

FINANCIAL STATEMENTS

BELL FUND

December 31, 2016

INDEPENDENT AUDITOR'S REPORT

To the Directors of the
Bell Fund

We have audited the accompanying financial statements of Bell Fund, which comprise the statement of financial position as at December 31, 2016 and the statements of operations, changes in net assets 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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.

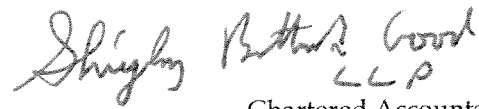
An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. 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 in our audit is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bell Fund as at December 31, 2016 and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Toronto, Ontario
March 28, 2017

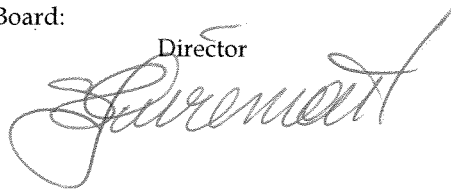

Chartered Accountants
Licensed Public Accountants

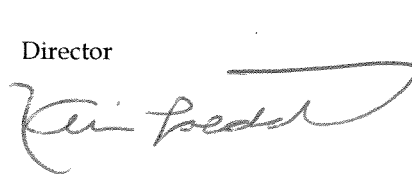
Bell Fund
STATEMENT OF FINANCIAL POSITION

December 31	2016 \$	2015 \$
ASSETS		
OPERATING FUND		
Cash	345,880	215,105
Term deposits, at fair value [note 8]	10,000,000	11,399,566
Investments, at fair value [note 8]	4,700,723	5,171,741
Accounts receivable [notes 4 and 8]	<u>3,236,735</u>	<u>3,229,627</u>
	18,283,338	20,016,039
RESTRICTED DEVELOPMENT FUND		
Investments, at fair value [note 8]	10,000,000	10,000,000
SPECIAL PROJECTS FUND		
Due from operating fund	730,000	-
Term deposits, at fair value [note 8]	-	600,000
Total assets	<u>29,013,338</u>	<u>30,616,039</u>
LIABILITIES AND FUND BALANCES		
OPERATING FUND		
Accrued liabilities	31,740	38,426
Due to Special Projects Fund	730,000	-
Fund balance [note 3]	<u>17,521,598</u>	<u>19,977,613</u>
	18,283,338	20,016,039
RESTRICTED DEVELOPMENT FUND		
Fund balance [note 3]	10,000,000	10,000,000
SPECIAL PROJECTS FUND		
Fund balance [note 3]	730,000	600,000
Total liabilities and fund balances	<u>29,013,338</u>	<u>30,616,039</u>

see accompanying notes

Approved by the Board:

Director


Director


Bell Fund

STATEMENT OF OPERATIONS

Year ended December 31	2016	2015
	\$	\$
OPERATING FUND		
Revenue		
Contributions	17,244,266	18,087,698
Investment income	<u>1,354,980</u>	<u>955,755</u>
	<u>18,599,246</u>	<u>19,043,453</u>
Expenses		
Administration	681,856	674,755
Restricted Fund Program expenses	213,108	206,112
Professional support program	73,708	56,005
Investment management	<u>35,008</u>	<u>34,924</u>
	<u>1,003,680</u>	<u>971,796</u>
Income from operations before funding distributions	17,595,566	18,071,657
Funding distributions [note 7]	<u>19,801,387</u>	<u>17,501,960</u>
Earnings (loss) from operations for the year	<u>(2,205,821)</u>	569,697
Earnings (loss) and increase (decrease) of net assets for the year	<u>(2,205,821)</u>	569,697
RESTRICTED DEVELOPMENT FUND		
Unrealized gain (loss) on investments	<u>(100,194)</u>	(114,085)
Increase (decrease) in net assets for the year	<u>(100,194)</u>	(114,085)

see accompanying notes

Bell Fund

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31	2016 \$	2015 \$
OPERATING FUND		
Balance, beginning of year	19,977,613	19,672,001
Earnings (loss) and increase (decrease) in net assets for the year	(2,205,821)	569,697
Transfer to Special Projects Fund	(150,000)	(150,000)
Transfer to Restricted Development Fund	(100,194)	(114,085)
Balance, end of year	17,521,598	19,977,613
RESTRICTED DEVELOPMENT FUND		
Balance, beginning of year	10,000,000	10,000,000
Increase (decrease) in net assets for the year	(100,194)	(114,085)
Transfer from Operating Fund	100,194	114,085
Balance, end of year	10,000,000	10,000,000
SPECIAL PROJECTS FUND		
Balance, beginning of year	600,000	450,000
Expenses, during the year	(20,000)	
Transfer from Operating Fund	150,000	150,000
Balance, end of year	730,000	600,000

