalents <i>[note 3]</i>	197,079	234,669
Accounts receivable	1,334	1,371
Investments, at fair value <i>[note 4]</i>	687,169	625,886
Other assets <i>[note 5]</i>	44,316	33,243
	929,898	895,169
Liabilities and fund balances		
Liabilities		
Due to University Health Network, net <i>[note 12[g]]</i>	31,780	35,390
Accounts payable and accrued liabilities	6,037	8,277
Deferred revenue <i>[note 9[b]]</i>	42,345	50,330
Total liabilities	80,162	93,997
Contingencies and commitments <i>[notes 4[c], 9[b] and 12[c]]</i>		
Fund balances		
General Fund	28,426	22,608
Restricted Fund <i>[note 6]</i>	439,535	400,836
Endowment Fund <i>[note 7]</i>	381,775	377,728
Total fund balances	849,736	801,172
	929,898	895,169

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	
	2024	2023	2024	2023	2024	2023	2024	2023
	\$	\$	\$	\$	\$	\$	\$	\$
Gross fundraising revenue <i>[note 8]</i>	13,996	15,180	99,859	87,417	5,857	2,323	119,712	104,920
Direct fundraising expenses <i>[note 9[a]]</i>	(12,929)	(16,701)	(15,419)	(12,653)	—	—	(28,348)	(29,354)
Net fundraising	1,067	(1,521)	84,440	74,764	5,857	2,323	91,364	75,566
Gross lottery revenue <i>[note 9[b]]</i>	—	—	150,146	179,963	—	—	150,146	179,963
Direct lottery expenses, including prizes <i>[note 9[b]]</i>	—	—	(100,519)	(107,334)	—	—	(100,519)	(107,334)
Net lottery	—	—	49,627	72,629	—	—	49,627	72,629
Net fundraising and lottery revenue	1,067	(1,521)	134,067	147,393	5,857	2,323	140,991	148,195
General fundraising and administrative expenses <i>[notes 12[b] and 12[d]]</i>	(8,479)	(9,282)	—	—	—	—	(8,479)	(9,282)
Investment income <i>[note 10]</i>	43,042	11,881	9,861	4,572	15,825	—	68,728	16,453
Excess of revenue over expenses before grants	35,630	1,078	143,928	151,965	21,682	2,323	201,240	155,366
Grants to Princess Margaret Cancer Centre at UHN <i>[note 12[a]]</i>	—	—	(152,676)	(144,882)	—	—	(152,676)	(144,882)
Excess (deficiency) of revenue over expenses for the year	35,630	1,078	(8,748)	7,083	21,682	2,323	48,564	10,484
Fund balances, beginning of year	22,608	13,009	400,836	383,128	377,728	394,551	801,172	790,688
Interfund transfers <i>[note 11]</i>	(29,812)	8,521	47,447	10,625	(17,635)	(19,146)	—	—
Fund balances, end of year	28,426	22,608	439,535	400,836	381,775	377,728	849,736	801,172

See accompanying notes

The Princess Margaret Cancer Foundation

Statement of cash flows

[in thousands]

Year ended March 31

	2024	2023
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	48,564	10,484
Add (deduct) item not involving cash		
Unrealized gain on investments <i>[note 10]</i>	(35,558)	(2,438)
Changes in non-cash working capital balances related to operations		
Accounts receivable	37	6,212
Other assets	(11,073)	(3,971)
Due to University Health Network, net	(3,610)	6,401
Accounts payable and accrued liabilities	(2,240)	1,106
Deferred revenue	(7,985)	(23,564)
Cash used in operating activities	(11,865)	(5,770)
Investing activities		
Investment income reinvested	(25,717)	(9,186)
Withdrawals from externally managed investments, net	(8)	—
Cash used in investing activities	(25,725)	(9,186)
Net decrease in cash during the year	(37,590)	(14,956)
Cash and cash equivalents, beginning of year	234,669	249,625
Cash and cash equivalents, end of year	197,079	234,669
Cash and cash equivalents are comprised of:		
Cash	197,079	234,669
Cash equivalents	—	—
	197,079	234,669

See accompanying notes

The Princess Margaret Cancer Foundation

Notes to financial statements

[in thousands]

March 31, 2024

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) 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:

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.

