

**VARIETY - THE CHILDREN'S CHARITY
OF SOUTHERN CALIFORNIA - TENT 25**

FINANCIAL STATEMENTS

**YEARS ENDED
SEPTEMBER 30, 2015 AND 2014**

ANTHONY BONENFANT & CO.

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Variety - The Children's Charity of
Southern California - Tent 25

We have audited the accompanying financial statements of Variety - The Children's Charity of Southern California - Tent 25 - a non-profit organization (the Charity), which comprise the statements of financial position as of September 30, 2015 and 2014, 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 Southern California - Tent 25 as of September 30, 2015 and 2014, 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 10, 2016
Encino, California

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**VARIETY - THE CHILDREN'S CHARITY
OF SOUTHERN CALIFORNIA - TENT 25**

STATEMENTS OF FINANCIAL POSITION

ASSETS	September 30	
	2015	2014
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 1,578,983	\$ 1,450,313
Contributions Receivable, net of allowance for uncollectible amounts	327,427	202,993
Prepaid Expenses	8,000	6,231
<i>TOTAL CURRENT ASSETS</i>	1,914,410	1,659,537
Fixed Annuity Contract	505,759	504,751
Property and Equipment (net)	2,947	2,864
Security Deposit	9,317	9,317
<i>TOTAL ASSETS</i>	<u>\$ 2,432,433</u>	<u>\$ 2,176,469</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable and Accrued Expenses	\$ 26,440	\$ 69,413
Grants and Scholarships Payable	367,107	275,757
Deferred Revenue	24,096	29,150
<i>TOTAL CURRENT LIABILITIES</i>	417,643	374,320
Deferred Compensation Payable	-	-
<i>TOTAL LIABILITIES</i>	417,643	374,320
NET ASSETS:		
Unrestricted	1,989,765	1,781,899
Temporarily Restricted	25,025	20,250
<i>TOTAL NET ASSETS</i>	2,014,790	1,802,149
<i>TOTAL LIABILITIES AND NET ASSETS</i>	<u>\$ 2,432,433</u>	<u>\$ 2,176,469</u>

The Accompanying Notes are an Integral Part of These Financial Statements

**VARIETY - THE CHILDREN'S CHARITY
OF SOUTHERN CALIFORNIA - TENT 25**

STATEMENTS OF ACTIVITIES

Years Ended September 30, 2015 and 2014

	2015		2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted Total
REVENUES:					
Fundraising Events (Net of Special Event Costs of \$453,301 and \$517,829 in 2015 and 2014, Respectively)	\$ 1,290,719	\$ -	\$ 1,290,719	\$ 1,278,041	\$ - \$ 1,278,041
In-Kind Contributions	20,438	-	20,438	12,550	- 12,550
Contributions	153,256	11,795	165,051	154,556	17,488 172,044
Investment Income	15,988	-	15,988	14,702	- 14,702
Unrealized Gain on Annuity	(41)	-	(41)	977	- 977
TOTAL REVENUES	1,480,360	11,795	1,492,155	1,460,826	17,488 1,478,314
Net Assets Released from Program Restrictions	7,020	(7,020)	-	4,853	(4,853) -
EXPENSES:					
Program Services:					
Grants and Scholarships to Organizations and Individuals	833,776	-	833,776	789,136	- 789,136
Other Program Expenses	191,462	-	191,462	174,757	- 174,757
TOTAL PROGRAM SERVICES	1,025,238	-	1,025,238	963,893	- 963,893
Supporting Services:					
Management and General Expenses	50,426	-	50,426	40,786	- 40,786
Fundraising Expenses	203,850	-	203,850	195,071	- 195,071
TOTAL SUPPORTING SERVICES	254,276	-	254,276	235,857	- 235,857
TOTAL EXPENSES	1,279,514	-	1,279,514	1,199,750	- 1,199,750
CHANGE IN NET ASSETS	207,866	4,775	212,641	265,929	12,635 278,564
Net Assets - Beginning of Year	1,781,899	20,250	1,802,149	1,515,970	7,615 1,523,585
NET ASSETS - END OF YEAR	\$ 1,989,765	\$ 25,025	\$ 2,014,790	\$ 1,781,899	\$ 20,250 \$ 1,802,149

The Accompanying Notes are an Integral Part of These Financial Statements

**VARIETY - THE CHILDREN'S CHARITY
OF SOUTHERN CALIFORNIA - TENT 25**

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended September 30, 2015 and 2014