see accompanying notes

Bell Fund
STATEMENT OF CASH FLOWS

Year ended December 31	2016 \$	2015 \$
OPERATING FUND		
Operating Activities		
Cash received from contributions and investment income	18,003,663	18,609,800
Cash paid to suppliers	(1,010,366)	(985,529)
Cash paid for funding distributions	<u>(19,801,387)</u>	<u>(17,501,960)</u>
Cash provided by (used in) operating activities	<u>(2,808,090)</u>	<u>122,311</u>
Investing Activities		
Proceeds on sale of investments	4,623,129	1,736,618
Purchase of investments	<u>(1,684,264)</u>	<u>(1,865,579)</u>
Cash provided by (used in) investing activities	<u>2,938,865</u>	<u>(128,961)</u>
Increase (decrease) in cash during the year	130,775	(6,650)
Cash, beginning of year	215,105	221,755
Cash, end of year	345,880	215,105

see accompanying notes

Bell Fund

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

1. NATURE OF ORGANIZATION

Bell Fund [the "Organization"] was incorporated as a not-for-profit corporation under the Canada Business Corporations Act on September 2, 1997. In February 2014, the Organization changed its name from Bell Broadcast and New Media Fund to Bell Fund.

The Organization is dependent upon financial contributions from Bell TV and Cablevision du Nord and was established to encourage and increase the production of Canadian content for the domestic broadcasting and new media marketplace with a particular emphasis on encouraging the linkages between these two sectors and producing interactive content that reflects current and emerging industry needs and practices.

In addition, an endowment was provided by BCE-CTV Benefits to encourage the development of new media and interactive content and professional development activities.

The Organization is exempt from income taxes under Section 149(1) of the Income Tax Act (Canada).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations and include the following significant accounting policies.

Financial statement presentation

The financial statements have been prepared on a restricted fund basis. The fund balances are described as follows:

Operating Fund

All the operations of the Organization are included in the Operating Fund and include contributions from Bell TV and Cablevision du Nord, investment income, operating and administrative expenses, funding distributions and realized and unrealized investment gains and losses on investments held by the Operating Fund as well as any realized and unrealized investment gains or losses on investments held by the Restricted Development Fund as allocated by the Board.

Bell Fund

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Development Fund

The Restricted Development Fund represents the endowment received from BCE-CTV Benefits of \$10,000,000. The fund is restricted by the Board. Income earned on the Restricted Development Fund is the property of the Operating Fund and consequently, is included in the Operating Fund. Unrealized investment gains and losses on investments held by the Restricted Development Fund are included in this Fund or may be allocated to the Operating Fund by the Board at its discretion. As this fund does not have a cash balance, a statement of Cash Flows is not provided.

Special Projects Fund

The Special Projects Fund represents an appropriation by the Board from the Operating Fund of a portion of the un-utilized part of the Canadian Radio and Television Commission's maximum administration expense component included within the annual revenue contributions received from BellTV. The Board accumulates these appropriations in the Special Projects Fund to be used to fund Board approved projects including research and other special projects to enhance the overall mandate and public awareness of the Organization. The Board limits the Fund Balance of the Special Projects Fund to \$750,000 at any time. Should the circumstances warrant it in any year, the Board may transfer any or all of the unused funds in the Special Projects Fund back to the Operations Fund.

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates include the ultimate realization of the fair value of the investments. Actual results could differ from the estimates.

Cash - Operating Fund

Cash is defined as cash in bank less outstanding cheques.

Investments - Operating Fund and Restricted Development Fund

Investment transactions are recorded on the settlement date and the investments are recorded at fair value. The investments are comprised of Canadian and foreign equity pooled funds and fixed income securities including pooled funds, treasury bills, bonds, debentures and notes.

Valuation

The fair value of investments as at the financial reporting period end is determined as follows:

- a) Securities listed upon a recognized public stock exchange are valued at their bid prices for investments owned.

Bell Fund

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- b) Short-term notes, treasury bills and bonds are valued at the average bid quotations from recognized investment dealers.

Transaction costs

Transaction costs are incremental costs other than portfolio fees that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commission paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. The Organization does not incur such transaction costs.

