

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

FINANCIAL STATEMENTS

YEARS ENDED
SEPTEMBER 30, 2019 AND 2018

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 Organization), which comprise the statements of financial position as of September 30, 2019 and 2018, 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

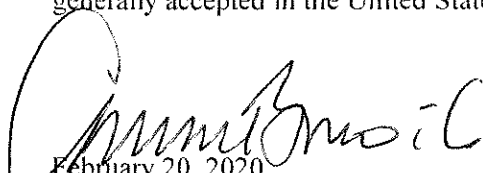
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2019 and 2018, 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 20, 2020
Encino, California

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

STATEMENTS OF FINANCIAL POSITION

ASSETS	September 30	
	2019	2018
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 603,817	\$ 878,540
Accounts Receivable	193,094	69,109
Prepaid Expenses	2,762	2,450
<i>TOTAL ASSETS</i>	\$ 799,673	\$ 950,099
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable and Accrued Expenses	\$ 270,971	\$ 132,652
Deferred Revenue	20,000	2,400
Grants and Scholarships Payable	518,576	743,154
<i>TOTAL LIABILITIES</i>	809,547	878,206
NET ASSETS:		
Without Donor Restriction	(9,874)	71,893
<i>TOTAL LIABILITIES AND NET ASSETS</i>	\$ 799,673	\$ 950,099

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	
	2019	2018
REVENUE AND OTHER SUPPORT:		
Campaign Income	\$ 411,114	\$ 458,180
Gold Heart Revenue	206,481	163,447
Contributions and Donations	50,840	28,433
Administrative Fees	91,339	-
In-Kind Donations	42,800	42,800
National Conference Revenue and Other Income	8,700	10,000
	811,274	702,860
FUNCTIONAL EXPENSES:		
Program Services	761,858	771,121
Management and General Expenses	38,102	34,619
Fundraising Expenses	93,081	61,549
	893,041	867,289
CHANGE IN NET ASSETS	(81,767)	(164,429)
Net Assets Without Donor Restriction - Beginning of Year	71,893	236,322
NET ASSETS WITHOUT DONOR RESTRICTION - END OF YEAR	\$ (9,874)	\$ 71,893

The Accompanying Notes are an Integral Part of These Financial Statements

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

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2019

	Program Services	Supporting Services		Total
		Management and General Expenses	Fundraising Expenses	
Gold Hearts Campaign Pins and Shipping	\$ 169,863	\$ -	\$ -	\$ 169,863
Gold Hearts Campaign In Kind Expenses	42,800	-	-	42,800
Grants and Allocations to Tents	342,807	-	-	342,807
Salaries and Related Benefits:				
Salaries	63,423	18,120	84,060	165,603
Payroll Taxes	8,991	2,568	1,284	12,843
Retirement Plan and Fees	2,264	647	326	3,237
Payroll Services	887	233	127	1,247
Medical Insurance and Workers Compensation	12,580	3,594	1,797	17,971
Other Expenses:				
Rent	19,699	5,628	2,814	28,141
Accounting Fees	10,150	2,900	1,450	14,500
National Conference	9,455	-	-	9,455
Insurance	292	3,022	-	3,314
Travel and Meetings	11,545	-	-	11,545
Telephone	2,590	740	370	3,700
Office	1,256	358	180	1,794
Postage	141	40	20	201
Variety International Royalties	50,000	-	-	50,000
Variety International Conversion	4,974	-	-	4,974
Miscellaneous	8,141	252	653	9,046
TOTAL FUNCTIONAL EXPENSES	\$ 761,858	\$ 38,102	\$ 93,081	\$ 893,041

The Accompanying Notes are an Integral Part of These Financial Statements

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

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2018

	Program Services	Supporting Services		Total
		Management and General Expenses	Fundraising Expenses	
Gold Hearts Campaign Pins and Shipping	\$ 150,362	\$ -	\$ -	\$ 150,362
Gold Hearts Campaign In Kind Expenses	42,800	-	-	42,800
Grants and Allocations to Tents	375,250	-	-	375,250
Salaries and Related Benefits:				
Salaries	58,147	16,614	50,086	124,847
Payroll Taxes	6,895	1,970	985	9,850
Retirement Plan and Fees	2,079	594	297	2,970
Payroll Services	2,089	597	298	2,984
Medical Insurance and Workers Compensation	8,404	2,401	1,200	12,005
Other Expenses:				
Marketing	-	-	2,386	2,386
Rent	23,867	6,819	3,410	34,096
Accounting Fees	11,412	3,260	1,630	16,302
National Conference	9,464	-	-	9,464
Insurance	2,445	698	350	3,493
Travel and Meetings	14,427	-	-	14,427
Telephone	3,182	909	454	4,545
Office	442	34	17	493
Postage	238	68	34	340
Variety International Royalties	50,000	-	-	50,000
Variety International Conversion	6,953	-	-	6,953
Miscellaneous	2,665	655	402	3,722
<i>TOTAL FUNCTIONAL EXPENSES</i>	\$ 771,121	\$ 34,619	\$ 61,549	\$ 867,289

