

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

FINANCIAL STATEMENTS

**YEARS ENDED
SEPTEMBER 30, 2014 AND 2013**

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, 2014 and 2013, 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

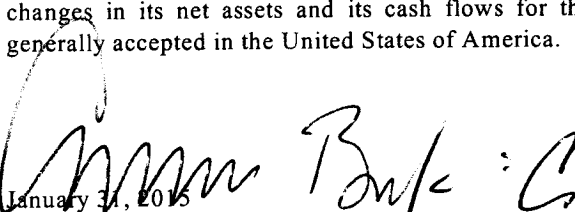
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2014 and 2013, 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.


January 31, 2015
Encino, California

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

STATEMENTS OF FINANCIAL POSITION

ASSETS	September 30	
	2014	2013
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 859,714	\$ 660,596
Accounts Receivable	466,233	350,003
Prepaid Expenses	6,828	12,379
	\$ 1,332,775	\$ 1,022,978
 TOTAL ASSETS		
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable and Accrued Expenses	\$ 22,031	\$ 13,418
Deferred Revenue	-	9,900
Due to Tents	448,379	362,390
Grants and Scholarships Payable	628,926	543,935
	1,099,336	929,643
 TOTAL LIABILITIES		
 NET ASSETS:		
Unrestricted	233,439	93,335
	\$ 1,332,775	\$ 1,022,978
 TOTAL LIABILITIES AND NET ASSETS		

The Accompanying Notes are an Integral Part of These Financial Statements

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

STATEMENTS OF ACTIVITIES

	Years Ended September 30	
	2014	2013
REVENUE AND OTHER SUPPORT:		
Campaign Income	\$ 952,660	\$ 803,701
Gold Heart Revenue	382,027	314,396
Contributions and Donations	13,957	4,757
In-Kind Donations	42,800	27,000
National Conference Revenue and Other Income	19,780	-
	1,411,224	1,149,854
FUNCTIONAL EXPENSES:		
Program Services	1,210,898	1,100,413
Management and General Expenses	46,600	53,814
Fundraising Expenses	13,622	12,429
	1,271,120	1,166,656
CHANGE IN NET ASSETS	140,104	(16,802)
Unrestricted Net Assets - Beginning of Year	93,335	110,137
	\$ 233,439	\$ 93,335
UNRESTRICTED NET ASSETS - END OF YEAR	\$ 233,439	\$ 93,335

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

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2014

	Supporting Services			Total
	Program Services	Management and General Expenses	Fundraising Expenses	
Cost of Goods Sold - Gold Hearts Campaign	\$ 249,202	\$ -	\$ -	\$ 249,202
Grants and Allocations to Tents	742,688	-	-	742,688
Salaries and Related Benefits:				
Salaries	57,400	16,400	8,200	82,000
Payroll Taxes	4,695	1,341	671	6,707
Retirement Plan and Fees	2,002	572	286	2,860
Payroll Services	1,850	528	264	2,642
Medical Insurance and Workers Compensation	4,806	1,373	687	6,866
Vacation	1,863	533	266	2,662
Other Expenses:				
Rent	20,190	5,769	2,884	28,843
Accounting Fees	-	15,400	-	15,400
Local Chapter Development	2,732	-	-	2,732
Variety International Conventions	25,773	-	-	25,773
Insurance	-	3,409	-	3,409
Travel and Meetings	9,069	-	-	9,069
Design	907	-	-	907
Telephone	1,750	500	250	2,500
Website	990	-	-	990
Office	1,708	148	74	1,930
Postage	278	79	40	397
Taxes and Fees	-	548	-	548
Variety International Royalties	81,885	-	-	81,885
Dues and Subscriptions	50	-	-	50
Miscellaneous	1,060	-	-	1,060
TOTAL FUNCTIONAL EXPENSES	\$ 1,210,898	\$ 46,600	\$ 13,622	\$ 1,271,120

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

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2013

	Supporting Services			Total
	Program Services	Management and General Expenses	Fundraising Expenses	
Cost of Goods Sold - Gold Hearts Campaign	\$ 280,875	\$ -	\$ -	\$ 280,875
Grants and Allocations to Tents	643,058	-	-	643,058
Salaries and Related Benefits:				
Salaries	52,500	15,000	7,500	75,000
Payroll Taxes	4,320	1,234	618	6,172
Retirement Plan and Fees	1,796	513	256	2,565
Payroll Services	1,680	480	240	2,400
Medical Insurance and Workers Compensation	4,659	1,331	665	6,655
Vacation	1,454	415	208	2,077
Other Expenses:				
Rent	18,817	5,376	2,688	26,881
Outside Services	697	-	-	697
Accounting Fees	-	25,785	-	25,785
Local Chapter Development	100	-	-	100
Variety International Conventions	1,876	-	-	1,876
Insurance	-	2,713	-	2,713
Travel and Meetings	6,926	-	-	6,926
Design	714	-	-	714
Telephone	1,383	395	198	1,976
Website	1,079	-	-	1,079
Office	1,247	50	25	1,322
Postage	220	63	31	314
Software for Tents	841	-	-	841
Taxes and Fees	-	459	-	459
Variety International Royalties	76,040	-	-	76,040
Dues and Subscriptions	109	-	-	109
Miscellaneous	22	-	-	22
TOTAL FUNCTIONAL EXPENSES	\$ 1,100,413	\$ 53,814	\$ 12,429	\$ 1,166,656

