

# Financials

March 31, 2016

The accompanying financial statements of The Princess Margaret Cancer Foundation were prepared by management in accordance with generally accepted accounting principles.

Management is responsible for the integrity and objectivity of the financial statements and has established systems of internal control which are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for the preparation of financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Board exercises its responsibilities through the Investment Committee, composed of members of the Board, who meet regularly with representatives of management and with the external investment managers and consultants, to monitor the performance of the investment portfolio. The Audit and Risk Committee comprised of members of the Board and the community, meets regularly with management to monitor the financial activity of the Foundation together with the functioning of the accounting and control systems. This Committee also meets with management and the external auditors to review the results of the auditing activity.

The external auditors have conducted an independent audit, in accordance with generally accepted standards, and have expressed their opinions on the financial statements. Their report outlines the nature of their audit and their opinion on the fairness of the financial statements of The Princess Margaret Cancer Foundation and the accounting principles followed in management's preparation thereof.



**Tom Ehrlich**  
Chair, Board of Directors



**Paul Alofs**  
President & CEO



**Glenn Ives, FCA**  
Chair, Audit and Risk Committee



**Asha Raheja, CMA**  
Treasurer

# 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, 2016 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, 2016, 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, 2016

*Ernst & Young LLP*

Chartered Accountants  
Licensed Public Accountants



A member firm of Ernst & Young Global Limited

## BALANCE SHEET

As at March 31

	2016 \$	2015 \$
	[000's]	
<b>ASSETS</b>		
Cash and cash equivalents <i>[note 3]</i>	72,130	73,847
Accounts receivable	1,440	1,336
Investments <i>[note 4]</i>	487,056	489,746
Other assets <i>[note 5]</i>	7,847	6,050
	<b>568,473</b>	<b>570,979</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities</b>		
Due to University Health Network <i>[note 13[ff]]</i>	39,968	37,576
Accounts payable and accrued liabilities	3,212	4,588
Deferred revenue <i>[note 10[d]]</i>	27,199	25,692
<b>Total liabilities</b>	<b>70,379</b>	<b>67,586</b>
Contingencies and commitments <i>[notes 4[c] and 10[d]]</i>		
<b>Fund balances</b>		
General Fund	10,855	9,944
Restricted Fund <i>[note 6]</i>	253,402	247,181
Endowment Fund <i>[note 7]</i>	233,837	245,998
<b>Total fund balances</b>	<b>498,094</b>	<b>503,123</b>
	<b>568,473</b>	<b>576,079</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>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	\$ [000's]	\$	\$ [000's]	\$	\$ [000's]	\$	\$ [000's]	\$
Gross fundraising revenue <i>[note 8]</i>	7,428	9,312	87,123	80,849	1,264	4,179	95,815	94,340
Direct fundraising expenses <i>[notes 10[b] and [c]]</i>	(2,910)	(3,955)	(13,883)	(12,268)	—	—	(16,793)	(16,223)
Net fundraising	4,518	5,357	73,240	68,581	1,264	4,179	79,022	78,117
Gross lottery revenue <i>[note 10[d]]</i>	—	—	70,947	70,899	—	—	70,947	70,899
Direct lottery expenses, including prizes <i>[note 10[d]]</i>	—	—	(46,153)	(47,145)	—	—	(46,153)	(47,145)
Net lottery	—	—	24,794	23,754	—	—	24,794	23,754
<b>Net fundraising and lottery revenue</b>	<b>4,518</b>	<b>5,357</b>	<b>98,034</b>	<b>92,335</b>	<b>1,264</b>	<b>4,179</b>	<b>103,816</b>	<b>101,871</b>
General fundraising and administrative expenses <i>[note 13[b]]</i>	(9,145)	(8,563)	(1,579)	(1,559)	—	—	(10,724)	(10,122)
Investment income (loss) <i>[note 11]</i>	2,401	34,240	695	4,989	(4,756)	8,800	(1,660)	48,029
<b>Excess of revenue over expenses before grants</b>	<b>(2,226)</b>	<b>31,034</b>	<b>97,150</b>	<b>95,765</b>	<b>(3,492)</b>	<b>12,979</b>	<b>91,432</b>	<b>139,778</b>
Grants to Princess Margaret Cancer Centre at UHN <i>[note 13[a]]</i>	(70)	(200)	(96,391)	(95,276)	(—)	(—)	(96,461)	(95,476)
<b>Excess of revenue over expenses for the year</b>	<b>(2,296)</b>	<b>30,834</b>	<b>759</b>	<b>489</b>	<b>(3,492)</b>	<b>12,979</b>	<b>(5,029)</b>	<b>44,302</b>
Fund balances, beginning of year	9,944	10,275	247,181	306,199	245,998	142,347	503,123	458,821
Interfund transfers <i>[note 12]</i>	3,207	(31,165)	5,462	(59,507)	(8,669)	90,672	—	—
<b>Fund balances, end of year</b>	<b>10,855</b>	<b>9,944</b>	<b>253,402</b>	<b>247,181</b>	<b>233,837</b>	<b>245,998</b>	<b>498,094</b>	<b>503,123</b>