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.

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

Notes to financial statements

[in thousands]

March 31, 2024

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 cash and cash equivalents, 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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Notes to financial statements

[in thousands]

March 31, 2024

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 that are directly related to these activities. No expenses and costs of 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:

Computer hardware	3 years
Computer software	3 years

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not contribute to the Foundation's ability to provide goods and services. Any impairment results in a write-down of the asset and an expense in the statement of revenue, expenses and changes in fund balances. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

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, 2024

4. Investments

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

	2024	2023
	\$	\$
Equities		
Canadian	92,408	91,591
US and other foreign	290,742	244,882
	<u>383,150</u>	<u>336,473</u>
Cash	4,378	3,188
Short-term investments	15,377	17,263
Fixed income		
Government – Federal	68,417	52,016
Government – Provincial	33,474	32,862
Corporate	111,549	101,751
Pooled	—	10,874
Alternative investments		
Private capital pooled funds	70,822	71,348
Forward foreign exchange contracts <i>[note 4[d]]</i>	2	111
	<u>687,169</u>	<u>625,886</u>

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, 2024, investments related to the Long-Term Pool are invested as follows: equities 80% [2023 – 76%], cash and short-term investments 4% [2023 – 5%], and alternative investments 16% [2023 – 19%].
- As at March 31, 2024, investments related to the Medium-Term Pool are invested as follows: equities 29% [2023 – 26%], cash and short-term investments 2% [2023 – 2%], fixed income 65% [2023 – 68%], and alternative investments 4% [2023 – 4%].

[c] The Foundation has outstanding commitments to invest \$37,446 [2023 – \$9,070] in private capital over the next three to five years.

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Notes to financial statements

[in thousands]

March 31, 2024

[d] In order to manage foreign currency exposure, the Foundation enters into forward foreign exchange contracts with a bank.

In 2024, the contracts were as follows:

[i] Maturing on June 6, 2024: The sale of US\$ 8,063 at an exchange rate of 1.3536. The fair market value of this contract as of March 31, 2024 is a gain of \$2, which is included in investments on the balance sheet [note 4[a]].

In 2023, the contracts were as follows:

[i] Maturing on June 8, 2023: The sale of US\$12,352 at an exchange rate of 1.3594. The fair market value of this contract as of March 31, 2023 is a gain of \$111, which is included in investments on the balance sheet [note 4[a]].

5. Other assets

Other assets consist of the following:

	2024	2023
	\$	\$
Life insurance and prepaid expenses	894	827
Prepaid expenses related to future lotteries [note 9[b]]	43,024	31,821
Capital assets	398	595
	<u>44,316</u>	<u>33,243</u>

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:

	2024	2023
	\$	\$
Donor restricted balances		
Restricted for research, patient care and other purposes	416,508	384,950
Internally imposed restrictions		
Restricted for research, patient care and other purposes	23,027	15,886
	<u>439,535</u>	<u>400,836</u>

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 11].

The Princess Margaret Cancer Foundation

Notes to financial statements

[in thousands]

March 31, 2024

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:

	2024	2023
	\$	\$
Externally imposed endowments		
Endowments, the income from which must be used for research, patient care and other purposes	214,287	192,892
Internally imposed endowments approved by the Board		
Funds externally restricted for research, patient care and other purposes	69,553	97,396
Unrestricted funds	97,935	87,440
	167,488	184,836
	381,775	377,728

During the year, the Board approved transfers from the Restricted Fund to the Endowment Fund to set aside funds for various purposes [note 11].

