

EIF CANADA

Financial Statements

December 31, 2016

EIF Canada

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Independent Auditor's Report

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To the Members of
EIF Canada

We have audited the accompanying financial statements of **EIF Canada**, 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 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **EIF Canada** as at December 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.

Grant Thornton LLP

Toronto, Canada
June 29, 2017

Chartered Professional Accountants
Licensed Public Accountant

EIF Canada

Statement of Financial Position December 31, 2016

	2016	2015
Assets		
Current assets		
Cash	\$ 4,668,840	\$ 4,222,768
Pledges receivable (note 3)	250,000	250,000
Other accounts receivable (note 4)	90,440	78,627
Prepaid expenses	7,036	7,278
Total Assets	\$ 5,016,316	\$ 4,558,673
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	\$ 333,064	\$ 104,325
Grants payable (note 6)	452,101	324,393
Total Current liabilities	785,165	428,718
Total Liabilities	785,165	428,718
Net Assets		
Externally restricted fund (note 7)	3,598,382	2,550,000
Internally restricted fund (note 8)	-	651,721
Unrestricted	632,769	928,234
Total Net Assets	4,231,151	4,129,955
Total Liabilities and Net Assets	\$ 5,016,316	\$ 4,558,673

Commitment (Note 10)

Authorized for issuance by the Board of Directors on June 29, 2017.


 Director


 Director

EIF Canada

Statement of Operations

For the Year Ended December 31, 2016

	Unrestricted Operating Fund	Externally Restricted Fund	2016	2015
Revenue				
Stand up To Cancer Telethon (note 9)	\$ -	\$ 562,017	\$ 562,017	\$ -
Donated media	3,857,537	-	3,857,537	-
Gross fundraising revenue	3,857,537	562,017	4,419,553	-
Less:				
Direct fundraising – cost of event	78,891	-	78,891	-
Donated media	3,857,537	-	3,857,537	-
Net fundraising revenue	(78,891)	562,017	483,126	-
Corporate and foundation donations	500,000	1,304,771	1,804,771	1,805,860
Public donations	-	10,261	10,261	-
Contribution of EIF services in 2015 - debt forgiveness (note 6)	-	-	-	1,809,753
Contribution of EIF services in 2016 (note 6)	-	-	-	430,905
Donated media – public awareness	4,698,283	-	4,698,283	4,502,793
Other income	83,622	-	83,622	37,946
Total revenue	5,203,014	1,877,049	7,080,063	8,587,257
Expenditures				
Mission – expenditures				
Grants programs	745,343	828,667	1,574,010	336,494
Donated media – public awareness	4,698,283	-	4,698,283	4,502,793
Public awareness and education	239,190	-	239,190	485,176
	5,682,816	828,667	6,511,483	5,324,463
Supporting Expenditures				
Management and general admin	360,296	-	360,296	358,663
Indirect fundraising	107,088	-	107,088	145,784
	467,384	-	467,384	504,447
Total expenditures	6,150,200	828,667	6,978,867	5,828,910
Excess (deficiency) of revenues over expenditures	\$ (947,186)	\$ 1,048,382	\$ 101,196	\$ 2,758,347

See accompanying notes.

EIF Canada

Statement of Changes in Net Assets For the Year Ended December 31, 2016

	Externally Restricted Fund	Internally Restricted Fund	Unrestricted Operating Fund	2016	2015
Net assets, January 1, 2016	\$ 2,550,000	\$ 651,721	\$ 928,234	\$ 4,129,955	\$ 1,371,608
Excess (deficiency) of revenue over expenditures	1,048,382	-	(947,186)	101,196	2,758,347
Inter-fund transfers (note 8)	-	(651,721)	651,721	-	-
Net assets, December 31, 2016	\$ 3,598,382	\$ -	\$ 632,769	\$ 4,231,151	\$ 4,129,955

See accompanying notes.

EIF Canada

Statement of Cash Flows For the Year Ended December 31, 2016

	2016	2015
Operating activities		
Excess of revenue over expenditures	\$ 101,196	\$ 2,758,347
Changes in Non-Cash Working Capital Items:		
Pledges receivable	-	250,000
Other accounts receivable	(11,813)	44,088
Prepaid expenses	242	(4,247)
Accounts payable and accrued liabilities	(32,397)	(84,793)
Grants payable	127,708	324,393
Due to Entertainment Industry Foundation	261,136	(1,809,753)
Net cash from operating activities	446,072	1,478,035
Net increase in cash	446,072	1,478,035
Cash – beginning of period	4,222,768	2,744,733
Cash - end of year	\$ 4,668,840	\$ 4,222,768

See accompanying notes.

EIF Canada

Notes to the Financial Statements
December 31, 2016

1. NATURE OF OPERATIONS

EIF Canada (the "Organization" or "EIF Canada") was incorporated without share capital under the Canada Not-for-profit Corporations Act on July 12, 2013, received charitable status on February 25, 2014 and commenced operations effective February 18, 2014. The Organization is a registered charity under the Income Tax Act (Canada) and is exempt from income taxes.

