

**VARIETY - THE CHILDREN'S CHARITY  
OF THE UNITED STATES**

FINANCIAL STATEMENTS

YEARS ENDED  
SEPTEMBER 30, 2016 AND 2015

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Variety - The Children's Charity of  
the United States

We have audited the accompanying financial statements of Variety - The Children's Charity of the United States - a non-profit organization (the Charity), which comprise the statements of financial position as of September 30, 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**

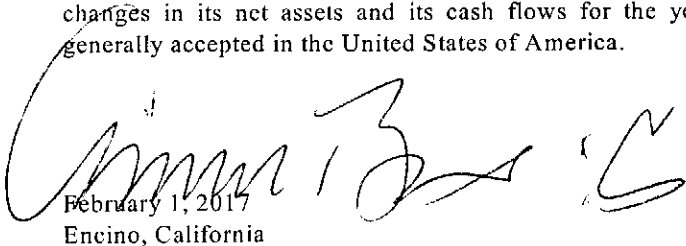
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 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. 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 Variety - The Children's Charity of the United States as of September 30, 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.



February 1, 2017  
Encino, California

**VARIETY - THE CHILDREN'S CHARITY  
OF THE UNITED STATES**

STATEMENTS OF FINANCIAL POSITION

	September 30	
<b>ASSETS</b>	2016	2015
<b>CURRENT ASSETS:</b>		
Cash and Cash Equivalents	\$ 887,563	\$ 843,449
Accounts Receivable	37,956	631,500
Prepaid Expenses	16,018	12,600
<b><i>TOTAL ASSETS</i></b>	<b><i>\$ 941,537</i></b>	<b><i>\$ 1,487,549</i></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts Payable and Accrued Expenses	\$ 21,517	\$ 17,230
Deferred Revenue	4,290	17,000
Due to Tents	20,145	521,786
Grants and Scholarships Payable	650,466	671,147
<b><i>TOTAL LIABILITIES</i></b>	<b><i>696,418</i></b>	<b><i>1,227,163</i></b>
<b>NET ASSETS:</b>		
Unrestricted	245,119	260,386
<b><i>TOTAL LIABILITIES AND NET ASSETS</i></b>	<b><i>\$ 941,537</i></b>	<b><i>\$ 1,487,549</i></b>

The Accompanying Notes are an Integral Part of These Financial Statements

**VARIETY - THE CHILDREN'S CHARITY  
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STATEMENTS OF ACTIVITIES

	Years Ended September 30	
	2016	2015
<b>REVENUE AND OTHER SUPPORT:</b>		
Campaign Income	\$ 730,338	\$ 1,167,146
Gold Heart Revenue	348,200	476,475
Contributions and Donations	15,628	8,294
In-Kind Donations	42,800	42,800
National Conference Revenue and Other Income	9,086	-
	1,146,052	1,694,715
<b><i>TOTAL REVENUE AND OTHER SUPPORT</i></b>		
<b>FUNCTIONAL EXPENSES:</b>		
Program Services	1,113,890	1,606,275
Management and General Expenses	31,907	47,298
Fundraising Expenses	15,522	14,195
	1,161,319	1,667,768
<b><i>TOTAL FUNCTIONAL EXPENSES</i></b>		
<b><i>CHANGE IN NET ASSETS</i></b>	(15,267)	26,947
Unrestricted Net Assets - Beginning of Year	260,386	233,439
<b><i>UNRESTRICTED NET ASSETS - END OF YEAR</i></b>	\$ 245,119	\$ 260,386

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**VARIETY - THE CHILDREN'S CHARITY  
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**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended September 30, 2016

	Supporting Services			Total
	Program Services	Management and General Expenses	Fundraising Expenses	
Cost of Goods Sold - Gold Hearts Campaign	\$ 260,593	\$ -	\$ -	\$ 260,593
Grants and Allocations to Tents	620,419	-	-	620,419
Salaries and Related Benefits:				
Salaries	59,080	16,880	8,440	84,400
Payroll Taxes	4,735	1,352	676	6,763
Retirement Plan and Fees	2,015	576	288	2,879
Payroll Services	1,975	565	282	2,822
Medical Insurance and Workers Compensation	4,335	1,238	619	6,192
Vacation	155	44	22	221
Other Expenses:				
Rent	21,398	6,114	3,056	30,568
Accounting Fees	10,640	3,040	1,520	15,200
Local Chapter Development	1,000	-	-	1,000
National Conference	14,194	-	-	14,194
Insurance	2,062	1,089	295	3,446
Travel and Meetings	9,667	-	-	9,667
Telephone	2,015	576	288	2,879
Website	5,000	-	-	5,000
Office	549	32	16	597
Postage	205	59	20	284
Variety International Royalties	89,189	-	-	89,189
Variety International Conversion	2,818	-	-	2,818
Miscellaneous	1,846	342	-	2,188
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 1,113,890</b>	<b>\$ 31,907</b>	<b>\$ 15,522</b>	<b>\$ 1,161,319</b>

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**VARIETY - THE CHILDREN'S CHARITY  
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**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended September 30, 2015

