

# The Princess Margaret Cancer Foundation

Financial statements  
March 31, 2021



# 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, 2021, 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, 2021, 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.

## 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.

Toronto, Canada  
June 15, 2021

*Ernst & Young LLP*

Chartered Professional Accountants  
Licensed Public Accountants



# The Princess Margaret Cancer Foundation

## Balance sheet

[in thousands]

As at March 31

	2021	2020
	\$	\$
<b>Assets</b>		
Cash and cash equivalents <i>[note 3]</i>	169,545	110,336
Accounts receivable	1,598	1,725
Investments, at fair value <i>[note 4]</i>	616,177	528,974
Other assets <i>[note 5]</i>	37,477	18,689
	<b>824,797</b>	<b>659,724</b>
<b>Liabilities and fund balances</b>		
<b>Liabilities</b>		
Due to University Health Network, net <i>[note 13[g]]</i>	19,848	12,337
Accounts payable and accrued liabilities	11,446	3,494
Deferred revenue <i>[note 10[b]]</i>	79,218	36,566
<b>Total liabilities</b>	<b>110,512</b>	<b>52,397</b>
Contingencies and commitments <i>[notes 4[c], 10[b] and 13[c]]</i>		
<b>Fund balances</b>		
General Fund	18,235	10,415
Restricted Fund <i>[note 6]</i>	333,390	325,210
Endowment Fund <i>[note 7]</i>	362,660	271,702
<b>Total fund balances</b>	<b>714,285</b>	<b>607,327</b>
	<b>824,797</b>	<b>659,724</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

[in thousands]

Year ended March 31

	General Fund		Restricted Fund		Endowment Fund		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$
Gross fundraising revenue <i>[note 8]</i>	<b>11,038</b>	17,931	<b>74,078</b>	101,561	<b>782</b>	3,369	<b>85,898</b>	122,861
Direct fundraising expenses <i>[note 10[a]]</i>	<b>(9,261)</b>	(6,350)	<b>(6,598)</b>	(18,084)	—	—	<b>(15,859)</b>	(24,434)
<b>Net fundraising</b>	<b>1,777</b>	11,581	<b>67,480</b>	83,477	<b>782</b>	3,369	<b>70,039</b>	98,427
Gross lottery revenue <i>[note 10[b]]</i>	—	—	<b>113,170</b>	102,904	—	—	<b>113,170</b>	102,904
Direct lottery expenses, including prizes <i>[note 10[b]]</i>	—	—	<b>(66,772)</b>	(61,322)	—	—	<b>(66,772)</b>	(61,322)
<b>Net lottery</b>	—	—	<b>46,398</b>	41,582	—	—	<b>46,398</b>	41,582
Net fundraising and lottery revenue	<b>1,777</b>	11,581	<b>113,878</b>	125,059	<b>782</b>	3,369	<b>116,437</b>	140,009
General fundraising and administrative expenses <i>[notes 13[b] and 13[d]]</i>	<b>(10,886)</b>	(9,743)	—	—	—	—	<b>(10,886)</b>	(9,743)
Investment income (loss) <i>[note 11]</i>	<b>68,053</b>	(876)	<b>12,991</b>	1,188	<b>33,400</b>	(5,465)	<b>114,444</b>	(5,153)
Excess (deficiency) of revenue over expenses before grants	<b>58,944</b>	962	<b>126,869</b>	126,247	<b>34,182</b>	(2,096)	<b>219,995</b>	125,113
Grants to Princess Margaret Cancer Centre at UHN <i>[note 13[a]]</i>	—	—	<b>(113,037)</b>	(105,781)	—	—	<b>(113,037)</b>	(105,781)
Excess (deficiency) of revenue over expenses for the year	<b>58,944</b>	962	<b>13,832</b>	20,466	<b>34,182</b>	(2,096)	<b>106,958</b>	19,332
Fund balances, beginning of year	<b>10,415</b>	16,506	<b>325,210</b>	276,936	<b>271,702</b>	294,553	<b>607,327</b>	587,995
Interfund transfers <i>[note 12]</i>	<b>(51,124)</b>	(7,053)	<b>(5,652)</b>	27,808	<b>56,776</b>	(20,755)	—	—
<b>Fund balances, end of year</b>	<b>18,235</b>	10,415	<b>333,390</b>	325,210	<b>362,660</b>	271,702	<b>714,285</b>	607,327

See accompanying notes

## The Princess Margaret Cancer Foundation

### Statement of cash flows

[in thousands]

