

Bridgepoint Foundation

Financial Statements
March 31, 2016



June 17, 2016

Independent Auditor's Report

To the Board of Directors of Bridgepoint Foundation

We have audited the accompanying financial statements of Bridgepoint Foundation, which comprise the statement of financial position as at March 31, 2016 and the statements of operations and changes in fund balances and cash flows for the year then ended, and the related notes, which comprise 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.

Auditor's 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 auditor's 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 auditor considers 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.

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PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bridgepoint 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Bridgepoint Foundation

Statement of Operations and Changes in Fund Balances

For the year ended March 31, 2016

| | Endowment Fund | | Restricted Fund | | General Fund | | Total | |
|--|----------------|------------|-----------------|-------------|--------------|-------------|-------------|-------------|
| | 2016 \$ | 2015 \$ | 2016 \$ | 2015 \$ | 2016 \$ | 2015 \$ | 2016 \$ | 2015 \$ |
| Revenue | | | | | | | | |
| Donations | - | 8,092 | 1,549,597 | 1,842,159 | 422,009 | 740,333 | 1,971,606 | 2,590,584 |
| Events | - | - | 52,944 | 23,110 | 653,508 | 1,618,399 | 706,452 | 1,641,509 |
| Investment income (loss) (note 3) | (18,305) | 184,197 | (6,548) | 403,460 | 38,261 | 49,119 | 13,408 | 636,776 |
| | (18,305) | 192,289 | 1,595,993 | 2,268,729 | 1,113,778 | 2,407,851 | 2,691,466 | 4,868,869 |
| Expenses | | | | | | | | |
| Fundraising | - | - | - | - | 16,094 | 311,054 | 16,094 | 311,054 |
| Events | - | - | - | - | 109,292 | 601,557 | 109,292 | 601,557 |
| Administration | - | - | - | - | 262,822 | 771,538 | 262,822 | 771,538 |
| | - | - | - | - | 388,208 | 1,684,149 | 388,208 | 1,684,149 |
| (Deficit) surplus before grants | (18,305) | 192,289 | 1,595,993 | 2,268,729 | 725,570 | 723,702 | 2,303,258 | 3,184,720 |
| Grants to the Hospital | - | - | (1,753,423) | (1,202,709) | (5,000) | (52,490) | (1,758,423) | (1,255,199) |
| (Deficit) surplus for the year | (18,305) | 192,289 | (157,430) | 1,066,020 | 720,570 | 671,212 | 544,835 | 1,929,521 |
| Fund balances - Beginning of year | 4,030,625 | 3,838,336 | 5,647,897 | 4,581,877 | (549,274) | (1,220,486) | 9,129,248 | 7,199,727 |
| Interfund transfers | (161,225) | - | 161,225 | - | - | - | - | - |
| Fund balances - End of year | 3,851,095 | 4,030,625 | 5,651,692 | 5,647,897 | 171,296 | (549,274) | 9,674,083 | 9,129,248 |

The accompanying notes are an integral part of these financial statements.

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Statement of Cash Flows

For the year ended March 31, 2016

| | 2016 \$ | 2015 \$ |
|--|---------------|-------------------|
| Cash provided by (used in) | | |
| Operating activities | | |
| Surplus for the year | 544,835 | 1,929,521 |
| Item not involving cash | | |
| Change in fair value of investments (note 3) | 113,313 | (511,459) |
| Net change in non-cash working capital items | | |
| Accounts receivable | 25,041 | 23,613 |
| Prepaid expenses | (39,121) | 10,896 |
| Accounts payable and accrued liabilities | (49,691) | (85,918) |
| Deferred revenue | (151,012) | (363,591) |
| Due to related entities | (276,905) | 316,741 |
| | <hr/> 166,460 | <hr/> 1,319,803 |
| Investing activities | | |
| Purchase of investments | (3,478,880) | (7,280,976) |
| Proceeds on redemption/sale of investments | 3,996,968 | 4,513,774 |
| | <hr/> 518,088 | <hr/> (2,767,202) |
| Change in cash during the year | 684,548 | (1,447,399) |
| Cash - Beginning of year | 82,811 | 1,530,210 |
| Cash - End of year | <hr/> 767,359 | <hr/> 82,811 |

The accompanying notes are an integral part of these financial statements.

