



**Consolidated Financial Statements and Report of
Independent Certified Public Accountants**

The Entertainment Industry Foundation

December 31, 2016

(with summarized financial information as of December 31, 2015)

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Report of Independent Certified Public Accountants

To the Board of Directors
The Entertainment Industry Foundation

Audit - Tax - Advisory

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We have audited the accompanying consolidated financial statements of The Entertainment Industry Foundation (the "Foundation"), which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Entertainment Industry Foundation as of December 31, 2016, and the consolidated changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Los Angeles, California
June 6, 2017

The Entertainment Industry Foundation

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2016
(with summarized financial information as of December 31, 2015)

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and Cash Equivalents	\$ 57,534,069	\$ 47,949,650
Investments	6,656,217	7,197,944
Accounts Receivable	1,293,763	7,774
Contributions Receivable (Net)	24,588,397	39,857,085
Prepaid Expenses and Other Assets	520,263	501,504
Property and Equipment (Net)	<u>546,532</u>	<u>588,377</u>
TOTAL ASSETS	<u>\$ 91,139,241</u>	<u>\$ 96,102,334</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts Payable and Accrued Liabilities	\$ 3,584,837	\$ 5,864,954
Grants Payable	<u>13,050,228</u>	<u>14,486,905</u>
TOTAL LIABILITIES	16,635,065	20,351,859
NET ASSETS:		
Unrestricted Net Assets:		
Unrestricted	521,825	853,040
Temporarily Restricted	73,982,351	74,897,435
Permanently Restricted	<u>-</u>	<u>-</u>
TOTAL NET ASSETS	<u>74,504,176</u>	<u>75,750,475</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 91,139,241</u>	<u>\$ 96,102,334</u>

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

The Entertainment Industry Foundation
CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year ended December 31, 2016
(with summarized financial information as of December 31, 2015)

	2016			2015 Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted		Total
REVENUE AND OTHER SUPPORT:					
Telethon	\$ -	\$ 93,844,079	\$ -	\$ 93,844,079	\$ 18,987,079
Less: Costs of Donor Benefits	(9,151,093)	-	-	(9,151,093)	(8,757,943)
Less: Donated Media	(48,526,865)	-	-	(48,526,865)	(2,333,850)
Less: Other In-Kind Contributions	(164,700)	-	-	(164,700)	-
NET TELETHON	(57,842,658)	93,844,079	-	36,001,421	7,895,286
Special Events Revenue	-	1,480,408	-	1,480,408	3,003,800
Less: Costs of Donor Benefits	(1,577,085)	-	-	(1,577,085)	(701,257)
Less: Donated Media	-	-	-	-	-
NET SPECIAL EVENTS	(1,577,085)	1,480,408	-	(96,677)	2,302,543
NET REVENUE AND OTHER SUPPORT	(59,419,743)	95,324,487	-	35,904,744	10,197,829
CONTRIBUTIONS:					
In-Kind Contributions-Donated Media	6,707,401	196,755,484	-	203,462,885	176,570,100
Other In-Kind Contributions	-	357,812	-	357,812	15,365
Partnership Interest	-	-	-	-	235,788
Corporate and Foundation Contributions	338,039	17,172,855	-	17,510,894	58,059,299
Direct Contributions	50,865	6,156,703	-	6,207,568	9,920,557
Worksite Campaigns	106,387	-	-	106,387	133,101
TOTAL CONTRIBUTIONS	7,202,692	220,442,854	-	227,645,546	244,934,210
Investment Income (Net)	321,984	20,064	-	342,048	41,633
Release of Restrictions - For Cancer Research Grants	305,804	(305,804)	-	-	-
Net Assets Released from Restrictions	316,396,685	(316,396,685)	-	-	-
TOTAL REVENUE AND OTHER SUPPORT	264,807,422	(915,084)	-	263,892,338	255,173,672
EXPENSES:					
Program Services:					
Grant Program	43,339,491	-	-	43,339,491	44,439,384
Public Awareness and Education	190,945,129	-	-	190,945,129	170,486,921
TOTAL PROGRAM SERVICES	234,284,620	-	-	234,284,620	214,926,305
Supporting Services:					
Management and General	5,795,647	-	-	5,795,647	6,789,248
Fundraising	25,058,370	-	-	25,058,370	20,184,047
TOTAL SUPPORTING SERVICES	30,854,017	-	-	30,854,017	26,973,295
TOTAL EXPENSES	265,138,637	-	-	265,138,637	241,899,600
CHANGE IN NET ASSETS	(331,215)	(915,084)	-	(1,246,299)	13,274,072
NET ASSETS AT BEGINNING OF YEAR	853,040	74,897,435	-	75,750,475	62,476,402
NET ASSETS AT END OF YEAR	\$ 521,825	\$ 73,982,351	\$ -	\$ 74,504,176	\$ 75,750,474