Year ended March 31

	2021	2020
	\$	\$
<b>Operating activities</b>		
Excess of revenue over expenses for the year	<b>106,958</b>	19,332
Add (deduct) item not involving cash		
Unrealized loss (gain) on investments	<b>(79,939)</b>	80,147
Changes in non-cash working capital balances related to operations		
Accounts receivable	<b>127</b>	195
Other assets	<b>(18,788)</b>	(6,095)
Due to University Health Network	<b>7,511</b>	(40,925)
Accounts payable and accrued liabilities	<b>7,952</b>	293
Deferred revenue	<b>42,652</b>	5,478
<b>Cash provided by operating activities</b>	<b>66,473</b>	58,425
<b>Investing activities</b>		
Investment income reinvested	<b>(37,156)</b>	(73,968)
Withdrawals from externally managed investments, net	<b>29,892</b>	31,798
<b>Cash provided used in investing activities</b>	<b>(7,264)</b>	(42,170)
<b>Net increase in cash during the year</b>	<b>59,209</b>	16,255
Cash and cash equivalents, beginning of year	<b>110,336</b>	94,081
<b>Cash and cash equivalents, end of year</b>	<b>169,545</b>	110,336

See accompanying notes

# The Princess Margaret Cancer Foundation

## Notes to financial statements

[in thousands]

March 31, 2021

### 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, 2021

### 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.



# The Princess Margaret Cancer Foundation

## Notes to financial statements

[in thousands]

March 31, 2021

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 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

# The Princess Margaret Cancer Foundation

## Notes to financial statements

[in thousands]

March 31, 2021

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.

### 4. Investments

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

	2021	2020
	\$	\$
Equities		
Canadian	105,511	72,571
US and other foreign	194,476	149,137
	<b>299,987</b>	221,708
Cash	8,473	1,667
Short-term investments	11,179	9,636
Fixed income		
Government – Federal	12,561	14,668
Government – Provincial	70,929	43,527
Corporate	136,605	148,376
Pooled	14,518	14,409
Alternative investments		
Hedge funds	—	18,592
Private capital pooled funds	61,712	56,573
Forward foreign exchange contracts <i>[note 4[d]]</i>	213	(182)
	<b>616,177</b>	528,974

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

## The Princess Margaret Cancer Foundation

### Notes to financial statements

[in thousands]

March 31, 2021

- [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, 2021, investments related to the Long-Term Pool are invested as follows: equities 67% [2020 – 63%], cash and short-term investments 5% [2020 – 5%], and alternative investments 28% [2020 – 32%].
  - As at March 31, 2021, investments related to the Medium-Term Pool are invested as follows: equities 25% [2020 – 19%], cash and short-term investments 3% [2020 – 2%], fixed income 68% [2020 – 69%], and alternative investments 4% [2020 – 10%].
- [c] The Foundation has outstanding commitments to invest \$12,172 [2020 – \$17,878] in private capital over the next three to five years.
- [d] In order to manage foreign currency exposure, the Foundation enters into forward foreign exchange contracts with a bank.

In 2021, the contracts were as follows:

- [i] Maturing on June 10, 2021: The sale of US\$26,644 at an exchange rate of 1.266700. The fair market value of this contract as at March 31, 2021 is a gain of \$209, which is included in investments on the balance sheet *[note 4[a]]*.
- [ii] Maturing on June 10, 2021: The sale of US\$1,698 at an exchange rate of 1.246305. The fair market value of this contract as at March 31, 2021 is a loss of \$21, which is included in investments on the balance sheet *[note 4[a]]*.
- [iii] Maturing on June 10, 2021: The sale of CAD\$2,033 at an exchange rate of 1.243630. The fair market value of this contract as at March 31, 2021 is a gain of \$25, which is included in investments on the balance sheet *[note 4[a]]*.

In 2020, the contracts were as follows:

- [i] Maturing on June 18, 2020: The sale of US\$965 at an exchange rate of 1.4400. The fair market value of this contract as at March 31, 2020 is a gain of \$29, which is included in investments on the balance sheet *[note 4[a]]*.
- [ii] Maturing on June 18, 2020: The sale of US\$1,200 at an exchange rate of 1.4181. The fair market value of this contract as at March 31, 2020 is a gain of \$10, which is included in investments on the balance sheet *[note 4[a]]*.
- [iii] Maturing on June 18, 2020: The sale of US\$14,762 at an exchange rate of 1.3983. The fair market value of this contract as at March 31, 2020 is a loss of \$165, which is included in investments on the balance sheet *[note 4[a]]*.

# The Princess Margaret Cancer Foundation

## Notes to financial statements

[in thousands]

March 31, 2021

- [iv] Maturing on June 18, 2020: The sale of US\$1,351 at an exchange rate of 1.4039. The fair market value of this contract as at March 31, 2020 is a loss of \$8, which is included in investments on the balance sheet [note 4[a]].
- [v] Maturing on June 18, 2020: The sale of CAD\$1,194 at an exchange rate of 1.4493. The fair market value of this contract as at March 31, 2020 is a loss of \$48, which is included in investments on the balance sheet [note 4[a]].