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1 Purpose of the organization

Bridgepoint Foundation (the Foundation) is incorporated without share capital under the laws of the Province of Ontario. The Foundation is a public foundation registered under the Income Tax Act and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes. Effective March 5, 2015, the Foundation amended its General By-Law and changed its main purpose to maintain responsible stewardship of its existing bequests, donations and endowment, to accept contributions of new gifts and bequests, and to raise funds, but only as permitted or requested by Sinai Health System.

Prior to March 5, 2015, the Foundation was dedicated to providing financial resources to support the objectives, programs and redevelopment of Bridgepoint Health (Health), Bridgepoint Hospital (Hospital) and Bridgepoint Health Collaboratory for Research and Innovation (Research). This financial support was provided through the systematic process of identifying and acquiring financial resources from the community. The Foundation was committed to raising funds through annual appeals, endowment campaigns, planned giving, special events and capital campaigns.

2 Summary of significant accounting policies

The financial statements of the Foundation have been prepared in accordance with accounting standards for not-for-profit organizations (ASNPO). The following summary of significant accounting policies is set forth to facilitate the understanding of these financial statements.

Fund accounting

The Foundation follows the restricted fund method of accounting for contributions. The Foundation ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

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 use.

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 of Directors. Restricted donations, other than endowments, include a 15% allocation to the General Fund to fund critical needs support for Sinai Health System.

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c) Endowment Fund

The Endowment Fund includes those funds where either donor or internal Board of Directors restrictions require the principal to be maintained by the Foundation for a specified period of time.

Investments

Publicly traded securities are valued based on the closing prices and pooled funds are valued based on reported unit values. Fixed income securities not publicly traded are valued based on cost plus accrued income. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

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 operations 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 and other donations are recognized when received. Unrestricted contributions are recognized as revenue of the General Fund in the year received. Donor restricted contributions for specific purposes are recognized as revenue with 85% recorded in the Restricted Fund and 15% in the General Fund to support highest priority needs. Donor restricted contributions requiring the capital to be maintained permanently are recognized as revenue of the Endowment Fund.

Investment income (loss) consists of interest, dividends and change in fair value of investments, net of safekeeping and investment counsel and other investment expenses. Investment income earned on the Endowment Fund or Restricted Fund resources that must be spent on donor designated 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.

The Foundation recognizes revenue from special events in the year in which the event occurs.

Pledges

The Foundation records pledges as revenue when they are received.

Contributed goods and services

Contributed goods and services are not recognized in the financial statements.

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Financial instruments and risk management

The Foundation initially recognizes financial instruments at fair value and subsequently measures them at each reporting date as follows:

| | |
|--|----------------|
| Cash | fair value |
| Investments | fair value |
| Accounts receivable | amortized cost |
| Prepaid expenses | amortized cost |
| Accounts payable and accrued liabilities | amortized cost |
| Due to related entities | amortized cost |

Financial assets measured at amortized cost are assessed at each reporting date for indications of impairment. If such impairment exists, the asset shall be written down and the resulting impairment loss shall be recognized in the statement of operations and changes in fund balances for the year.