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

The Entertainment Industry Foundation

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year ended December 31, 2016
(with summarized financial information as of December 31, 2015)

	Program Services			Supporting Services			Total Expenses	
	Grants Program	Public Awareness and Education	Total	Management and General	Fundraising	Total	2016	2015
	In Kind: Donated Media	\$ -	183,756,990	183,756,990	\$ -	19,705,895	19,705,895	\$ 203,462,885
Grants to Charities	42,975,038	-	42,975,038	-	-	-	42,975,038	44,033,011
Salaries and Payroll Related Expenses	39,895	2,997,022	3,036,917	2,767,808	1,166,743	3,934,551	6,971,468	8,561,945
Professional Services	12,155	1,922,430	1,934,585	1,366,182	3,524,032	4,890,214	6,824,799	6,760,311
Occupancy Cost	(1,293)	63,998	62,705	996,207	1,410	997,617	1,060,322	1,159,526
Travel and Meetings	74,937	464,595	539,532	91,646	144,287	235,933	775,465	882,547
Public Relations and Publicity	24,000	667,181	691,181	-	34,512	34,512	725,693	1,053,287
Subscriptions and Permits	12,999	559,128	572,127	70,683	59,432	130,115	702,242	895,008
Office Supplies and Printing	177,583	168,019	345,602	96,469	18,770	115,239	460,841	755,910
In Kind: Donated Travel	-	190,425	190,425	3,750	163,637	167,387	357,812	-
Insurance	12,475	-	12,475	170,295	569	170,864	183,339	161,542
Electronic Media Production	8,475	116,395	124,870	11,886	3,082	14,968	139,838	225,250
Miscellaneous	-	-	-	-	131,658	131,658	131,658	9,473
Telephone and Internet	313	7,951	8,264	73,410	8,024	81,434	89,698	192,834
Bank and Merchant Fees	(2,389)	1,324	(1,065)	12,997	77,605	90,602	89,537	115,918
Depreciation	-	243	243	86,651	999	87,650	87,893	106,068
Postage	665	20,225	20,890	16,990	12,914	29,904	50,794	93,665
Equipment Rental	938	7,255	8,193	23,339	3,107	26,446	34,639	56,514
Event Space Rental	3,700	1,680	5,380	4,025	-	4,025	9,405	159,450
Repairs and Maintenance	-	268	268	3,309	319	3,628	3,896	22,461
Advertising	-	-	-	-	1,375	1,375	1,375	84,782
TOTAL 2016 FUNCTIONAL EXPENSES	<u>\$ 43,339,491</u>	<u>\$ 190,945,129</u>	<u>\$ 234,284,620</u>	<u>\$ 5,795,647</u>	<u>\$ 25,058,370</u>	<u>\$ 30,854,017</u>	<u>\$ 265,138,637</u>	
	16%	72%	88%	2%	10%	12%	100%	
TOTAL 2015 FUNCTIONAL EXPENSES	<u>\$ 44,439,384</u>	<u>\$ 170,486,921</u>	<u>\$ 214,926,305</u>	<u>\$ 6,789,248</u>	<u>\$ 20,184,047</u>	<u>\$ 26,973,295</u>		<u>\$ 241,899,600</u>
	18%	71%	89%	3%	8%	11%		100%

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

The Entertainment Industry Foundation

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year ended December 31, 2016
(with summarized financial information as of December 31, 2015)