### 5. Other assets

Other assets consist of the following:

	2021 \$	2020 \$
Prepaid expenses related to future Ride to Conquer Cancer events and other future events	215	490
Prepaid expenses related to future lotteries [note 10[b]]	37,027	17,923
Capital assets	235	276
	<u>37,477</u>	<u>18,689</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:

	2021 \$	2020 \$
<b>Donor restricted balances</b>		
Restricted for research, patient care and other purposes	322,685	315,622
<b>Internally imposed restrictions</b>		
Restricted for research, patient care and other purposes	10,705	9,588
	<u>333,390</u>	<u>325,210</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 12].

## The Princess Margaret Cancer Foundation

### Notes to financial statements

[in thousands]

March 31, 2021

#### 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:

	2021 \$	2020 \$
<b>Externally imposed endowments</b>		
Endowments, the income from which must be used for research, patient care and other purposes	<b>186,139</b>	152,002
<b>Internally imposed endowments approved by the Board</b>		
Funds externally restricted for research, patient care and other purposes	<b>81,710</b>	62,585
Unrestricted funds	<b>94,811</b>	57,115
	<b>176,521</b>	119,700
	<b>362,660</b>	271,702

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:

	General Fund		Restricted Fund		Endowment Fund	
	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$
Annual programs [note 13[f]]	4,353	6,772	8,606	19,062	27	180
Major gifts and bequests [note 13[f]]	6,685	11,159	48,538	34,569	755	3,189
Ride to Conquer Cancer [notes 9,10[a] and 13[f]]	—	—	6,428	18,147	—	—
Other [note 13[e]]	—	—	10,506	29,783	—	—
	<b>11,038</b>	17,931	<b>74,078</b>	101,561	<b>782</b>	3,369

## The Princess Margaret Cancer Foundation

### Notes to financial statements

[in thousands]

March 31, 2021

#### 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 \$43 [2020 – \$696] 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[a]]. During fiscal 2021, the Ride to Conquer Cancer raised \$8,392 [2020 – \$37,451] gross revenue nationally, including the Toronto event revenue.

#### 10. Events and lotteries

During the years ended March 31, 2021 and 2020, 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:

	2021	2020
	\$	\$
Gross revenue [notes 8 and 9]	6,428	18,147
Direct expenses	(2,727)	(7,678)
<b>Net revenue</b>	<b>3,701</b>	<b>10,469</b>

[b] During the year ended March 31, 2021, the Foundation held six [2020 – six] lotteries. The financial results of the lotteries are as follows:

	2021	2020
	\$	\$
Gross revenue	113,170	102,904
Direct expenses, including prizes [note 13[h]]	(66,772)	(61,322)
<b>Net revenue</b>	<b>46,398</b>	<b>41,582</b>

Prior to March 31, 2021, the Foundation committed to carrying out the spring 2021 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 2021. As at March 31, 2021, revenue of \$79,149 [2020 – \$33,805] received during the year ended March 31, 2021 associated with these lotteries has been deferred and recorded as deferred revenue on the balance sheet. Total expenses of \$44,958 [2020 – \$22,869] were incurred with respect to these lotteries, of which \$7,931 [2020 – \$4,946] has been included in direct lottery expenses in the statement of revenue, expenses and changes in fund balances and \$37,027 [2020 – \$17,923] has been included in other assets on the balance sheet [note 5].

## The Princess Margaret Cancer Foundation

### Notes to financial statements

[in thousands]

March 31, 2021

The Foundation has nine standby letters of credit obtained in connection with the Home Lottery, 50/50 and Calendar Lottery. Three letters of credit totalling \$21,553 expire on July 23, 2021, three letters of credit for \$7,266 expire on September 2, 2021, and another three letters of credit totalling \$26,999 expire on January 14, 2022.

#### 11. Investment income (loss)

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

	2021	2020
	\$	\$
Interest and dividends	15,758	16,880
Realized gains, net	20,305	59,708
Net change in unrealized gain (loss) on investments	79,939	(80,147)
	<u>116,002</u>	<u>(3,559)</u>
Less investment management and custodial fees	(1,558)	(1,594)
	<u>114,444</u>	<u>(5,153)</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% [2020 – 3.5%] based on unitization of average of the previous four fiscal year fund balances. An additional 1.5% [2020 – 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, Restricted or Endowment Fund based on the designation of the donor at the time of the donation.

# The Princess Margaret Cancer Foundation

## Notes to financial statements

[in thousands]

March 31, 2021

[d] In 2021, investments held for endowments incurred an investment gain of \$67,924, of which \$53,267 was allocated for the preservation of capital. Of this amount, \$33,400 related to externally endowed funds was recorded as investment income of the Endowment Fund. Capital preservation of \$12,878 related to Board endowed funds was recorded as investment income of the General Fund and then transferred to the Endowment Fund [note 12]. Capital preservation of \$6,989 related to Board endowed funds with donor restrictions was recorded as investment income of the Restricted Fund and then transferred to the Endowment Fund [note 12]. In 2021, the amount made available for spending of \$5,719 related to externally endowed funds was recorded as income of the Restricted Fund. The amount of \$4,424 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 \$4,513 was included in General Fund investment income related to the funds made available to cover administrative expenses.

