

Financial Statements Together with Report of
Independent Certified Public Accountants

COMIC RELIEF, INC.

For the years ended December 31, 2016 and 2015

COMIC RELIEF, INC.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Comic Relief, Inc.

We have audited the accompanying financial statements of Comic Relief, Inc. (“CR Inc.”) which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years 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 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 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 audits 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 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 CR Inc.’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 CR Inc.’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 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 referred to above present fairly, in all material respects, the financial position of Comic Relief, Inc., as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

New York, New York

May 25, 2017

COMIC RELIEF, INC.
Statements of Financial Position
As of December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 11,495,144	\$ 7,055,025
Accounts receivable	700,837	7,512
Prepaid expenses	<u>561,311</u>	<u>52,777</u>
Total assets	<u>\$ 12,757,292</u>	<u>\$ 7,115,314</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 167,810	\$ 67,041
Due to related party	408,837	55,461
Grants payable	<u>6,905,000</u>	<u>4,880,000</u>
Total liabilities	<u>7,481,647</u>	<u>5,002,502</u>
Net assets		
Unrestricted	5,029,469	1,975,232
Temporarily restricted	<u>246,176</u>	<u>137,580</u>
Total net assets	<u>5,275,645</u>	<u>2,112,812</u>
Total liabilities and net assets	<u>\$ 12,757,292</u>	<u>\$ 7,115,314</u>

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

COMIC RELIEF, INC.
Statement of Activities
For the year ended December 31, 2016

	2016		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Contributions and grants	\$ 37,746,443	\$ 273,132	\$ 38,019,575
Contributed services and rent	204,000	-	204,000
Interest and other income	7,712	-	7,712
Net assets released from restrictions	<u>164,536</u>	<u>(164,536)</u>	<u>-</u>
Total support and revenue	<u>38,122,691</u>	<u>108,596</u>	<u>38,231,287</u>
EXPENSES			
Program services	30,365,158	-	30,365,158
Supporting services			
Fundraising	3,543,460	-	3,543,460
General and administrative	<u>1,159,836</u>	<u>-</u>	<u>1,159,836</u>
Total expenses	<u>35,068,454</u>	<u>-</u>	<u>35,068,454</u>
Change in net assets	3,054,237	108,596	3,162,833
Net assets at the beginning of the year	<u>1,975,232</u>	<u>137,580</u>	<u>2,112,812</u>
Net assets at the end of the year	<u>\$ 5,029,469</u>	<u>\$ 246,176</u>	<u>\$ 5,275,645</u>

The accompanying notes are an integral part of this financial statement.

COMIC RELIEF, INC.
Statement of Activities
For the year ended December 31, 2015

	2015		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Contributions and grants	\$ 23,989,413	\$ 178,730	\$ 24,168,143
Contributed services and rent	211,125	-	211,125
Interest and other income	1,677	-	1,677
Net assets released from restrictions	<u>78,713</u>	<u>(78,713)</u>	<u>-</u>
Total support and revenue	<u>24,280,928</u>	<u>100,017</u>	<u>24,380,945</u>
EXPENSES			
Program services	21,550,925	-	21,550,925
Supporting services			
Fundraising	2,277,127	-	2,277,127
General and administrative	<u>269,359</u>	<u>-</u>	<u>269,359</u>
Total expenses	<u>24,097,411</u>	<u>-</u>	<u>24,097,411</u>
Change in net assets	183,517	100,017	283,534
Net assets at the beginning of the year	<u>1,791,715</u>	<u>37,563</u>	<u>1,829,278</u>
Net assets at the end of the year	<u>\$ 1,975,232</u>	<u>\$ 137,580</u>	<u>\$ 2,112,812</u>

The accompanying notes are an integral part of this financial statement.