See accompanying notes



## The Princess Margaret Cancer Foundation

### STATEMENT OF CASH FLOWS

Year ended March 31

	2016 \$	2015 \$ [000's]
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenue over expenses for the year	(5,029)	44,302
Item not involving cash		
Unrealized gain on investments	(5,966)	(22,295)
Changes in non-cash balances related to operations		
Accounts receivable	(104)	1,458
Other assets	(1,797)	(2,274)
Due to University Health Network	2,392	10,063
Accounts payable and accrued liabilities	(1,376)	754
Deferred revenue	1,507	3,405
<b>Cash provided by (used in) operating activities</b>	<b>(10,373)</b>	<b>35,413</b>
<b>INVESTING ACTIVITIES</b>		
Investment income reinvested	9,406	(24,370)
Contributions to externally managed investments	(750)	(10,000)
<b>Cash provided by (used in) investing activities</b>	<b>8,656</b>	<b>(34,370)</b>
<b>Net increase (decrease) in cash and cash equivalents during the year</b>	<b>(1,717)</b>	<b>1,043</b>
Cash and cash equivalents, beginning of year	73,847	72,804
<b>Cash and cash equivalents, end of year</b>	<b>72,130</b>	<b>73,847</b>

*See accompanying notes*

## **NOTES TO FINANCIAL STATEMENTS**

[in thousands]

March 31, 2016

### **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.

#### **[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 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.

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 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.

## 4. INVESTMENTS

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

	2016 \$	2015 \$
Equities		
Canadian	54,759	54,794
US and other foreign	125,997	93,710
	180,756	148,504
Cash	118	12,830
Short-term investments	6,382	7,320
Bonds	215,437	269,272
Alternative investments		
- Hedge funds	42,724	39,329
- Private capital pooled funds	28,443	21,399
Forward foreign exchange contracts [note 4[d]]	13,196	(8,908)
	487,056	489,746

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 Pool. 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.

- Investments related to the Long Term Pool are invested as follows: equities – 67% [2015 – 67%], cash and short-term investments – 1% [2015 – 8%], bonds – 1% [2015 – 2%], and alternative investments – 31% [2015 – 23%].
- Investments related to the Medium Term Pool are invested as follows: bonds – 69% [2015 – 82%], equities – 20% [2015 – 12%], alternative investments – 10% [2015 – 4%], and cash and short-term investments – 2% [2015 – 2%].



- [c] The Foundation has outstanding commitments to invest \$24,996 [2015 – \$26,588] 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 US bank:
- i) maturing on June 8, 2016: The sale of US\$106,000 at an exchange rate of 1.42040. The fair market value of this contract as at March 31, 2016 is a gain of \$12,903 [2015 – loss of \$8,908] which is included in investments on the balance sheet [note 4[a]].
  - ii) maturing on June 15, 2016: The sale of US\$7,805 at an exchange rate of 1.33625. The fair market value of this contract as at March 31, 2016 is a gain of \$293 [2015 – nil] which is included in investments on the balance sheet [note 4[a]].