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (1,246,298)	\$ 13,274,072
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	102,461	106,068
Realized and Unrealized (Gain) Loss in Investments	(114,157)	32,772
Donated Partnership Interest	792,443	(235,788)
(Increase) Decrease in:		
Accounts Receivable	(1,285,989)	314,352
Contributions Receivable (net)	15,268,688	(7,308,180)
Prepaid Expenses and Other Assets	(18,759)	(9,584)
Increase (Decrease) in:		
Accounts Payable and Accrued Liabilities	(2,280,117)	3,141,086
Grants Payable	(1,436,677)	4,584,202
	<u>9,781,595</u>	<u>13,899,000</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	9,781,595	13,899,000
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	-	(16,633)
Proceeds from the Sale of Investments	-	614,057
Reinvested Interest and Dividends	(136,559)	(131,521)
Purchase of Property and Equipment	(60,617)	(82,276)
	<u>(197,176)</u>	<u>383,627</u>
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(197,176)	383,627
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,584,419	14,282,627
Cash and Cash Equivalents - Beginning of Year	<u>47,949,650</u>	<u>33,667,023</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 57,534,069</u></u>	<u><u>\$ 47,949,650</u></u>

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

The Entertainment Industry Foundation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016

(with summarized financial information as of December 31, 2015)

NOTE 1 – ORGANIZATION

Created in 1942 by Hollywood legend Samuel Goldwyn with friends Humphrey Bogart, James Cagney, and the Warner brothers, The Entertainment Industry Foundation (formerly Permanent Charities Committee) was established on the belief that the entertainment industry was in a unique position to truly help others. Their vision was to unify Hollywood's generous giving in order to maximize the amount of charitable dollars raised annually, and guarantee that worthy charities receive these contributions.

Throughout its history, The Entertainment Industry Foundation has focused on some of the most pressing needs of our time: from the first grants directed to wartime agencies like the United States Organizations ("USO") and American Red Cross, to providing funding and creating awareness to help eradicate childhood polio. Today, the Foundation is a multifaceted organization that occupies a unique place in the world of philanthropy. Through mobilizing and leveraging the powerful voice and creative talents of the entertainment industry, as well as cultivating the support of organizations (public and private) and philanthropists committed to social responsibility, the Foundation seeks to build awareness, raise funds, and to develop and enhance programs on the local, national and global level that will have a positive impact and generate social change.

The Foundation focuses on four critical areas: health, education, the environment, and poverty/hunger. The Foundation creates high-profile programs and events that address these major social issues by informing, inspiring and raising significant funds for sustainable initiatives that can stimulate innovations and transform lives. The Foundation also responds to urgent needs resulting from natural or manmade disasters.

The Foundation's initiatives include:

- **Stand Up To Cancer (Translational Cancer Research):** The Foundation's Stand Up To Cancer initiative raises funds for accelerated, collaborative cancer research, largely through a biennial televised event carried by more than 20 major networks and cable outlets. Stand Up To Cancer funds over 500 scientists at more than 100 major research institutions who collaborate to develop new and promising cancer treatment for patients at a faster pace.
- **National Colorectal Cancer Research Alliance (Colon Cancer):** Following the launch of a high-profile public awareness effort spearheaded by journalist Kathie Couric, experts noted a 20% increase in colonoscopy screenings, which they dubbed "The Couric Effect." This campaign was part of the work of the Foundation's National Colorectal Cancer Research Alliance ("NCCRA"). Started in 2000, the NCCRA seeks the eradication of colon cancer by raising funds to support cutting-edge science and promoting the life-saving value of screening. For eight years, the Foundation's NCCRA and the Center for Disease Control ("CDC") have jointly conducted a campaign to educate Americans about colorectal cancer screening. The CDC cites the campaign as the most successful it has ever undertaken – for any disease – to educate the public about screening. Experts view both of these above-mentioned programs as significant contributors to a reduction in the colon cancer death rate.