COMIC RELIEF, INC.
Statement of Functional Expenses
For the year ended December 31, 2016

	2016					
	Red Nose Day	Flying Start	Total	Fundraising	General and Administration	Total
Grants	\$ 29,764,700	\$ 5,000	\$ 29,769,700	\$ -	\$ -	\$ 29,769,700
Salaries and benefits	90,575	-	90,575	345,769	602,723	1,039,067
Legal fees	-	-	-	18,045	141,609	159,654
Personnel services and expenses	120,765	-	120,765	1,661,796	69,614	1,852,175
Events	-	53,510	53,510	262,671	-	316,181
Audit, tax and accounting	-	5,000	5,000	-	107,882	112,882
Travel and associated costs	105,475	-	105,475	264,299	12,627	382,401
Operations and office costs	73,130	-	73,130	80,426	225,381	378,937
Website	-	-	-	94,156	-	94,156
Project assessors	145,977	-	145,977	-	-	145,977
Donation processing	-	1,026	1,026	816,298	-	817,324
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 30,300,622</u>	<u>\$ 64,536</u>	<u>\$ 30,365,158</u>	<u>\$ 3,543,460</u>	<u>\$ 1,159,836</u>	<u>\$ 35,068,454</u>

The accompanying notes are an integral part of this financial statement.

COMIC RELIEF, INC.
Statement of Functional Expenses
For the year ended December 31, 2015

	2015					
	Red Nose Day	Flying Start	Total	Fundraising	General and Administration	Total
Grants	\$ 21,000,000	\$ 307,000	\$ 21,307,000	\$ -	\$ -	\$ 21,307,000
Salaries and benefits	-	-	-	-	-	-
Legal fees	1,936	-	1,936	152,787	103,534	258,257
Personnel services and expenses	69,376	-	69,376	506,796	22,708	598,880
Events	-	-	-	68,467	-	68,467
Audit, tax and accounting	8,885	283	9,168	9,167	33,612	51,947
Travel and associated costs	18,489	-	18,489	20,541	-	39,030
Operations and office costs	39,485	-	39,485	36,816	40,864	117,165
Website	68,641	-	68,641	68,641	68,641	205,923
Project assessors	36,830	-	36,830	-	-	36,830
Donation processing	-	-	-	1,413,912	-	1,413,912
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 21,243,642</u>	<u>\$ 307,283</u>	<u>\$ 21,550,925</u>	<u>\$ 2,277,127</u>	<u>\$ 269,359</u>	<u>\$ 24,097,411</u>

The accompanying notes are an integral part of this financial statement.

COMIC RELIEF, INC.
Statements of Cash Flows
For the years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,162,833	\$ 283,534
Adjustments to reconcile increase in net assets to cash provided by operating activities		
(Increase) decrease in accounts receivable	(693,325)	71,218
Increase in prepaid expenses	(508,534)	(52,777)
Increase in accounts payable and accrued expenses	100,769	67,041
Increase in due to related party	353,376	55,461
Increase in grants payable	<u>2,025,000</u>	<u>4,579,282</u>
Net cash provided by operating activities	<u>4,440,119</u>	<u>5,003,759</u>
Change in cash and cash equivalents	<u>4,440,119</u>	<u>5,003,759</u>
Cash and cash equivalents at beginning of the year	<u>7,055,025</u>	<u>2,051,266</u>
Cash and cash equivalents at end of the year	<u>\$ 11,495,144</u>	<u>\$ 7,055,025</u>

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

COMIC RELIEF, INC.
Notes to Financial Statements
December 31, 2016 and 2015

1. DESCRIPTION OF THE ORGANIZATION AND ITS ACTIVITIES

Comic Relief, Inc. (“CR, Inc.”) is a Delaware non-profit public benefit corporation incorporated in December of 2006. CR, Inc. makes grants to other charitable organizations, especially those groups working to end poverty and improve health and education, in both the United States of America and internationally.

During 2014, CR, Inc. established the Flying Start Fund (the “Fund”) to receive donations made through the fundraising activities of British Airways staff and the public. The funds raised are to be used in furtherance of the Fund’s objectives jointly agreed between CR, Inc. and British Airways. CR, Inc. retains ultimate discretion and control over the use and expenditure of the monies contributed to the Fund.