In 2020, investments held for endowments incurred an investment loss of \$7,515. The loss related to the externally endowed funds of \$5,465 was recorded in the Endowment Fund and \$2,050 related to the loss on Board endowed funds was recorded in the General Fund. As a result of the loss in the year, no investment income was available for preservation of capital and no income was made available for spending or to cover administrative expenses. With respect to externally endowed funds, the funds available for spending of \$5,429 were transferred from the Endowment Fund to the Restricted Fund and the amount available to cover administrative expenses of \$2,326 was transferred from the Endowment Fund to the General Fund [note 12]. With respect to internally endowed funds, the funds available for spending of \$4,332 were transferred from the Endowment Fund to the Restricted Fund [note 12]. The amount available to cover administrative expenses of \$1,856 was transferred from the Endowment Fund to the General Fund and \$2,050 to cover investment losses was transferred from the Endowment Fund to the General Fund [note 12].

### 12. Interfund transfers

Transfers between funds consist of the following:

	General Fund		Restricted Fund		Endowment Fund	
	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$
Board and donor approved re: fund restrictions*	(33,822)	(13,285)	(3,087)	18,047	36,909	(4,762)
Allocation of investment income in accordance with Board policy [note 11[d]]	(17,302)	6,232	(2,565)	9,761	19,867	(15,993)
	(51,124)	(7,053)	(5,652)	27,808	56,776	(20,755)

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



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#### 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	
	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$
Equipment	—	—	3,741	4,122	—	—
Research, education and patient care <i>[note 13[c]]</i>	—	—	92,587	92,998	—	—
Construction of centres within the hospital	—	—	16,709	8,661	—	—
	—	—	113,037	105,781	—	—

- [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 [2020 – \$50] 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 May 31, 2030. Payments with respect to the lease agreement are recorded through grants to UHN *[note 13[a]]*. The future minimum annual lease payments are as follows:

	\$
2022	1,290
2023	1,290
2024	1,290
2025	1,290
2026	1,290
Thereafter	5,375
	<u>11,825</u>

- [d] The Foundation reimburses UHN for salaries and benefits of \$14,309 [2020 – \$13,879] associated with UHN staff working at the Foundation.

- [e] During the year ended March 31, 2021, UHN transferred \$10,506 [2020 – \$29,783] to the Foundation, which includes royalty payments of \$9,352 [2020 – \$760]. These amounts are recorded as gross fundraising revenue in the Restricted Fund *[note 8]*.

## The Princess Margaret Cancer Foundation

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- [f] Gross fundraising revenue [note 8] includes \$480 [2020 – \$589] 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, 2021, the net amount owing to UHN consists of accounts payable of \$36,721 [2020 – \$48,793] and accounts receivable of \$16,873 [2020 – \$36,456].
- [h] The Board of the Foundation includes one member affiliated with a professional services firm that was retained by the Foundation management, pursuant to a request for proposal process, to perform administration services for the lotteries. Total fees for lottery administrative and other consulting services included in the statement of revenue, expenses and changes in fund balances for fiscal 2021 amounted to nil [2020 – \$1,901].

#### 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 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 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, 2021 were reported by the University to the Foundation:

	<b>Endowment Fund</b>	<b>Expendable Fund</b>
	\$	\$
<b>Balance, at market value, April 30, 2020</b>	<b>14,015</b>	<b>1,141</b>
Matching funds	<b>2,849</b>	<b>179</b>
<b>Balance, at market value, April 30, 2021</b>	<b>16,864</b>	<b>1,320</b>

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#### 15. 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.

##### 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 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. The Foundation manages this risk through its investment policies and by monitoring the asset mix of the portfolio.

#### 16. COVID-19

In March 2020, the outbreak of the coronavirus disease ["COVID-19"] was declared a pandemic by the World Health Organization and has resulted in governments worldwide enacting emergency measures to combat the spread of the virus.

As a result of the measures in place, the Foundation had to shift its fundraising efforts from live special events to more focus on virtual campaigns. The shift in this is seen through the financial results in the decline in the annual fundraising programs [note 8] from the year ended March 31, 2020. As at March 31, 2020 the impact of the pandemic had created a lot of volatility in the financial markets, but as of March 31, 2021, the markets have stabilized, enabling the Foundation to have a better return in its investment portfolio. It is uncertain as to how long the pandemic will last or how far reaching the impact will be on future fundraising efforts, but management of the Foundation has maintained sufficient resources to meet its commitments in fiscal 2022.