	2015				2014			
	Supporting Services		Supporting Services		Supporting Services		Supporting Services	
	Program Services	Management and General Expenses	Fundraising Expenses	Total	Program Services	Management and General Expenses	Fundraising Expenses	Total
Grants	\$ 776,463	\$ -	\$ -	\$ 776,463	\$ 719,381	\$ -	\$ -	\$ 719,381
In-Kind Donations	12,438	8,000	-	20,438	12,550	-	-	12,550
Scholarships	44,875	-	-	44,875	57,205	-	-	57,205
TOTAL DONATIONS TO RECIPIENT ORGANIZATIONS	833,776	8,000	-	841,776	789,136	-	-	789,136
Advertising	170	57	341	568	40	13	80	133
Depreciation	687	229	1,374	2,290	730	243	1,459	2,432
Insurance	9,092	3,031	18,185	30,308	9,642	3,214	19,283	32,139
Meetings and Seminars	4,646	1,510	9,072	15,228	5,589	1,863	11,175	18,627
Membership Dues	2,458	819	4,918	8,195	3,244	1,081	6,489	10,814
Office Expenses & Supplies	15,776	820	4,884	21,480	5,013	753	4,519	10,285
Payroll Taxes	4,787	1,595	9,575	15,957	4,707	1,569	9,413	15,689
Professional Fees	6,690	2,230	13,380	22,300	6,760	2,254	13,520	22,534
Rent	14,973	4,991	29,946	49,910	12,980	4,327	25,959	43,266
Salaries	129,437	26,242	106,758	262,437	118,563	22,973	88,194	229,730
Telephone & Utilities	2,267	743	4,459	7,469	2,094	698	4,189	6,981
Website	479	159	958	1,596	5,395	1,798	10,791	17,984
TOTAL FUNCTIONAL EXPENSES	\$ 1,025,238	\$ 50,426	\$ 203,850	\$ 1,279,514	\$ 963,893	\$ 40,786	\$ 195,071	\$ 1,199,750

The Accompanying Notes are an Integral Part of These Financial Statements

**VARIETY - THE CHILDREN'S CHARITY
OF SOUTHERN CALIFORNIA - TENT 25**

STATEMENTS OF CASH FLOWS

	September 30	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 212,641	\$ 278,564
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used In) Operating Activities:		
Depreciation	2,290	2,432
(Increase) Decrease in:		
Fixed Annuity Contract	(1,008)	(977)
Contributions Receivable	(124,434)	(33,732)
Prepaid Expenses	(1,769)	6,643
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(42,973)	31,181
Grants and Scholarships Payable	91,350	(20,228)
Deferred Compensation	-	(6,000)
Deferred Revenue	(5,054)	(18,350)
NET CASH PROVIDED BY OPERATING ACTIVITIES	131,043	239,533
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(2,373)	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(2,373)	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	128,670	239,533
Cash and Cash Equivalents - Beginning of Year	1,450,313	1,210,780
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,578,983	\$ 1,450,313
Additional information:		
Amounts paid in for interest and taxes	\$ -	\$ -

The Accompanying Notes are an Integral Part of These Financial Statements

**VARIETY - THE CHILDREN'S CHARITY
OF SOUTHERN CALIFORNIA - TENT 25**

NOTES TO FINANCIAL STATEMENTS
September 30, 2015 and 2014

NOTE 1 - NATURE OF ORGANIZATION

Variety - The Children's Charity of Southern California - Tent 25 (the Charity) was incorporated on September 23, 1941. The Charity is a local chapter of a worldwide network, Variety Clubs International (Variety), dedicated to providing lifesaving support for disabled, abused, physically challenged and underprivileged children. The Charity's primary goal is to inspire hope, enrich lives and build a better future for children in the Southern California community. The Charity provides support to children in three key areas: **Health Care** (early intervention programs for kids with learning disabilities; medical care and therapy for children who are victims of abuse and neglect, and camps for kids battling life-threatening illnesses), **Education** (early literacy programs, college scholarships, homework assistance, college prep, career readiness, art, music, science and technology workshops, sports and gang prevention counseling) and **Mobility** (providing children with disabilities confidence, freedom and much-needed therapeutic exercise by providing specially-designed adaptive bikes and therapeutic strollers).

The Charity's main sources of revenue are from fund-raising events and contributions.