The Accompanying Notes are an Integral Part of These Financial Statements

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

STATEMENTS OF CASH FLOWS

	September 30	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in Net Assets Without Donor Restriction	\$ (81,767)	\$ (164,429)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used In) Operating Activities:		
Depreciation	-	-
Decrease (Increase) in:		
Accounts Receivable	(123,985)	161,850
Prepaid Expenses	(312)	10,518
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	138,319	46,824
Deferred Revenue	17,600	(5,200)
Due to Tents	-	(223,568)
Grants Payable	(224,578)	9,682
	(274,723)	(164,323)
<i>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</i>		
	(274,723)	(164,323)
Cash and Cash Equivalents - Beginning of Year	878,540	1,042,863
<i>CASH AND CASH EQUIVALENTS - END OF YEAR</i>	\$ 603,817	\$ 878,540

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, 2019 and 2018

NOTE 1 - NATURE OF ACTIVITIES

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 Organization 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:

Contributions are recorded in the period received. Contributions received are recorded as net assets without donor restrictions, or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Contributions that are restricted by the donor by time or purpose are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. The related expense or cost of assets purchased in order to satisfy the donor restriction is expensed or capitalized.

When restrictions are satisfied in the same accounting period that the contribution is received, both revenue and expenses are reported in the net assets without donor restrictions class.

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

NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF PRESENTATION (continued)

When a donor makes a contribution but does not stipulate a restriction of any kind on the use of funds, the transaction is reported as an increase in net assets without donor restriction.

COMPARABILITY OF FINANCIAL STATEMENTS

The Organization adopted ASU 2016-14 "Presentation of Financial Statements of Not-for-Profit Entities." Accordingly, current year financial statements do not necessarily compare in format to financial statements issued in prior years. For purposes of these financial statements, September 30, 2018 amounts are presented under ASU 2016-14 requirements as well.

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 36% and 38% of its total revenues from two theater chains for the years ended September 30, 2019 and 2018, respectively.

Purchases of Gold Heart pins were made from one vendor and represent approximately 100% and 100% of cost of goods sold for the years ended September 30, 2019 and 2018, respectively. Vendors are chosen annually by Variety International. Management believes the vendor is easily replaced.

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

**NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts due from U.S. tents for the purchase of Gold Heart pins and theater chains for proceeds from their sale of Gold Heart pins. Accounts receivable are stated at the amount billed to each. 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, 2019 and 2018 and, as a result, an allowance for uncollectible accounts has not been provided.

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, 2019 and 2018, 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

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.

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

**NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE AND OTHER SUPPORT RECOGNITION (continued)

Beginning October 1, 2018, the Organization charged a 10% administrative fee on proceeds from campaign income that was not paid as of September 30, 2018 and on all campaign income received after.

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.

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. Fees collected before the event takes place are recorded as deferred income.

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, 2019 and 2018

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 2016.

NOTE 3 - 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 \$28,141 and \$34,096 for the years ended September 30, 2019 and 2018, respectively.

NOTE 4 - IN-KIND DONATIONS

The value of in-kind donations is estimated by management and consists of the following:

	2019	2018
Fulfillment services - Gold Heart Pin sales	\$ 15,000	\$ 15,000
Storage facilities - Gold Heart Pin inventory	12,000	12,000
Printing - Gold Heart Pin sales	6,500	6,500
Trade show space	9,300	9,300
<i>TOTAL IN-KIND DONATIONS</i>	<u>\$ 42,800</u>	<u>\$ 42,800</u>

NOTE 5 - 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 \$2,883 and \$2,629 for the years ended September 30, 2019 and 2018, respectively.

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

NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 6 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use within one year or because of contractual or donor-imposed restrictions.

	<u>2019</u>	<u>2018</u>
Financial assets at year end--		
Cash	\$ 603,817	\$ 878,540
Receivables	<u>193,094</u>	<u>69,109</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 796,911</u>	<u>\$ 947,649</u>

As part of the Organization's liquidity management, it establishes detailed budgets before the start of the year, then, on a monthly basis, closely monitor actual financial performance compared to budgets.

NOTE 7 - SUBSEQUENT EVENTS

In preparing these financial statements, events occurring after September 30, 2019 have been evaluated by the Organization for possible adjustments to the financial statements or disclosures through February 20, 2020, the date the financial statements were available to be issued. No significant matters were identified for disclosure during this evaluation.