The Organization's main initiative is Stand Up To Cancer which raises funds for collaborative cancer research, largely through a biennial televised event carried by all the major networks in Canada. In 2015 Stand Up To Cancer began funding scientists at major institutions who will collaborate to develop new and promising cancer treatments for patients at a faster pace.

Grants funded by the Organization are supplemented, and as a result, made more impactful by additional funding made by Canadian federal and provincial government health agencies. The government funding is typically paid directly to the institution conducting the scientific research identified and vetted by EIF Canada and as a result is not recorded by the organization. Understanding of the collaborative funding between EIF Canada and the government agencies is necessary to comprehend the scope, breadth and full impact of the EIF Canada's operations.

EIF Canada and The Entertainment Industry Foundation in the USA ("EIF") collaborate in 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. EIF Canada 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Organization follows accounting policies that conform with Canadian accounting standards for not-for-profit organizations ("ASNPO"). The following is a summary of significant accounting policies adopted by the Organization in preparation of the financial statements.

Fund accounting

The Organization follows the restricted fund method of accounting for contributions.

The externally restricted fund (note 7) accounts for the receipt and expenditure of resources externally restricted by donors to be spent on cancer research.

The internally restricted fund (note 8) reports resources that have been designated for specific purposes by the Organization's board of directors.

The unrestricted fund, accounts for the Organization's unrestricted revenue and expenditures for research, programs and advocacy, fundraising and administration activities.

EIF Canada

Notes to the Financial Statements
December 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Initial measurement

The Organization's financial instruments are measured at fair value when acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and changes in fair market value relating to the financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

Subsequent measurement

At each reporting date, the Organization measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets), except for equities quoted in the active market, which must be measured at fair value. The financial instruments measured at amortized cost are cash, pledges and other accounts receivable, accounts payables and accrued liabilities and due to Entertainment Industry Foundation. The financial instruments measured at fair value are any investments.

For financial assets measured at cost or amortized cost, the Organization regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Organization determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial assets, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in the operations in the year the reversal occurs.

Use of estimates

In preparing the Organizations financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 results could differ from those estimates.

Donated media

Donated services received by way of gifts-in-kind are recorded in the financial statements at their fair value when the amount can be reasonably estimated and when the services are used in the normal course of the Organization's operations and would otherwise have been purchased.

Commitments

Grants for research may be awarded for a period covering more than one fiscal year, subject to available funding and grantees meeting certain performance criteria. The statement of financial activities reflects only that portion of grants payable during the current fiscal year.

Grants payable represents amounts payable upon receipt of financial reports, various certificates and actual invoices.

EIF Canada

Notes to the Financial Statements
December 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and expenditures

(i) *Revenue:*

Stand Up To Cancer Telethon

Revenue from donations is recognized when received or receivable. The Organization accrues amounts not yet received if all deliverables under contracts have been completed, amounts are measurable, and ultimate collection is reasonably assured.

Direct fundraising expenditures are costs incurred in the generation of Stand Up To Cancer Telethon revenue to provide the means to further the Organization's mission.

(ii) *Expenditures:*

Expenditures are charged to mission expenditures priorities, which include research programs, advocacy, as well as direct and indirect fundraising and for administration according to the activity that they benefit. Certain expenditures benefit more than one category and, accordingly, are attributed to the relevant categories. Expenditures are allocated proportionately based on estimates of time expended.

Grants Programs:

Grants program includes research funding and the costs of supporting research programs. Grants program funding (projects, personnel and research team costs) focuses on the advancement of knowledge in the eradication of cancer.

Grants may be awarded, and contracts entered into, for a period covering more than one fiscal year. The statement of operations reflects only that portion of grants or contracts payable during the current fiscal year.

Public Awareness and Education:

Public awareness and education expenditures include public service announcements that further the mission of the Organization. Such expenditures may be co-branded with other major donors and often include a volunteer celebrity ambassador.

Indirect Fundraising:

Indirect fundraising expenditures are supporting costs incurred in the generation of fundraising revenue to provide the means to further the Organization's mission.

Management, General and Administration:

Management, general and administration expenditures are incurred to operate the Organization and its programs in a cost-effective manner while maximizing all opportunities to further the Organization's mission. The Organization allocates certain of its general support expenditures to the mission priorities or to fundraising. These expenses are allocated proportionately based on estimates of time expended over each component expenditure. Corporate governance expenditures, including corporate level strategic planning and budgeting, regulatory reporting and compliance and corporate financial reporting are not allocated.

EIF Canada

Notes to the Financial Statements
December 31, 2016

3. PLEDGES RECEIVABLE

Pledges receivable are amounts recorded as receivables and arise from contracted agreements with third party major donors pursuant to which all deliverables have been met.

Pledges receivable in the amount of \$250,000 (2015 – \$250,000), were collected in full subsequent to period end.