In the Statement of Cash Flows for the Operating Fund, the proceeds on sale of investments and the purchase of investments have been shown net of short-term investment transactions consisting of bank term-deposits, Canadian treasury bills and Government of Canada bonds with maturities under 365 days.

Revenue recognition- Operating Fund and Restricted Development Fund

The Organization uses accrual accounting whereby interest revenue is recognized as earned, dividend revenue is recognized as received, contribution revenue from Bell TV and Cablevision du Nord is recognized based on the monthly commitments, and realized gains and losses on investment transactions are recognized on the settlement date.

Realized and unrealized gains and losses from investment transactions are calculated on an average cost basis.

Funding distributions- Operating Fund

The financing agreements entered into by the Organization with independent production companies and professional development organizations contain specific milestones that must be achieved by the companies and organizations in order for them to be entitled to funds. The Organization recognizes, as funding distribution expense in the Statement of Operations, its obligations under those agreements when the specific milestones have been achieved. Funding commitments for projects with unachieved milestones are reflected in the commitments note to the financial statements.

Capital Assets

The Organization expenses all capital assets that are immaterial in cost. Such capital assets would generally be office furniture and equipment and computer equipment of a replacement nature for existing capital assets. If, in any year, capital assets additions exceed the above noted limit, they would be capitalized and amortized over their estimated useful life of three to five years on a straight line basis.

Bell Fund

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

3. OBJECTIVES, POLICIES AND PROCESSES FOR MANAGING CAPITAL

The Organization's capital is comprised of the net assets invested in unrestricted funds represented by both the Operating Fund and the Special Projects Fund as well as the externally restricted funds represented by the Restricted Development Fund.

The Organization invests the unrestricted funds to ensure that the organization has administrative facilities suitable for management to administer its various programs on an annual basis while maintaining the investments in the Restricted Development Fund as required by the external restriction.

Management prepares budgets which are reviewed, approved and monitored by the Board of Directors. Investments are made based upon the estimated timing of funding requirements and material investment decisions are approved by the Board of Directors.

4. ACCOUNTS RECEIVABLE

The accounts receivable consist primarily of amounts due from Bell TV and accrued interest income on investments.

5. RELATED PARTY TRANSACTIONS

In addition to the contributions from Bell TV and the accounts receivable from this company that is separately disclosed in the financial statements, the Organization paid an honorarium and professional fees of \$5,000 (2015 - \$5,000) to the Chairman of the Board and honoraria of \$12,500 (2015 - \$12,500) to Directors other than the Directors who are employees, officers or directors of Bell Canada, BCE and their related companies.

6. ADMINISTRATIVE EXPENSES

During the year, the Organization paid \$66,230 (2015 - \$70,080) to Independent Production Fund for shared administration costs.

Bell Fund

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

7. COMMITMENTS

During 2016, the Organization authorized funding for ongoing projects and development activities that were not completed. As a result, at year-end, there existed commitments to pay certain amounts as follows:

	Commitment Outstanding \$	Paid \$	Outstanding at year-end \$
Funding authorized in 2016			
Television grants	3,920,683	(1,974,964)	1,945,719
New Media grants	16,176,520	(9,340,234)	6,836,286
Development grants	596,780	(427,130)	169,650
Pilot program grants	364,900	(150,000)	214,900
Performance Accelerator program grants	<u>276,150</u>	<u>(225,765)</u>	<u>50,385</u>
	21,335,033	(12,118,093)	9,216,940
Funding authorized in 2015 not yet paid	7,357,263	(5,053,657)	2,303,606
Funding authorized in 2014 not yet paid	2,686,990	(1,602,628)	1,084,362
Funding authorized in 2013 not yet paid	932,532	(633,732)	298,800
Funding authorized in 2012 not yet paid	500,052	(340,877)	159,175
Funding authorized in 2011 not yet paid	165,550	(35,700)	129,850
Funding authorized in 2010 not yet paid	16,700	(16,700)	-
	<u>32,994,120</u>	<u>(19,801,387)</u>	<u>13,192,733</u>

8. FINANCIAL INSTRUMENTS

a) Risk exposure and management

The Organization's investment activities expose it to a variety of financial risks, as defined in section 3856 of the CPA Canada Handbook. The Organization's exposure to financial risks is concentrated primarily in its investment portfolio and the significant relevant risks are discussed below.

b) Concentration of investment risk for investment portfolio

Concentration risk arises when the Organization invests in a limited number of individual securities or in securities within a limited number of industry sectors.