## 5. OTHER ASSETS

Other assets consist of the following:

	2016 \$	2015 \$
Prepaid expenses related to future events		
One Walk To Conquer Cancer [note 10[b]]	74	164
Ride to Conquer Cancer [note 10[c]]	218	264
Other	123	112
Prepaid expenses related to future lotteries [note 10[d]]	7,259	5,510
Other	173	—
	<b>7,847</b>	<b>6,050</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:

	2016 \$	2015 \$
<b>Donor restricted balances</b>		
Restricted for research, patient care and other purposes	<b>242,395</b>	221,330
<b>Internally imposed restrictions</b>		
Restricted for research, patient care and other purposes	<b>11,007</b>	25,851
	<b>253,402</b>	<b>247,181</b>

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:

	2016 \$	2015 \$
<b>Externally imposed endowments</b>		
Endowments, the income from which must be used for research, patient care and other purposes	124,263	132,614
<b>Internally imposed endowments approved by the Board</b>		
Funds restricted for research, patient care and other purposes	70,373	72,172
Unrestricted funds	39,201	41,212
	109,574	113,384
	233,837	245,998

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

## 8. GROSS FUNDRAISING REVENUE

Gross fundraising revenue consists of the following:

	<u>General Fund</u>		<u>Restricted Fund</u>		<u>Endowment Fund</u>	
	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$
Annual programs [note 13[e]]	4,276	4,261	15,179	15,105	181	210
Major gifts and bequests [note 13[e]]	3,152	5,051	31,430	32,578	1,083	3,969
One Walk To Conquer Cancer [note 10[b]]	—	—	7,747	7,214	—	—
Ride to Conquer Cancer [note 10[c]]	—	—	19,364	20,174	—	—
Other [note 13[d]]	—	—	13,403	5,778	—	—
	7,428	9,312	87,123	80,849	1,264	4,179

## 9. ROYALTIES

The Foundation has licensed the Ride to Conquer Cancer to other cancer charities across Canada to support their fundraising efforts. During fiscal 2016, the Ride to Conquer Cancer raised \$39,927 [2015 – \$41,826] gross revenue nationally, including the Toronto event revenue. The licensing of the event to other charities has resulted in \$821 [2015 – \$910] of royalty revenue, to be used for collaborative research projects, which has been included in the Ride to Conquer Cancer fundraising revenue [note 10[c]].

## 10. EVENTS AND LOTTERIES

- [a] During the years ended March 31, 2016 and 2015, 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:

	2016 \$	2015 \$
Gross revenue [note 8]	7,747	7,214
Direct expenses	3,853	2,650
<b>Net revenue</b>	<b>3,894</b>	<b>4,564</b>

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

	2016 \$	2015 \$
Gross revenue <i>[notes 8 and 9]</i>	19,364	20,174
Direct expenses	6,821	6,460
<b>Net revenue</b>	<b>12,543</b>	13,714

- [d] During the year ended March 31, 2016, the Foundation held six [2015 – six] lotteries. The financial results of the lotteries are as follows:

	2016 \$	2015 \$
Gross revenue	70,947	70,899
Direct expenses, including prizes <i>[note 13[g]]</i>	46,153	47,145
<b>Net revenue</b>	<b>24,794</b>	23,754

Prior to March 31, 2016, the Foundation committed to carrying out the spring 2016 Princess Margaret Cancer Centre Home Lottery [the “Home Lottery”] and 50/50 add-on, which were held in May 2016, and the Princess Margaret Cancer Centre Cash Calendar [“Calendar Lottery”], which is being held in the month of June. As at March 31, 2016, revenue of \$26,523 [2015 – \$25,052] received during the year ended March 31, 2016 associated with these lotteries has been deferred and recorded as deferred revenue on the balance sheet. Total expenses of \$12,719 [2015 – \$10,935] were incurred with respect to these lotteries, of which \$5,460 [2015 – \$5,425] has been included in direct expenses in the statement of revenue, expenses and changes in fund balances and \$7,259 [2015 – \$5,510] 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 Lottery, 50/50 and Calendar Lotteries. Two letters of credit totalling \$13,408 expire on July 5, 2016, and one letter of credit for \$1,050 expires on August 15, 2016.

## 11. INVESTMENT INCOME

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

	2016 \$	2015 \$
Interest and dividends	15,135	15,584
Realized gains (losses)	(10,142)	10,861
Net change in unrealized gain (losses) on investments	(5,966)	22,295
	(973)	48,740
Less investment management and custodial fees	687	711
	(1,660)	48,029

- [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% [2015 – 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 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.