The Entertainment Industry Foundation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2016
(with summarized totals at December 31, 2015)

NOTE 1 – ORGANIZATION – Continued

- Think It Up is a program created in 2015 to bring broad cultural attention to the urgency of improving the learning experience in America. This seeks to reframe the public discussion about education, create a culture of excitement about learning everywhere in America and build a sense of optimism about the potential of education in classrooms across the country. Think It Up invites public middle and high school students to work with their teachers to develop projects that draw on their passions and help pursue their educational goals. The student-powered, teacher-led projects are crowdfunded by citizen donors. The projects entail rigorous skill development that prepares American youth for post-high school life, helping pave the way for career success, regardless of the path.
- Hunger Is Program (Childhood Hunger) - The Entertainment Industry Foundation, along with Academy Award nominated actress Viola Davis and The Albertsons Companies Foundation, created the “Hunger Is” Program, a joint charitable program designed to raise awareness and funds to fight childhood hunger in the United States. Funds raised through the initiative go toward programs focused on eradicating childhood hunger and improving health-related outcomes.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of The Entertainment Industry Foundation and its wholly-owned subsidiary, Stand Up To Cancer Music, LLC (collectively, “the Foundation”). There were no intercompany transactions during the year ended December 31, 2016.

Basis of Presentation

The consolidated financial statements of the Foundation have been prepared utilizing the accrual basis of accounting.

Accounting

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the Foundation are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset categories that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset categories as follows:

- Unrestricted – Undesignated Net Assets. These generally result from revenues from providing services, producing and delivering goods, receiving unrestricted contributions, and receiving dividends or interest from investing in income-producing assets, less expenses incurred in providing services, producing and delivering goods, raising contributions, and performing administrative functions.

The Entertainment Industry Foundation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2016
(with summarized totals at December 31, 2015)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Accounting (continued)

- **Unrestricted – Board Designated Net Assets.** These are comprised of resources that the Foundation has established as being designated for the Stand Up To Cancer initiative. For purposes of complying with net asset accounting, this fund is included in unrestricted net assets at December 31, 2016 and 2015 with a balance of \$6,279,404 and \$6,808,000, respectively.
- **Temporarily Restricted Net Assets.** The Foundation reports gifts of cash and other assets as temporarily restricted if they are received with donor stipulations that limit their use (either purpose or time restricted). When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from purpose or time restrictions. The Foundation has \$73,982,351 of temporarily restricted net assets at December 31, 2016.
- **Permanently Restricted Net Assets.** These net assets are received from donors who stipulate that resources are to be maintained permanently, but permit the Foundation to expend all of the income (or other economic benefits) derived from the donated assets. There were no permanently restricted net assets at December 31, 2016.

Cash and Cash Equivalents

Cash and cash equivalents are short-term, highly liquid investments with maturities of three months or less at the time of purchase. The carrying value of cash and cash equivalents at December 31, 2016 approximates its fair value.

The Foundation maintains its cash and cash equivalents in bank deposit accounts and other investment accounts, which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investments

Investments in equity and debt securities with readily determinable market values are reported at fair value. The fair value of investments is valued at the closing price on the last business day of the fiscal year. Securities are generally held in custodial investment accounts administered by financial institutions.

Investment purchases and sales are accounted for on a trade-date basis. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Interest and dividend income is recorded when earned. Gains or losses (including investments bought, sold, and held during the year), and interest and dividend income are reflected in the consolidated statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily restricted by donor stipulations or by law.

The Entertainment Industry Foundation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2016
(with summarized totals at December 31, 2015)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Investments (continued)

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position.

Accounts Receivable

Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, if any, represents the estimated net realizable value. The allowance for doubtful accounts is estimated based on historical collection trends, types of customer, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivables balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. All accounts receivable are considered fully collectable within one year; therefore, no allowance for doubtful accounts has been provided for at December 31, 2016.

Contributions Receivable

Contributions, including unconditional promises to give, are recognized as support when received at fair value.

Unconditional promises to give which are expected to be collected or paid in future years are discounted at the appropriate rate commensurate with the risks involved. Unconditional promises to give are recorded at present value using a discount rate determined by the three year Treasury rate as of December 31 of the year in which the promise was made. Amortization of the discount on contributions received is recorded as additional contribution revenue. The discount rate ranges between 1.1% and 1.97%.