In the summer of 2014, Comic Relief UK, a charity registered in the United Kingdom (“UK”) under charity registration number 326568, agreed to Heads of Terms with NBC Universal for the production of a Red Nose Day telethon to be broadcast on May 21, 2015. The telethon was modelled on the successful operation of Red Nose Day over the past 25 years in the UK. CR, Inc. entered into a license agreement with Comic Relief UK for the use of the trademarks and the provision of knowhow whereby CR, Inc. managed the campaign and the relationship with NBC Universal and other corporate and non-profit partners. The proceeds of the event were received by CR, Inc. and CR, Inc. is responsible for the disbursement of the funds including grants to charitable organizations. Given the success of the 2015 event the license has been extended into fiscal 2016 and the telethon was broadcasted on May 26, 2016, with another telethon to be held on May 25, 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“US GAAP”), which recognizes revenue when earned and expenses when incurred and accordingly, reflect all significant receivables, payables and other liabilities.

Net Asset Classifications

Net assets and changes in net assets are classified based on the existence or absence of donor-imposed restrictions. CR Inc.’s net assets and changes in net assets are classified and reported as follows:

Unrestricted Net Assets - Unrestricted net assets include contributions received without any donor-imposed restrictions. All expenses are reported as decreases in unrestricted net assets. Revenues, expenses, gains, and losses are reported as increases or decreases in unrestricted net assets unless their use is restricted by donor-imposed stipulations.

Temporarily Restricted Net Assets - CR, Inc. reports contributions of cash and other assets as temporarily restricted support if they are received with donor stipulations as to the specific timing or use of the donated asset. When a donor’s restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statement of activities as net assets released from restrictions.

COMIC RELIEF, INC.
Notes to Financial Statements
December 31, 2016 and 2015

Cash and Cash Equivalents

Cash and cash equivalents consist of checking and commercial paper accounts. For purposes of the statement of cash flows, all highly liquid instruments with original maturities of three months or less are considered to be cash equivalents.

Contributions and Contributions Receivable

Contributions are recognized when the unconditional promise to give is received. All contributions are considered to be available for unrestricted use unless restricted by the donor. Amounts received that are designated for future periods or designated by the donor for specific purposes are reported as temporarily restricted support. Contributions with donor-imposed restrictions that are met in the same accounting period are recorded as unrestricted income.

Contributions receivable are recorded at net realizable value. An allowance for uncollectible contributions receivable is provided based on an assessment of the creditworthiness of the respective donor. Receivables are written-off in the period in which they are deemed uncollectible and payments received subsequently are recorded as income in the period received.

Conditional promises to give are not recognized until they become unconditional promises to give, that is, when the conditions on which they depend are substantially met. There were no conditional promise to give received by CR, Inc. during the years ended December 31, 2016 and 2015.

Contributed Services

Contributed services are reflected in the financial statements at the fair value of the services received. The contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Grants and Grants Payable

All grants are taken under consideration and approved by the Board of Directors. Grant awards by CR, Inc. to recipients are recorded as an expense and a liability when approved by the Board of Directors, when the grantee has been selected and notified and when all significant conditions have been met. At December 31, 2016, CR Inc. has one conditional grant outstanding which totaled \$750,000 and has not been reflected in the accompanying financial statements. At December 31, 2015, there were and no conditional grants.

Functional Allocation of Expenses

Expenses that apply to more than one functional category have been allocated between program and supporting services, based on the time spent on these functions as estimated by senior management. The remaining costs are charged directly to the appropriate functional category.

COMIC RELIEF, INC.
Notes to Financial Statements
December 31, 2016 and 2015

Income Taxes

CR, Inc. follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

CR, Inc. is exempt from federal income tax under Internal Revenue Code (the “Code”) section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. CR, Inc. has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it was nexus; and to identify and evaluate other matters that may be considered tax positions. CR, Inc., has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Significant items subject to such estimates and assumptions include the valuation of long-term grants, amount of contributed services and allocation of expenses by function. Actual results could differ from those estimates.

Fair Value of Financial Instruments

Financial instruments included in the statement of financial position as of December 31, 2016 and 2015 include cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, and grants payable. For cash and cash equivalents, accounts payable and accrued expenses, and grants payable, the carrying amounts represent a reasonable estimate of the corresponding fair values.