In 2015, investment income earned on investments held for endowments totalled \$16,600, of which \$10,600 was allocated for the preservation of capital. Of this amount, \$8,800 related to externally endowed funds was recorded as investment income of the Endowment Fund. Capital preservation of \$1,800 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 related to externally endowed funds was recorded as income of the Restricted Fund. The amount of \$797 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 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>	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
Board and donor approved re: fund restrictions	(611)	(28,568)	(2,433)	(60,304)	3,044	88,872
Allocation of investment income in accordance with Board policy [note 11[d]]	3,818	(2,597)	7,895	797	(11,713)	1,800
	3,207	(31,165)	5,462	(59,507)	(8,669)	90,672

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>	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
Equipment	—	—	8,137	8,395	—	—
Research, education and patient care	70	200	85,206	74,958	—	—
Construction of centres within the hospital	—	—	3,048	11,923	—	—
	70	200	96,391	95,276	—	—



- [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 [2015 – \$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 \$9,812 [2015 – \$9,407] associated with UHN staff working at the Foundation.
- [d] During the year ended March 31, 2016, UHN transferred \$13,403 [2015 – \$5,778] to the Foundation that is recorded as gross fundraising revenue in the Restricted Fund.
- [e] Gross fundraising revenue includes \$275 [2015 – \$393] received from affiliated foundations, of which \$245 [2015 – \$305] has been included in major gifts and bequests and \$30 [2015 – \$88] 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 UHN are non-interest bearing and due on demand.
- [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 2016 amounted to \$1,542 [2015 – \$ 1,345].

#### 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, 2016 were reported by the University to the Foundation:

	Endowment Fund \$	Expendable Fund \$
<b>Balance, at market value, April 30, 2015</b>	<b>13,204</b>	<b>1,321</b>
Investment income (loss)	(46)	3
Transfer to Expendable Fund	(483)	483
Matching funds	—	6
Student awards	—	(473)
<b>Balance, at market value, April 30, 2016</b>	<b>12,675</b>	<b>1,340</b>

#### 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.

**16. COMPARATIVE FINANCIAL STATEMENTS**

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2016 financial statements.



# 5-Year Financial Summary

Each year, The Princess Margaret Cancer Foundation reports on the funds it raises and stewards in two ways: via Audited Financial Statements (AFS) included in this report or online at [www.thepmcf.ca](http://www.thepmcf.ca), and via the standard CRA T3010 form required of all not-for-profit organizations and found on the CRA website at [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca). While both formats utilize the same financial information, the Foundation's AFS provides a more detailed look to better assess and control our financial performance.

## Statement of Revenue, Expenses and Changes in Fund Balances (\$ Thousands)

Year ended March 31	2012	2013	2014	2015	2016
Gross fundraising revenue	80,146	85,911	94,917	94,340	95,815
Direct fundraising expenses <sup>1</sup>	(14,853)	(16,799)	(14,092)	(16,223)	(16,793)
<b>Net fundraising revenue</b>	<b>65,293</b>	<b>69,112</b>	<b>80,825</b>	<b>78,117</b>	<b>79,022</b>
Direct fundraising expenses/Gross fundraising revenue	18.5%	19.6%	14.9%	17.2%	17.5%
Gross lottery revenue	56,778	58,193	63,022	70,899	70,947
Direct lottery expenses	(39,549)	(38,823)	(41,940)	(47,145)	(46,153)
<b>Net lottery revenue</b>	<b>17,229</b>	<b>19,370</b>	<b>21,082</b>	<b>23,754</b>	<b>24,794</b>
Direct lottery expenses/Gross lottery revenue	69.7%	66.7%	66.5%	66.5%	65.1%
<b>Net fundraising and lottery revenue</b>	<b>82,522</b>	<b>88,482</b>	<b>101,907</b>	<b>101,871</b>	<b>103,816</b>
Investment income (loss)	13,940	33,010	33,153	48,029	(1,660)
Net revenue, including investment income	96,462	121,492	135,060	149,900	102,156
General fundraising and administrative expenses <sup>2</sup>	8,233	9,167	9,804	10,122	10,724
General fundraising and administrative expenses / Net fundraising and lottery revenue (excluding investment income (loss))	10.0%	10.4%	9.6%	9.9%	10.3%
<b>Excess of revenue over expenses before grants</b>	<b>88,229</b>	<b>112,325</b>	<b>125,256</b>	<b>139,778</b>	<b>91,432</b>
The Princess Margaret Cancer Centre					
Building	7,030	4,913	7,208	11,923	3,048
Research, education and patient care	51,832	57,866	52,191	75,158	85,276
Equipment	4,622	2,000	3,002	8,395	8,137
	63,484	64,779	62,401	95,476	96,461
<b>Excess of revenue over expenses and grants</b>	<b>24,745</b>	<b>47,546</b>	<b>62,855</b>	<b>44,302</b>	<b>(5,029)</b>
<b>Fund Balances</b>					
Endowments	111,414	121,487	142,347	245,998	233,837
Restricted	226,974	264,128	306,199	247,181	253,402
Unrestricted	10,032	10,351	10,275	9,944	10,855
	348,420	395,966	458,821	503,123	498,094
Held by University of Toronto	10,983	11,716	13,148	14,525	14,015
Total Capital	359,403	407,682	471,969	517,648	512,109