	Supporting Services			Total
	Program Services	Management and General Expenses	Fundraising Expenses	
Cost of Goods Sold - Gold Hearts Campaign	\$ 327,865	\$ -	\$ -	\$ 327,865
Grants and Allocations to Tents	1,066,681	-	-	1,066,681
<b>Salaries and Related Benefits:</b>				
Salaries	59,150	16,900	8,450	84,500
Payroll Taxes	4,795	1,370	685	6,850
Retirement Plan and Fees	2,019	577	288	2,884
Payroll Services	1,898	542	271	2,711
Medical Insurance and Workers Compensation	5,509	1,574	787	7,870
Vacation	1,481	296	148	1,925
<b>Other Expenses:</b>				
Rent	21,604	6,172	3,086	30,862
Accounting Fees	-	15,200	-	15,200
National Conference	6,180	-	-	6,180
Insurance	-	3,359	-	3,359
Travel and Meetings	7,254	-	-	7,254
Design	1,030	-	-	1,030
Telephone	1,580	452	226	2,258
Website	702	-	-	702
Office	1,977	354	177	2,508
Postage	301	86	43	430
Taxes and Fees	-	206	-	206
Variety International Royalties	92,200	-	-	92,200
Miscellaneous	4,049	210	34	4,293
<b><i>TOTAL FUNCTIONAL EXPENSES</i></b>	<b><i>\$ 1,606,275</i></b>	<b><i>\$ 47,298</i></b>	<b><i>\$ 14,195</i></b>	<b><i>\$ 1,667,768</i></b>

The Accompanying Notes are an Integral Part of These Financial Statements

**VARIETY - THE CHILDREN'S CHARITY  
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**STATEMENTS OF CASH FLOWS**

	September 30	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Decrease in Unrestricted Net Assets	\$ (15,267)	\$ 26,947
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used In) Operating Activities:		
Depreciation	-	-
Decrease (Increase) in:		
Accounts Receivable	593,544	(165,267)
Prepaid Expenses	(3,418)	(5,772)
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	4,287	(4,801)
Deferred Revenue	(12,710)	17,000
Due to Tents	(501,641)	73,407
Grants Payable	(20,681)	42,221
	44,114	(16,265)
<b><i>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</i></b>		
Cash and Cash Equivalents - Beginning of Year	843,449	859,714
<b><i>CASH AND CASH EQUIVALENTS - END OF YEAR</i></b>	\$ 887,563	\$ 843,449

The Accompanying Notes are an Integral Part of These Financial Statements

**VARIETY - THE CHILDREN'S CHARITY  
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**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2016 and 2015

**NOTE 1 - NATURE OF ORGANIZATION**

Variety - the Children's Charity of the United States, Inc. (the Organization) was incorporated on July 15, 1996 in the state of Pennsylvania. The Organization was established to oversee and support the chapters (referred to as "Tents") of Variety International – the Children's Charity (Variety International) that operate within the United States. The Organization's activities include, but are not limited to: coordination of national fundraising campaigns, including the planning, execution, and reconciliation of the Variety Gold Heart Campaign; recruitment of national sponsors and partners; publicizing the Organization through social media, attendance at entertainment industry conventions, and the coordination of nationwide programs; fundraising and grant distribution in United States regions where local Tents are not present; financial support of Tents and Variety International through grants and sponsorships; fiduciary and administrative oversight of Tent activities; conducting an annual conference for all U.S. Tents to meet, share, and learn; and providing overall direction for the various Tents.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF PRESENTATION**

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

*Unrestricted* net assets represent expendable funds available for operations, which are not otherwise limited by donor restrictions.

*Temporarily restricted* net assets consist of contributed funds, subject to specific donor-imposed restrictions, contingent upon a specific performance of a future event or a specific passage of time before the Organization may spend the funds.

*Permanently Restricted* net assets are subject to irrevocable donor restrictions, requiring that the assets be maintained in perpetuity.

The organization does not have temporarily or permanently restricted net assets as of September 30, 2016 and 2015.



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**NOTES TO FINANCIAL STATEMENTS  
September 30, 2016 and 2015**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**MANAGEMENT'S USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. A material estimate is included in the statement of functional expenses for the allocation of expenses to program services and supporting services.

**CONCENTRATIONS OF RISK**

The Organization places its cash deposits with various financial institutions. At times, balances in the Organization's cash accounts may exceed the Federal Deposit Insurance Corporation (FDIC) limits.

The Organization received 42% and 48% of its total revenues from two theater chains for the years ended September 30, 2016 and 2015, respectively.

Purchases of Gold Heart pins were made from one vendor and represent approximately 100% and 98% of cost of goods sold for the years ended September 30, 2016 and 2015, respectively. Vendors are chosen annually by Variety International and are easily replaced.

**ACCOUNTS RECEIVABLE**

Accounts receivable consist of amounts due from the tents for the purchase of Gold Heart pins and are stated at the amount billed to the tent. Invoices are due upon receipt. Accounts receivable are written-off in the period deemed uncollectible. An allowance for estimated uncollectible accounts receivable is based on management's judgment, past experience, economic factors, and an analysis of current receivable balances. Management has determined accounts receivable to be fully collectible at September 30, 2016 and 2015 and, as a result, an allowance for uncollectible accounts has not been provided.