Conditional promises to give that are contingent upon future events or future matching are not recorded until the conditions have been satisfied. If funds are received from such gifts, they are recorded as refundable advances until the condition is satisfied. When the condition has been satisfied, the gift is recognized as either unrestricted or temporarily restricted revenue depending on the intent of the donor. At December 31, 2016 and 2015, there was \$69,785,000 and \$38,856,000 in conditional promises to give.

The Entertainment Industry Foundation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2016
(with summarized totals at December 31, 2015)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Contributions Receivable (continued)

Special event contributions are generally reported as increases in unrestricted net assets. However, if the circumstances surrounding the receipt of such contributions make clear the respective donor's implicit restriction on use, such amounts are classified as increases in temporarily restricted net assets.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$5,000 and the useful life is greater than one year. The estimated useful lives are as follows:

Office furniture and equipment	3 - 5 years
Leasehold improvements	5 - 10 years

Long-lived Assets

The Foundation evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the assets, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No such impairment losses have been recognized during the year ended December 31, 2016.

Deferred Rent

The Foundation recognizes escalating rent provisions on a straight-line basis over the term of the lease. Deferred rent totaled \$919,636 and \$908,068 as of December 31, 2016 and 2015, respectively.

Deferred Revenue

Fees and sponsorship revenues for events, which are paid in advance, are deferred and recognized as income in the period in which the related events are held.

Grants to Charities

Unconditional grants are recorded against operations when authorized by the Foundation's Board of Directors and notification to the grantee. The actual payment of the grant may not necessarily occur in the year of authorization. Cancellations of grants occur when the grantees do not meet the terms under which the grants were awarded. In those instances the cancellation is recorded as an increase against operations. All grants to charities at December 31, 2016 are expected to be paid within one year.

The Entertainment Industry Foundation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2016
(with summarized totals at December 31, 2015)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Grants to Charities (continued)

The Foundation also has \$85,541,284 in research-related contractual grant commitments outstanding. Over 88% of this amount is contingent upon a detail review done twice a year of research team performance, outcomes, and financial spends. The remaining contingent grant amounts involve other assessment and evaluation processes.

Concentration of Credit Risk

The Foundation places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. The Foundation has not incurred losses related to these investments.

Contributed Goods and Services

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Income Taxes

The Foundation is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.

The Foundation follows authoritative guidance which requires the Foundation to evaluate its tax position for any uncertainties based on the technical merits of the position taken. The Foundation recognizes the tax benefit from an uncertain tax position only if it is more than likely than not that the tax position will be upheld upon examination by taxing authorities. As of December 31, 2016, the Foundation does not believe it has any uncertain tax positions. The Foundation has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the Foundation has filed Internal Revenue Service Form 990 tax returns as required and all other applicable returns in those jurisdictions where it is required. The Foundation believes it is not subject to U.S. federal, state or local, or non-U.S. income tax examinations by tax authorities for years prior to fiscal 2013. However, the Foundation is still open to examination by taxing authorities from fiscal year 2013 forward. No interest or penalties have been recorded in the financial statements related to any uncertain tax positions.

Advertising

The Foundation expenses advertising costs as incurred. For the year ended December 31, 2016, advertising expense totaled \$1,375.

The Entertainment Industry Foundation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2016
(with summarized totals at December 31, 2015)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been presented in the consolidated statement of functional expenses. During the year, such costs are accumulated into operational groupings. All costs are allocated among program and support services by a method that best measures the relative degree of benefit.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Comparative Totals

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's consolidated financial statements for the year ended December 31, 2015 from which the summarized information was derived.

New Accounting Standards

On May 1, 2015, the FASB issued Accounting Standards Update 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. Under the new guidance, investments measured at net asset value ("NAV"), as a practical expedient for fair value, are excluded from the fair value hierarchy. Removing investment measured using the practical expedient from the fair value hierarchy is intended to eliminate the diversity in practice that currently exists with respect to the categorization of these investments. The only criterion for categorizing investments in fair value hierarchy will be the observability of the inputs.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-profit Entities*, which intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment return, and cash flows. The guidance also requires presentation of expenses by both their natural and functional classification in a single location in the financial statements. Early adoption is permitted.

Subsequent Events

The Foundation has evaluated events and transactions occurring subsequent to the consolidated statement of financial position date of December 31, 2016 for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through June 6, 2017, the date these consolidated financial statements were available to be issued.