Use of estimates

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

3 Investments

| | 2016 | 2015 |
|---------------------------|-----------|-----------|
| | \$ | \$ |
| Cash and cash equivalents | 5,009,064 | 5,632,874 |
| Fixed income | 1,331,401 | 1,269,942 |
| Equities | 2,628,368 | 2,697,418 |
| | <hr/> | <hr/> |
| | 8,968,833 | 9,600,234 |

The investment income (loss) is comprised of the following:

| | 2016 | 2015 |
|-------------------------------------|-----------|----------|
| | \$ | \$ |
| Interest income | 90,638 | 85,763 |
| Dividend income | 71,447 | 73,809 |
| Change in fair value of investments | (113,313) | 511,459 |
| | <hr/> | <hr/> |
| Investment income before fees | 48,772 | 671,031 |
| Investment fees | (35,364) | (34,255) |
| | <hr/> | <hr/> |
| | 13,408 | 636,776 |

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Fixed income bonds earn interest at a weighted average rate of 3.2% (2015 - 3.5%) maturing between October 2016 and June 2018 (2015 - June 2015 and June 2108).

4 Government remittances

Included in accounts payable and accrued liabilities are government remittances payable of \$nil (2015 - \$85,266), which includes payroll related taxes.

5 Related party balances and transactions

As at March 5, 2015, the Foundation is managed by Sinai Health System Foundation under a management services agreement. Under the agreement, Sinai Health System Foundation provides certain services and pays certain expenses that are reimbursed at regular intervals throughout the year. As at March 31, 2016, the Foundation reimbursed \$163,462 of such services.

The Foundation provides financial resources by way of grants in support of the activities of Sinai Health System as approved by the Board of the Foundation.

At regular intervals throughout the year, the Foundation disburses grants to Health, and reimburses it for expenses incurred. No financing charges are incurred on these interim balances. As at March 31, 2016, the balances Foundation owed were: to Research \$nil (2015 - \$18,818) and to the Hospital \$48,053 (2015 - \$306,140).

6 Endowment Fund

Endowments consist of externally restricted donations received by the Foundation and internal resources transferred by the Board of Directors, in the exercise of its discretion. With respect to the latter case, the Board of Directors may have the right to subsequently decide to remove the designation. The endowment principal is required to be maintained intact over time, subject to the Foundation's endowment policy.

Investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board of Directors. The Foundation ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

The Foundation's endowment policy was established by the Board with the objective of protecting the value of the endowments by limiting the amount of income made available for spending to the payout amount and requiring the reinvestment of income not made available for payout, with the objective of increasing the combined value of donated funds and cumulative investment returns at the rate of inflation or greater, over time (preservation of capital). The payout amount is calculated on the opening fund balance, and made available for spending restricted to the purposes set out in the donor agreement, if applicable, or as stipulated by the Board of Directors. The investment policy has established a minimum target rate of return objective as the sum of the payout rate and the inflation rate, with the aim of providing steady, predictable investment returns. The payout amount made available for spending is reviewed and set by the Board of Directors annually. For 2016, the payout amount was set at 4%.

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In any particular year, should net investment income be insufficient to satisfy the payout amount set by the Board of Directors, or if the investment return is negative, the payout amount is funded by the accumulated reinvested income in the Endowment Fund. In general, for individual endowment funds without sufficient accumulated reinvestment income, endowment capital is used in the current year. This amount is expected to be recovered by future net investment income.

Major categories of restrictions on fund balances are as follows:

| | 2016 \$ | 2015 \$ |
|--|------------------|------------------|
| Endowments, income from which must be used for research purposes | 3,699,550 | 3,872,032 |
| Endowments, income from which must be used for other restricted purposes | 151,545 | 158,593 |
| | <u>3,851,095</u> | <u>4,030,625</u> |

7 Commitments

The Board of Directors approved a resolution to fund redevelopment and research activities through 2021 through current reserves and proceeds from fundraising.

8 Financial instruments

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

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. To manage this risk, the Foundation has an investment policy, which includes a target mix of investment types and concentration limits designed to achieve the optimum return within reasonable risk tolerances.

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. To manage this risk, the Foundation invests in a target mix of investment types in accordance with its investment policy.

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9 Comparative figures

Certain prior year figures have been reclassified to conform to the current year's financial statement presentation.