Bell Fund

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

8. FINANCIAL INSTRUMENTS (continued)

b) Concentration of investment risk for investment portfolio (continued)

At year-end, the Organization's portfolio of investments aggregating \$14,700,723 (2015 - \$15,171,741), being the Operating Fund of \$4,700,723 (2015 - \$5,171,128) plus the Restricted Development Fund of \$10,000,000 (2015 - \$10,000,000), includes a number of individual investments and industry sectors within the broad classification of equities, fixed income bonds and debentures and pooled funds. The Board of Directors of the Organization seeks to minimize the potential adverse effects of these risks by engaging an independent professional investment manager to manage the portfolio, diversifying the investment portfolio and by providing the investment manager with specific investment guidelines against which the performance of the portfolio is monitored. The Organization's portfolio of investments are held for safekeeping by an independent trust company which provides the Organization with a monthly report, based on the settlement date, of investment transactions by the investment manager.

In addition, the Organization invests in term deposits with a Canadian financial institution which amounted to \$10,000,000 at year-end (2015 - \$11,399,566).

The Organization is satisfied that there is no significant exposure from loss on the realization of its investment portfolio due to concentration of the investments either in a limited number of individual investments or in a particular industry sector.

c) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Organization including the trading of securities and the collection of receivables.

All investment transactions are in securities listed on a recognised Canadian stock exchange and are executed with an approved broker. To minimize the possibility of settlement default, securities are exchanged for payment simultaneously through the facilities of a central depository and/or clearing agency.

The Organization is satisfied that there is no significant exposure to losses from credit risk for the investment portfolio.

Other financial assets include the receivables, which represent accrued interest on bonds held in the investment portfolio and contributions due from Bell TV, and term deposits with a Canadian financial institution, and accordingly, the Organization does not have significant exposure from the collection of the receivables.

Bell Fund

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

8. FINANCIAL INSTRUMENTS (continued)

d) Currency risk

Currency risk arises when the fair value of financial instruments denominated in a currency other than the Canadian dollar, which is the Organization's reporting currency, fluctuate due to changes in exchange rates.

At year-end, the Organization's portfolio of investments includes approximately 7.83% (2015 - 16.9%) of investments denominated in foreign currencies, primarily US dollars, and which are converted to their Canadian dollar equivalent at the year-end exchange rate.

The Organization is satisfied that there is no significant exposure to losses from currency risk for the investment portfolio.

e) Interest rate risk

Interest rate risk arises when the fair value of interest-bearing financial instruments fluctuates due to changes in the prevailing levels of market interest rates. Cash, short-term deposits, accounts receivable and accrued liabilities do not expose the Organization to significant amounts of interest rate risk.

Fixed rate Canadian income funds represent 44.4% (2015 - 48.0%) of the portfolio of investments and are primarily invested in one large fund sponsored by a Canadian financial institution. The effective interest rate realized during the year was 3.1% (2015 - 3.5%).

The underlying investments of Canadian financial institution sponsored fund, which is within the fixed rate Canadian income funds, are a number of bonds and debentures issued by various government and corporate entities and are for different maturity dates.

The Organization is satisfied there is no significant exposure to losses from interest rate fluctuations.

f) Liquidity risk

Liquidity risk arises when the Organization encounters difficulty in meeting its financial obligations as they come due.

At the end of the year, the Organization's portfolio of investments includes 5.0% (2015 - 6.5%) of Canadian short term interest bearing securities plus the term deposits shown as a separate line item on the Statement of Financial Position.

The Organization is satisfied that there is no significant exposure from liquidity risk.

Bell Fund

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

8. FINANCIAL INSTRUMENTS (continued)

g) Other price risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk (the first two of which have been discussed in 8d and 8e above).

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices whether caused by factors specific to an individual investment, its issuers, or other factors affecting all instruments traded in a market or market segment. All investments present a risk of loss of capital. This risk is managed through the careful selection of investments and other financial instruments within the parameters of the Organization's investment strategy and is monitored as set out in 8b above. The Organization does not invest in options, futures or other derivative contracts. The Organization's most significant exposure to price risk arises from its investments in equity securities which at year-end represented 55.6% (2015 - 51.6%) of the investment portfolio.

As set out in 8b above, the Organization employs a professional investment manager and reviews the performance of the manager against specific investment criteria. The investment portfolio is represented by securities traded on a recognized stock exchange and, by its the long-term nature and diversity, does not include any material dollar amount of securities with significant terms or conditions that would materially affect the amount, timing or certainty of future cash flows.