## Notes

- 1 Direct fundraising expenses represent costs for logistics, marketing and other expenses directly related to fundraising activities including those for our major events such as the *Enbridge Ride to Conquer Cancer*, *OneWalk to Conquer Cancer* and our Direct Marketing programs.
- 2 General fundraising and administrative expenses are the overhead costs associated with running the Foundation operations.

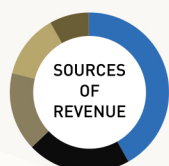
# Financial Summary – Fiscal 2016

The Princess Margaret Cancer Foundation is passionate about impact, efficient fundraising, and effective stewardship, so that our collective vision to Conquer Cancer In Our Lifetime can be achieved.

## Fulfilling our Mission

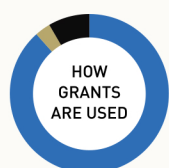
Our mission is to raise and steward funds to deliver breakthrough research, exemplary teaching, and compassionate care at the Princess Margaret Cancer Centre, one of the top 5 cancer research centres in the world.

Based on reported gross fundraising revenue and lottery revenue (\$166.7 million):



Lotteries	43%
Major Gifts and Bequests	21%
Strategic Events	16%
Annual Programs	12%
Other	8%

Grants spent this year by Princess Margaret Cancer Centre (\$96.5 million):



Research, Education, Patient Care	88.4%
Building	3.2%
Equipment	8.4%

Beyond funds granted this year (\$96.5 million), the Foundation has multi-year research and clinical commitments in progress at Princess Margaret Cancer Centre.

## Year-over-year highlights

Net fundraising and lottery revenue (\$ millions)



General fundraising and administrative expenses

2010	2011	2012	2013	2014	2015	2016
9.6%	9.9%	10.0%	10.4%	9.6%	9.9%	10.3%

The PMCF is best-in-class relative to our peers across the country.

## Distinct revenue streams

Gross revenue (excluding investment income) of \$166.7 million disclosed in the CRA T3010 form is composed of two distinct revenue streams: fundraising revenue and lottery revenue. Cost ratios associated with these streams are treated differently by the CRA.

### Fundraising revenue

<b>\$95.8 million</b>	gross fundraising revenue	
\$16.8 million	fundraising expenses	<b>17.5%</b>
<b>\$79.0 million</b>	net fundraising revenue	<b>82.5%</b>

Direct fundraising expenses include costs for logistics, marketing, and other costs directly related to strategic events and annual programs.

### Lottery revenue

	gross lottery revenue	<b>\$70.9 million</b>
<b>36.5%</b>	lottery prizes	\$25.9 million
<b>28.5%</b>	marketing and other expenses	\$20.2 million
<b>35.0%</b>	net lottery revenue	\$24.8 million

The PMCF lottery net revenue return of 35.0% compares favourably to the industry average return of 20.3% based on the three largest charitable lotteries in Canada. The PMCF lottery cost ratio of 65.0% is substantially lower than CRA acceptable guidelines (70.0%+).

## Fundraising efficiency measure

The PMCF raised \$1.4 million per full-time employee, making it one of the most efficient and effective charities in Canada.