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NOTES TO FINANCIAL STATEMENTS  
September 30, 2016 and 2015

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**DEPRECIATION**

Depreciation is provided on the straight-line method over the estimated useful lives of the assets as follows:

Computer Equipment	5 years
Office Equipment	5 years
Furniture and Fixtures	7 years

**IMPAIRMENT OF LONG-LIVED ASSETS**

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If the carrying amount of a long-lived asset is greater than the projected future undiscounted net cash flows expected to be generated by the asset (excluding interest), an impairment loss is recognized. Impairment losses are measured by the excess of the carrying amount over the fair value of the asset.

During the years ended September 30, 2016 and 2015, management noted no indicators requiring review for impairment and no adjustments have been made to the carrying values of long-lived assets.

**REVENUE AND OTHER SUPPORT RECOGNITION**

The Organization recognizes contributions and donations, which include unconditional promises to give, which are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. The Organization typically does not receive temporarily or permanently restricted contributions.

Campaign income represents proceeds from the sale of Gold Heart pins by theaters on behalf of the Organization. Campaign income is recognized in the year in which the campaign is initiated. The Organization allocates these proceeds to the tents from the geographical area in which the proceeds were collected. If there is no tent within the geographical area, the Organization uses the proceeds to purchase mobility equipment for a child within that geographical area. Due to tents and grants payable on the statements of financial position represent proceeds that have been allocated but not paid.

Gold Heart revenue represents sales of Gold Heart pins to the various tents and to the theaters. Payments received before shipment are recognized as deferred revenue. Sales to tents are recognized upon shipment. Shipments to theaters are recognized as income upon receipt of sales proceeds.

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**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2016 and 2015

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**REVENUE AND OTHER SUPPORT RECOGNITION** (continued)

In-kind donations are reported at fair value at the date of donation. Services are recognized as donations if they (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 donated.

National conference revenue consists of the entrance fees for the annual national conference and is recognized in the year the conference is held.

**FUNCTIONAL ALLOCATION OF EXPENSES**

The cost of providing various programs and activities has been summarized in the statements of functional expenses. Certain costs have been allocated among the programs and supporting service benefitted. Allocation is based on management's estimate of employee time.

**INCOME TAXES**

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and California Revenue and Taxation Code Section 23701(d). Accordingly, no provision has been made for Federal and state income taxes.

The Organization evaluates its tax positions and recognize a liability for any positions that would not be considered "more likely than not" to be upheld under a tax authority examination. If such issues exist, the Organization's policy will be to recognize any tax liability so recorded, including applicable interest and penalties, as a component of income tax expense.

The Organization has reviewed its tax positions and determined that an accrual for uncertain income tax positions and adjustment to the tax provision was not necessary. With few exceptions, the Organization is no longer subject to U. S. Federal and state income tax examinations for fiscal years before 2013.

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NOTES TO FINANCIAL STATEMENTS  
September 30, 2016 and 2015

**NOTE 3 - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	2016	2015
Computer Equipment	\$ 11,475	\$ 11,475
Furniture and Fixtures	5,423	5,423
Office Equipment	4,280	4,280
	21,178	21,178
<b>TOTAL</b>	21,178	21,178
Less: Accumulated Depreciation	(21,178)	(21,178)
	\$ 0	\$ 0
<b>PROPERTY AND EQUIPMENT (NET)</b>	\$ 0	\$ 0

Depreciation expense charged to operations was \$0 and \$0 for the years ended September 30, 2016 and 2015, respectively.

**NOTE 4 - OPERATING LEASE**

The Organization subleases office and parking space from Variety International on a month-to-month basis.

Total rent expense, excluding donated office space, was \$30,568 and \$30,862 for the years ended September 30, 2016 and 2015, respectively.

**NOTE 5 - IN-KIND DONATIONS**

In-kind donations consist of the following:

	2016	2015
Fulfillment services	\$ 15,000	\$ 15,000
Storage facilities	12,000	12,000
Printing	6,500	6,500
Trade show space	9,300	9,300
	\$ 42,800	\$ 42,800
<b>TOTAL IN-KIND DONATIONS</b>	\$ 42,800	\$ 42,800

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**. NOTES TO FINANCIAL STATEMENTS**  
September 30, 2016 and 2015

**NOTE 5 - IN-KIND DONATIONS (continued)**

In-kind donations relate to the Organization's Gold Heart pin sales and are charged to cost of goods sold.

**NOTE 6 - RETIREMENT PLAN**

The Organization sponsors a defined contribution 401(k) plan available to all eligible employees. The Organization matches employee contributions up to a maximum of 3% of compensation as defined. Matching contributions made by the Organization to the plan were \$2,529 and \$2,535 for the years ended September 30, 2016 and 2015, respectively.

**NOTE 7 - SUBSEQUENT EVENTS**

In preparing these financial statements, events occurring after September 30, 2016 have been evaluated by the Organization for possible adjustments to the financial statements or disclosures through February 1, 2017, the date the financial statements were available to be issued. No significant matters were identified for disclosure during this evaluation.