The Entertainment Industry Foundation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2016
(with summarized totals at December 31, 2015)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Subsequent Events (continued)

The following new major donor agreements were executed subsequent to December 31, 2016:

- On January 1, 2017, a \$500,000 second amendment agreement with a major foundation became effective to continue the Hunger Is program for 2017.
- On February 1, 2017, an additional \$3.7 million donor agreement with a major pharmaceutical company was executed.
- On March 5, 2017, a \$15 million collaboration agreement was executed with a major foundation to support education.
- On March 22, 2017, a \$5.7 million agreement was executed with a law firm to sublease our Los Angeles office commencing on October 1, 2017.
- On May 1, 2017, an additional \$3 million donor agreement with a major foundation was executed.
- On May 25, 2017, a \$1 million donor agreement with a donor was executed to establish a scholarship award.

No such material events or transactions were noted to have occurred, except as noted above.

NOTE 3 – INVESTMENTS

The Foundation implemented the accounting standard that defines fair value for those assets (and liabilities) that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. This standard applies to fair value measurements already required or permitted by existing standards.

The Financial Accounting Standards Board (“FASB”) authoritative guidance on fair value measurements establishes a framework for measuring fair value and expands disclosure about fair value measurements. The guidance enables the reader of financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair value. Under this guidance, assets and liabilities carried at fair value must be classified and disclosed on one of the following three categories:

- Level 1 – Observable inputs such as quoted market prices in active markets. Classification currently include cash and investments in funds that are priced daily and trade over an active exchange such as the New York Stock Exchange.
- Level 2 – Inputs other quoted process in active markets, which are observable either directly or indirectly.

The Entertainment Industry Foundation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2016
(with summarized totals at December 31, 2015)

NOTE 3 – INVESTMENTS – Continued

Level 3 – Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions. Classification currently include commingled funds that do not have daily pricing on an active exchange but where a substantial portion of a fund's fair value could be determined based on quoted market process of underlying investments held by the fund and the estimated fair value of certain investments of the underlying investment partnership, which may include private placements and other securities

for which prices are not readily available, and are determined by the general partner or sponsor of the respective other investment partnership and may not reflect amounts that could be relegalized upon immediate sale, nor amounts that ultimately may be realized.

The following tables present information about the Foundation's assets that are measured at fair value on a recurring basis at December 31, 2016 and December 31, 2015, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	December 31, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Cash Equivalents	\$ 158,937	\$ 158,937	\$ -	\$ -
Domestic Common and Foreign Stock	3,026,053	3,026,053	-	-
Corporate Bonds	1,144,163	1,144,163	-	-
Corporate CMOS	278,325	278,325	-	-
Mortgage Backed Government Issues	92,153	92,153	-	-
Fixed Income-U.S. Agencies	582,220	582,220	-	-
Foreign Bonds	200,130	200,130	-	-
Municipal Bonds	300,450	300,450	-	-
Government Bonds	457,556	457,556	-	-
Government REMICS/CMOS	166,350	166,350	-	-
Floating and Adj. Rate Notes	196,490	196,490	-	-
Asset-Backed Corporate Issues	53,390	-	53,390	-
	<u>\$ 6,656,217</u>	<u>\$ 6,602,827</u>	<u>\$ 53,390</u>	<u>\$ -</u>
Total Investments	<u>\$ 6,656,217</u>	<u>\$ 6,602,827</u>	<u>\$ 53,390</u>	<u>\$ -</u>

The Entertainment Industry Foundation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2016
(with summarized totals at December 31, 2015)