3. GRANT PAYABLE

Grants payable at December 31, 2016 and 2015, consisted of the follows:

	<u>2016</u>	<u>2015</u>
Less than one year	\$ 5,385,000	\$ 1,575,000
One to five years	<u>1,520,000</u>	<u>3,305,000</u>
Total	<u>\$ 6,905,000</u>	<u>\$ 4,880,000</u>

4. CONCENTRATION OF CREDIT RISK

CR, Inc. maintains its cash at a financial institution, which may at times exceed federally insured limits. CR, Inc. has not experienced any losses in such accounts and believes it is not exposed to any significant risk on its cash and cash equivalents. At December 31, 2016 and 2015, CR, Inc. had all of its cash in commercial paper.

COMIC RELIEF, INC.
Notes to Financial Statements
December 31, 2016 and 2015

CR, Inc.'s contribution revenue is primarily generated from donors. For the year ended December 31, 2016, approximately 73% of contribution revenue was received from two donors. For the year ended December 31, 2015, approximately 56% of contribution revenue was received from two donors.

5. RELATED PARTY TRANSACTIONS

CR, Inc. incurred legal expenses with a firm, wherein a Board member is a partner. During the years ended December 31, 2016 and 2015, the total expenses incurred were \$141,609 and \$253,320, respectively.

CR, Inc. received operation support from Comic Relief UK in the form of payment and process of expenses throughout the year. As of December 31, 2016 and 2015, \$408,837 and \$55,461, respectively, is payable to Comic Relief UK. For the years ended December 31, 2016 and 2015, Comic Relief UK charged CR, Inc. \$408,837 and \$146,442, respectively, for reimbursement of invoices processed on CR, Inc.'s behalf.

6. CONTRIBUTED SERVICES

For the year ended December 31, 2015, Comic Relief UK, contributed staff hours to the ongoing operation of CR, Inc. with a fair value of approximately \$128,250. There was no contribution of staff hours for the year ended December 31, 2016.

For the years ended December 31, 2016 and 2015, CR, Inc. received donated legal fee from a related party with a fair value of \$0 and \$14,875, respectively.

For the years ended December 31, 2016 and 2015, CR, Inc. received donated office space and support in New York City in the amount of \$204,000 and \$68,000, respectively.

CR, Inc., received contributed services from NBC Universal to carry out a national fundraising and awareness raising campaign including a television special to be broadcast related to Red Nose Day 2016 and Red Nose Day 2015. The amount contributed could not be readily determined and valued.

7. TEMPORARILY RESTRICTED NET ASSETS

For the years ended December 31, 2016 and 2015, temporarily restricted net assets consisted of the following:

	<u>Flying Start</u>	<u>Red Nose Day 2016</u>	<u>Jack Black Fund</u>	<u>Total</u>
Temporarily restricted net assets - December 31, 2014	\$ 37,563	\$ -	\$ -	\$ 37,563
Contributions	78,730	100,000	-	178,730
Releases from restriction	<u>(78,713)</u>	<u>-</u>	<u>-</u>	<u>(78,713)</u>
Temporarily restricted net assets - December 31, 2015	<u>37,580</u>	<u>100,000</u>	<u>-</u>	<u>137,580</u>
Contributions	248,132	-	25,000	273,132
Releases from restriction	<u>(64,536)</u>	<u>(100,000)</u>	<u>-</u>	<u>(164,536)</u>
Temporarily restricted net assets - December 31, 2016	<u>\$ 221,176</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 246,176</u>

COMIC RELIEF, INC.
Notes to Financial Statements
December 31, 2016 and 2015

8. SUBSEQUENT EVENTS

CR, Inc. in conjunction with NBC Universal will carry out a national fundraising and awareness raising campaign including a television special to be broadcasted on Red Nose Day – May 25, 2017.

CR, Inc. has evaluated its December 31, 2016 financial statements for subsequent events through May 25, 2017, the date the financial statements were available to be issued. Except as noted above, CR, Inc. is not aware of any subsequent events which would require recognition or disclosure in the accompanying financial statements.