8. Gross fundraising revenue

Gross fundraising revenue consists of the following:

	General Fund		Restricted Fund		Endowment Fund	
	2024	2023	2024	2023	2024	2023
	\$	\$	\$	\$	\$	\$
Annual programs [note 12[f]]	6,099	7,564	15,931	12,166	305	195
Major gifts and bequests [note 12[f]]	7,135	7,339	57,002	57,203	5,536	2,128
Ride to Conquer Cancer [notes 9[a] and 12[f]]	762	277	17,270	16,422	—	—
Other [note 12[e]]	—	—	9,656	1,626	16	—
	13,996	15,180	99,859	87,417	5,857	2,323

The Princess Margaret Cancer Foundation

Notes to financial statements

[in thousands]

March 31, 2024

9. Events and lotteries

During the years ended March 31, 2024 and 2023, 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.

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

	2024	2023
	\$	\$
Gross revenue <i>[note 8]</i>	18,032	16,699
Direct expenses	(7,185)	(6,609)
Net revenue	10,847	10,090

[b] During the year ended March 31, 2024, the Foundation held nine [2023 – nine] lotteries. The financial results of the lotteries are as follows:

	2024	2023
	\$	\$
Gross revenue	150,146	179,963
Direct expenses, including prizes	(100,519)	(107,334)
Net revenue	49,627	72,629

Prior to March 31, 2024, the Foundation committed to carrying out the spring 2024 Princess Margaret Cancer Centre Home Lottery [the “Home Lottery”], the Princess Margaret Cancer Centre Cash Calendar [the “Calendar Lottery”] and 50/50 add-on, which were held in April 2024. As at March 31, 2024, revenue of \$42,115 [2023 – \$50,076] received during the year ended March 31, 2024 associated with these lotteries has been deferred and recorded as deferred revenue on the balance sheet. Total expenses of \$49,285 [2023 – \$39,031] were incurred with respect to these lotteries, of which \$6,261 [2023 – \$7,210] has been included in direct lottery expenses in the statement of revenue, expenses and changes in fund balances and \$43,024 [2023 – \$31,821] has been included in other assets on the balance sheet *[note 5]*.

The Foundation has six standby letters of credit obtained in connection with the Home Lottery, 50/50 and Calendar Lottery. Three letters of credit totalling \$23,650 expire on June 21, 2024, and another three letters of credit totalling \$11,034 expire on September 13, 2024.

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Notes to financial statements

[in thousands]

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10. Investment income

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

	2024	2023
	\$	\$
Interest and dividends	24,679	19,698
Realized gains (losses), net	10,360	(3,902)
Unrealized gain on investments	35,557	2,438
	<u>70,596</u>	<u>18,234</u>
Less investment management and custodial fees	(1,868)	(1,781)
	<u>68,728</u>	<u>16,453</u>

[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. For internally endowed, donor-restricted funds, the preservation of capital is recorded as income in the Restricted 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% [2023 – 3.5%] based on the unitization of the average of the previous four fiscal year fund balances. An additional 1.5% [2023 – 1.5%] is recorded in the General Fund to cover administrative expenses.

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 are recorded in either the General Fund, Restricted Fund or Endowment Fund based on the designation of the donor at the time of the donation.

[d] In 2024, investments held for endowments incurred an investment gain of \$42,521, of which \$25,013 was allocated for the preservation of capital. Of this amount, \$15,825 related to the externally endowed fund was recorded as investment income of the Endowed Fund. Capital preservation of \$6,376 related to Board endowed fund was recorded as investment income of the General Fund and then transferred to the Endowed Fund [note 11]. Capital preservation of \$2,812 related to Board endowed funds with donor restrictions was recorded as investment income of the Restricted fund and then transferred to the Endowed Fund [note 11]. In 2024 amount made available for spending of \$6,541 related to externally endowed funds was recorded as income of the Restricted fund. The amount of \$5,715 was made available for spending related to internally endowed funds was recorded as an investment of the General Fund and then transferred to the Restricted fund [note 11]. An amount of \$5,252 was included in the General Fund investment income related to the funds made available to cover the administrative expenses.