NOTE 3 – INVESTMENTS – Continued

	December 31, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Cash Equivalents	\$ 178,546	\$ 178,546	\$ -	\$ -
Domestic Common and Foreign Stock	2,859,587	2,859,587	-	-
Corporate Bonds	1,150,193	1,150,193	-	-
Corporate CMOS	104,077	104,077	-	-
Fixed Income-U.S. Agencies	746,309	746,309	-	-
Foreign Bonds	203,069	203,069	-	-
Municipal Bonds	267,100	267,100	-	-
Government Bonds	504,601	504,601	-	-
Government REMICS/CMOS	73,964	73,964	-	-
Floating and Adj. Rate Notes	195,838	195,838	-	-
Asset-Backed Corporate Issues	122,217	-	122,217	-
Partnership Interests	792,443	-	-	792,443
	<u>\$ 7,197,944</u>	<u>\$ 6,283,284</u>	<u>\$ 122,217</u>	<u>\$ 792,443</u>
Total Investments	<u>\$ 7,197,944</u>	<u>\$ 6,283,284</u>	<u>\$ 122,217</u>	<u>\$ 792,443</u>

Fair Value Measurements Using Significant
Unobservable Inputs (Level 3)

Beginning Balance as of December 31, 2015	\$ 792,443
Donation of Limited Partnership Interest	-
Regrant of Limited Partnership Interest	(792,443)
Ending Balance as of December 31, 2016	<u>\$ -</u>

The fair values of marketable securities within Level 1 inputs were obtained based on quoted market prices at the closing of the last business day of the fiscal year.

The fair values of asset-backed corporate issues within Level 2 inputs were based on pricing models whose inputs were derived principally from observable market data through correlation or other means of substantially the full term of the asset or liability.

The fair value of the limited partnership interests within Level 3 was obtained by an independent appraisal using the income capitalization approach.

There were no transfers between Level 1, 2 and 3 investments for the year ended December 31, 2016.

The Entertainment Industry Foundation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2016
(with summarized totals at December 31, 2015)

NOTE 3 – INVESTMENTS – Continued

Net investment income for the year ended December 31, 2016 consist of the following:

	2016	2015
Interests and dividends	\$ 211,500	\$ 135,718
Realized and unrealized gain (loss)	177,889	(46,703)
Investment fees	(47,341)	(47,382)
Investment income (Net)	<u>\$ 342,048</u>	<u>\$ 41,633</u>

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, are expected to be collected as follows:

	2016	2015
Less than one year	\$ 13,077,565	\$ 28,610,759
One to five years	<u>12,000,000</u>	<u>12,000,000</u>
Gross contributions receivable	25,077,565	40,610,759
Less: Present value discount	(489,168)	(753,674)
Contributions receivable (Net)	<u>\$ 24,588,397</u>	<u>\$ 39,857,085</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31,:

	2016	2015
Office furniture and equipment	\$ 713,653	\$ 637,319
Leasehold improvements	<u>578,325</u>	<u>578,325</u>
Total	1,291,978	1,215,644
Less: Accumulated depreciation	(745,446)	(627,267)
Property and equipment (Net)	<u>\$ 546,532</u>	<u>\$ 588,377</u>

Depreciation expense for the years ended December 31, 2016 and 2015 was \$102,461 and \$106,068 respectively.

The Entertainment Industry Foundation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2016
(with summarized totals at December 31, 2015)

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following at December 31.:

	<u>2016</u>	<u>2015</u>
Accounts payable	\$ 2,144,150	\$ 4,291,350
Accrued payroll and other payroll withholdings	183,860	386,721
Accrued vacation	337,191	278,815
Deferred rent	<u>919,636</u>	<u>908,068</u>
Total accounts payable and accrued liabilities	<u>\$ 3,584,837</u>	<u>\$ 5,864,954</u>

NOTE 7 – GRANTS PAYABLE

Grants authorized but unpaid at year end are reported as liabilities. The following is summary of grants authorized and payable at December 31:

Grants payable Balance as of December 31, 2016 (To be paid n 2017)	\$ 13,050,228
Grants payable Balance as of December 31, 2015 (Paid n 2016)	\$ 14,486,905

NOTE 8 – CONTRIBUTED GOODS AND SERVICES

The Foundation conducts Public Awareness and Education campaigns that provide information and education regarding the various initiatives adopted by the Foundation. Information and education are primarily provided by public service announcements (“PSAs”). The PSAs are disseminated in the form of broadcast, print, online and out-of-home advertisements. These products are donated by major television networks and magazine publications.