4. OTHER ACCOUNTS RECEIVABLE

	<u>2016</u>	<u>2015</u>
Other receivables	\$ 67,102	\$ 805
Receivable from Entertainment Industry Foundation, net	-	32,732
Government remittances	<u>23,338</u>	<u>45,090</u>
	<u>\$ 90,440</u>	<u>\$ 78,627</u>

Other receivables in 2016 represents amounts owed from Saks & Company LLC pursuant to a retail sales promotion and TMT Productions LLC.

5. Accounts payable and accrued liabilities

	<u>2016</u>	<u>2015</u>
Accounts payable trade	\$ 31,328	\$ 62,408
Payable to Entertainment Industry Foundation, net	261,136	-
Accrued liabilities	<u>40,600</u>	<u>41,917</u>
	<u>\$ 333,064</u>	<u>\$ 104,325</u>

EIF Canada has a relationship with EIF in that there are certain directors of EIF Canada that are officers of EIF, therefore EIF and EIF Canada are considered related parties and the transactions between the two organizations are considered related party transactions for accounting purposes. EIF and EIF Canada have entered into a Services Agreement pursuant to which EIF provides certain services to EIF Canada. EIF and EIF Canada have also entered into a License Agreement pursuant to which EIF Canada is able to use certain intellectual property of EIF in exchange for a royalty.

Amounts due to/from EIF are as follows:

	<u>2016</u>	<u>2015</u>
Receivable from EIF	\$ -	\$ 32,732
Payable to EIF	\$ 261,136	\$ -

Amounts due to EIF are unsecured, non-interest bearing and are repayable on demand in US dollars.

On December 14, 2015, EIF through debt forgiveness, contributed services provided to EIF Canada in 2014 of \$1,809,753 and \$430,905 for contributed services provided in 2015.

EIF Canada

Notes to the Financial Statements
December 31, 2016

6. GRANT PAYABLE

EIF Canada provides grants to AACR International – Canada (“AACR”), a third party, for the grant amounts due from AACR to the SU2C Stem Cell and Breast Cancer Dream Teams and for the administrative amounts expended by AACR Canada in connection with the Dream Team Grants.

At December 31, 2016, EIF Canada accrued \$370,097 (2015 - \$nil) to AACR in support of breast cancer research and accrued \$nil (2015 - \$150,000) to AACR in support of stem cell cancer research. EIF Canada accrued \$82,004 (2015 - \$174,393) for the administrative support services.

7. EXTERNALLY RESTRICTED FUND

Externally restricted resources represent donations made by major donors to be expended for cancer research.

During the year ended December 31, 2016 \$1,877,049 (2015 – \$1,300,000) of restricted resources were received and reserved for translational breast cancer research.

8. INTERNALLY RESTRICTED FUND

The Board of Directors set up an internally restricted fund to restrict unrestricted donations for the purpose of funding cancer research and awareness. These internally restricted amounts are not available for other purposes without approval of the Board of Directors.

During the year ended December 31, 2016, \$651,721 was transferred to fund activities under the unrestricted operating fund.

9. COMMITMENTS

The Organization is party to a licensing agreement with EIF. The minimum royalty to be paid under this agreement for the three years following period end is as follows:

December 31, 2017	3% of 2017 annual gross revenue
December 31, 2018	4% of 2018 annual gross revenue
December 31, 2019	4% of 2019 annual gross revenue

10. ALLOCATION OF TIME EXPENDITURES

Expenditures are incurred to support functional areas and are allocated to mission expenditures and supporting expenditures based on estimates of time expended:

	<u>2016</u>	<u>2015</u>
To Mission expenditures:		
Grant programs	4%	4%
Public awareness and education	39%	44%
To Supporting expenditures:		
Management, general and administrative	46%	30%
Indirect fundraising	11%	22%

EIF Canada

Notes to the Financial Statements
December 31, 2016

11. FINANCIAL INSTRUMENTS

The Organization's main financial instruments risk exposure is detailed as follows:

Credit Risk

The Organization is subject to credit risk through receivables. Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Organization's management does not expect any financial loss on receivable balance, as material amounts have been collected subsequent to period end. Accounts receivable are presented net of allowance for doubtful accounts of \$nil (2015 - \$3,321).

Liquidity Risk

Liquidity risk is the risk that the Organization may encounter difficulty in meeting its obligations associated with its financial liabilities as they become due. It is management's opinion that the Organization is not exposed to significant liquidity risk arising from its financial instruments.

Market and Foreign Currency Risk

Market risk is the risk that changes in market interest rates, foreign currency values or other changes in the market prices will affect the value of the financial instruments or their related cash flows. The Organization is exposed to foreign currency risk with respect to its commitments to pay EIF, as the commitment is denominated in US dollars; therefore the carrying value of the liability may change due to the fluctuations in the foreign exchange rate.

As at December 31, 2016, amounts due to EIF \$199,040 (2015 - \$NIL) are denominated in US dollars.