The Princess Margaret Cancer Foundation

Notes to financial statements

[in thousands]

March 31, 2024

In 2023, investment income earned on the endowment funds of \$9,383 was insufficient to pay out the amounts available for spending and administration fee, under the Foundation's current policy, and as a result there is no preservation of capital. Of the total earned in the year, \$2,906 related to internally endowed funds, and \$2,331 related to externally endowed funds was recorded in the General Fund to cover the administration fee portion of the payout. The remaining \$4,146 related to externally endowed funds was recorded in the Restricted Fund as a portion of the amount allocated for spending [note 11]. The amounts made available for spending as calculated in accordance with the Foundation's policy was \$12,183 and \$5,237 for administration for a total of \$17,420. The deficiency of investment income earned on endowments over the spending allocation of \$8,037 was recorded as a transfer from the Endowment Fund to the Restricted Fund represented by an allocation of \$5,708 for internally endowed funds, and \$2,329 for the allocation for the externally endowed funds [note 11].

11. Interfund transfers

Transfers between funds consist of the following:

	General Fund		Restricted Fund		Endowment Fund	
	2024	2023	2024	2023	2024	2023
	\$	\$	\$	\$	\$	\$
Board and donor approved re:						
fund restrictions [a]	(17,721)	8,521	44,544	2,588	(26,823)	(11,109)
Allocation of investment						
income in accordance with						
Board policy [note 10[d]]	(12,091)	—	2,903	8,037	9,188	(8,037)
	(29,812)	8,521	47,447	10,625	(17,635)	(19,146)

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

12. 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	
	2024	2023	2024	2023	2024	2023
	\$	\$	\$	\$	\$	\$
Equipment	—	—	5,485	4,260	—	—
Research, education and patient care [note 12[c]]	—	—	129,066	127,546	—	—
Construction of centres within the hospital	—	—	18,125	13,076	—	—
	—	—	152,676	144,882	—	—

The Princess Margaret Cancer Foundation

Notes to financial statements

[in thousands]

March 31, 2024

[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 \$75 [2023 – \$75] paid to UHN for office space, service fees, and use of furniture and equipment.

[c] Effective October 22, 2019, the Foundation entered into a lease agreement with UHN for office space that expires on December 31, 2035. Payments with respect to the lease agreement are recorded through grants to UHN [note 12[a]]. The future minimum annual lease payments are as follows:

	\$
2025	1,699
2026	1,699
2027	1,713
2028	1,755
2029	1,755
Thereafter	11,008
	<u>19,629</u>

[d] The Foundation reimburses UHN for salaries and benefits of \$19,382 [2023 – \$17,075] associated with UHN staff working at the Foundation.

[e] UHN transferred \$9,656 [2023 – \$1,626] to the Foundation, which includes royalty payments of \$1,881 [2023 – \$1,129]. These amounts are recorded as gross fundraising revenue in the Restricted Fund [note 8].

[f] Gross fundraising revenue [note 8] includes \$5,257 [2023 – \$10,870] received from affiliated foundations. These donations were directed by the donors, through the affiliated foundations, to the Foundation.

[g] Amounts due to UHN are non-interest bearing and due on demand. As at March 31, 2024, the net amount owing to UHN consists of accounts payable of \$40,923 [2023 – \$37,016] and accounts receivable of \$9,143 [2023 – \$1,626].

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13. 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 Government of Ontario 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 Ph.D. 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, 2024 were reported by the University to the Foundation:

	Endowment Fund	Expendable Fund
	\$	\$
Balance, at market value, April 30, 2023	16,654	1,476
Transfer from (to) expendable	(594)	594
Matching funds	—	8
Investment income	1,882	18
Bursaries awarded	—	(712)
Balance, at market value, April 30, 2024	17,942	1,384

14. Financial instruments and risk management

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

Currency risk

The Foundation is exposed to 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. The Foundation mitigates this risk by monitoring the performance of the individual investments and by ensuring compliance by the investment manager with the set investment policies of the Foundation.

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. The Foundation mitigates this risk by monitoring the performance of the individual investments and by ensuring compliance by the investment manager with the set investment policies of the Foundation.

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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. The Foundation mitigates this risk by monitoring the performance of the individual investments and by ensuring compliance by the investment manager with the set investment policies of the Foundation.

Other price risks

The Foundation is exposed to other price risks 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. The Foundation manages this risk through its investment policies and by monitoring the asset mix of the portfolio.