The public service announcements were comprised of the following:

	<u>2016</u>	<u>2015</u>
Broadcast Airtime	\$ 202,778,429	\$ 145,874,525
Print Ad Publications	34,476,388	23,331,077
Out-of-Home	12,627,715	9,270,442
Digital	<u>2,107,218</u>	<u>427,906</u>
Total Public Awareness and Education	<u>\$ 251,989,750</u>	<u>\$ 178,903,950</u>

For the years ended December 31, 2016 and 2015, the Foundation also received \$522,512 and \$15,365 in donated airline travel, respectively.

The Entertainment Industry Foundation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2016
(with summarized totals at December 31, 2015)

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Operating Leases

The Foundation leases office facilities under several operating leases, with various terms expiring through April 2024. Total rental expense charged to operations under these leases during the years ended December 31, 2016 and 2015 was \$1,110,058 and \$1,095,376, respectively.

Lease commitments are as follows:

Years ending December 31,		
2017	\$	1,051,432
2018		1,089,117
2019		1,120,589
2020		1,152,978
2021		1,186,311
Thereafter		<u>2,649,238</u>
Total	\$	<u>8,249,665</u>

Litigation

In the ordinary course of doing business, the Foundation becomes involved in various lawsuits. Some of these proceedings may result in judgments being assessed against the Foundation which, from time to time, may have an impact on net income or financial position. The Foundation does not believe that these proceedings, individually or in the aggregate, are material to its operations or financial condition.

NOTE 10 - NET ASSETS

Unrestricted net assets at December 31:

	<u>2016</u>	<u>2015</u>
Unrestricted and Undesignated	\$ (5,757,579)	\$ (5,954,960)
Board Designated for Stand Up To Cancer	<u>6,279,404</u>	<u>6,808,000</u>
	<u>\$ 521,825</u>	<u>\$ 853,040</u>

The Entertainment Industry Foundation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2016
(with summarized totals at December 31, 2015)

NOTE 10 - NET ASSETS - Continued

Temporarily restricted net assets at December 31, are available for the following purposes:

	2016	2015
Temporarily restricted net assets:		
Stand Up To Cancer	\$ 69,252,948	\$ 65,780,251
Other donor purpose restrictions	583,720	1,727,670
National Colorectal Cancer Research Alliance	268,975	885,074
Childhood Hunger	2,935,901	4,001,129
Think It Up (Education challenge)	940,807	2,503,311
	\$ 73,982,351	\$ 74,897,435

NOTE 11 – ALLOCATION OF JOINT COSTS

The Foundation conducted public service announcements that included requests for contributions as well as program components. The costs of conducting these activities in 2016 included joint costs for donated media totaling \$203,462,885.

The joint costs were allocated as follows:

Public awareness and education	183,756,990
Fundraising	19,705,895
Management and general	-
Total joint costs	203,462,885

NOTE 12 – EMPLOYEE BENEFIT PLANS

Multiemployer Pension Plan

The Foundation contributes to the Motion Picture Industry Pension Plan, a multiemployer defined benefit pension plan, under the terms of its non-affiliated agreement covering Foundation employees. Contributions to this plan are based on employee hours worked and are paid by the Foundation. The risks of participating in multiemployer plans are different from single-employer plans in the following respects:

- Assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

The Entertainment Industry Foundation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2016
(with summarized totals at December 31, 2015)

NOTE 12 – EMPLOYEE BENEFIT PLANS - Continued

- If the employer chooses to stop participating in its multiemployer plan, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Foundation's participation in this plan for the year ended December 31, 2016 is outlined below. The information included in this table is as follows:

EIN	95-1810805
Plan number:	01
Pension Protection Act of 2006 zone status	Green
Contributions to plan	\$234,201
Plan's contributions >5% of total contributions	No
Financial improvement or rehabilitation plan pending or implemented	No
Surcharged imposed?	No
Expiration of collective bargaining agreements	N/A

Pension Plan

The Foundation sponsors a 403(b) Plan for its employees. Benefits under the plan are provided through a group annuity contract. Employees elect to contribute to the plan and employer contributions are discretionary. There were no employer contributions for the year ended December 31, 2016.

The Foundation sponsors a 457(b) Plan. The Plan is available to senior executive management employees to make additional contributions up to IRS designated annual limits. The Foundation does not make employer contributions to this plan.