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	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (Decrease) in Unrestricted Net Assets	\$ 140,104	\$ (16,802)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used In) Operating Activities:		
Depreciation	-	-
Decrease (Increase) in:		
Accounts Receivable	(116,230)	(347,152)
Inventory Advances	-	-
Prepaid Expenses	5,551	(8,379)
Deposits	-	-
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	8,613	(11,250)
Deferred Revenue	(9,900)	9,900
Due to Tents	85,989	103,833
Grants Payable	84,991	148,497
 <i>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</i>	 199,118	 (121,353)
 Cash and Cash Equivalents - Beginning of Year	 660,596	 781,949
<i>CASH AND CASH EQUIVALENTS - END OF YEAR</i>	 \$ 859,714	 \$ 660,596

The Accompanying Notes are an Integral Part of These Financial Statements

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

NOTES TO FINANCIAL STATEMENTS
September 30, 2014 and 2013

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, 2014 and 2013.

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

**NOTES TO FINANCIAL STATEMENTS
September 30, 2014 and 2013**

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 contributions from three theaters that comprised approximately 49% and 41% of total revenue and other support for the years ended September 30, 2014 and 2013, respectively.

Purchases of Gold Heart pins were made from one vendor and represent approximately 90% and 83% of cost of goods sold for the years ended September 30, 2014 and 2013, respectively. Vendors are chosen annually by Variety International.

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, 2014 and 2013 and, as a result, an allowance for uncollectible accounts has not been provided.

INVENTORY

Inventory is stated at the lower of cost or market, cost generally determined on a first-in, first-out (FIFO) basis. Inventory consists of finished goods, primarily Gold Heart pins. The Organization provides for estimated losses on slow moving inventory and writes down the cost of inventory at the time such determinations are made. Gold Heart pins of prior campaigns are valued at zero. Inventory of \$35,743 and \$18,274 at September 30, 2014 and 2013, respectively, was reduced for estimated losses to \$0.

VARIETY - THE CHILDREN'S CHARITY
OF THE UNITED STATES

NOTES TO FINANCIAL STATEMENTS
September 30, 2014 and 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

SHIPPING AND HANDLING

The Organization incurs outbound shipping and handling costs with the respect to the sale of Gold Heart pins. These costs are charged to cost of goods sold.

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 in accordance with ASC Topic 360, *Property, Plant and Equipment*. 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, 2014 and 2013, 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.

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

**NOTES TO FINANCIAL STATEMENTS
September 30, 2014 and 2013**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE AND OTHER SUPPORT RECOGNITION (continued)

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 represent proceeds that have been allocated but not paid.

Gold Heart revenue represents sales of Gold Heart pins to the various tents and is recognized upon shipment. Payments received before shipment are recognized as deferred revenue.

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.

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

NOTES TO FINANCIAL STATEMENTS
September 30, 2014 and 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAXES (continued)

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 2011 and 2010, respectively.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2014	2013
Computer Equipment	\$ 11,475	\$ 11,475
Furniture and Fixtures	5,423	5,423
Office Equipment	4,280	4,280
<i>TOTAL</i>	21,178	21,178
Less: Accumulated Depreciation	(21,178)	(21,178)
<i>PROPERTY AND EQUIPMENT (NET)</i>	\$ 0	\$ 0

Depreciation expense charged to operations was \$0 and \$0 for the years ended September 30, 2014 and 2013, 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 \$28,843 and \$26,881 for the years ended September 30, 2014 and 2013, respectively.

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

NOTES TO FINANCIAL STATEMENTS
September 30, 2014 and 2013

NOTE 5 - IN-KIND DONATIONS

In-kind donations consist of the following:

	2014	2013
Fulfillment services	\$ 15,000	\$ 15,000
Storage facilities	12,000	12,000
Printing	6,500	0
Trade show space	9,300	0
<i>TOTAL IN-KIND DONATIONS</i>	<u>\$ 42,800</u>	<u>\$ 27,000</u>

Fulfillment services and storage facilities relate to the Organization's inventory and are charged to cost of goods sold. Creative design services relate to posters and programs and are charged to design expense. Office space was donated by Variety International (Note 4) and charged to other expenses.

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 \$2,454 and \$2,160 for the years ended September 30, 2014 and 2013, respectively.

NOTE 7 - SUBSEQUENT EVENTS

In preparing these financial statements, events occurring after September 30, 2014 have been evaluated by the Organization for possible adjustments to the financial statements or disclosures through January 31, 2015, the date the financial statements were available to be issued. No significant matters were identified for disclosure during this evaluation.