Today, Variety has a network of 42 offices in 13 countries, and has assisted many millions of children around the world. Unlike most charitable organizations that focus on a single disease or area of need, Variety focuses on multiple unmet needs of children who are sick, disadvantaged or live with disabilities and other special needs at a local, national and international level. Variety's aim is to maximize the real, long-term positive social impact for all children.

Variety truly makes a difference in the lives of children.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accompanying financial statements have been prepared on the accrual basis of accounting.

**VARIETY - THE CHILDREN'S CHARITY
OF SOUTHERN CALIFORNIA - TENT 25**

NOTES TO FINANCIAL STATEMENTS
September 30, 2015 and 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving income from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Temporarily Restricted Net Assets. The Charity reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. The Charity has temporarily restricted net assets at September 30, 2015 and 2014 of \$25,025 and \$20,250 respectively.

Permanently Restricted Net Assets. These net assets are received from donors who stipulate that resources are to be maintained permanently, but permit the Charity to expend all of the income (or other economic benefits) derived from the donated assets. The Charity has no permanently restricted net assets at September 30, 2015 and 2014.

CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, the Charity considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents. The carrying value of cash and cash equivalents at September 30, 2015 approximates its fair value.

The Charity maintains its cash and cash equivalents in bank deposit accounts and other investment accounts which, at times, may exceed federally insured limits. The Charity has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

**VARIETY - THE CHILDREN'S CHARITY
OF SOUTHERN CALIFORNIA - TENT 25**

NOTES TO FINANCIAL STATEMENTS
September 30, 2015 and 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CASH AND CASH EQUIVALENTS (continued)

Cash and cash equivalents include temporarily restricted cash and cash equivalents of \$25,025 and \$20,250 at September 30, 2015 and 2014, respectively.

INVESTMENTS

Investments in marketable securities with readily determinable fair values and all investments in debt securities are recorded at their fair values in the statements of financial position. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets (or liabilities). Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset (or liability) and include situations where there is little, if any, market activity for the asset (or liability).

Investment income, including unrealized gains and losses, are included in the change in unrestricted net assets unless the donor temporarily restricts their use.

PLEDGES RECEIVABLE

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. All promises to give will be received in less than one year.

BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUSTS

The Charity has been designated as the beneficiary of assets held in charitable remainder trusts administered by other trustees. The Charity recognizes temporarily restricted contribution revenue and, as an asset, the present value of the estimated future benefits to be received when the trust assets are distributed. Adjustments to the receivable to reflect the revaluation of the present value of the estimated future payments to the lifetime beneficiaries are recognized in the statement of activities as a change in value of beneficial interest in charitable remainder trusts. The carrying values of these trusts are not yet determinable. Accordingly, such assets have not been recorded in the accompanying financial statements.

**VARIETY - THE CHILDREN'S CHARITY
OF SOUTHERN CALIFORNIA - TENT 25**

NOTES TO FINANCIAL STATEMENTS
September 30, 2015 and 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. The estimated useful lives of property and equipment are as follows:

Computers and Computer Software	5 Years
Furniture and Fixtures	7 Years
Office Equipment	7 Years

Expenditures for maintenance and repairs are charged to operations as incurred while renewals and betterments are capitalized.

LONG-LIVED ASSETS

The Charity reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. No impairment losses were recognized on long-lived assets during the years ended September 30, 2015 and 2014.

GRANTS PAYABLE

Unconditional grants to organizations and individuals are recognized as expenses and as liabilities in the period made. Conditional grants are recognized only when the conditions on which they depend are substantially met and the grant becomes unconditional. There were no conditional grants as of September 30, 2015 and 2014. Accordingly, such liabilities have not been recorded in the accompanying financial statements.

DEFERRED REVENUE

Fund-raising event revenues received in advance are deferred and recognized as income in the period in which the related events occur.

**VARIETY - THE CHILDREN'S CHARITY
OF SOUTHERN CALIFORNIA - TENT 25**

NOTES TO FINANCIAL STATEMENTS
September 30, 2015 and 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the Charity's programs have been presented in the statements of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by the method that best measures the relative degree of benefit. The Charity uses direct salary expenses to allocate their indirect and shared costs.

MANAGEMENT'S USE OF ESTIMATES

The preparation of financial statements in accordance with generally accepted accounting principles requires management to use certain estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses during the reporting period. Although management believes its estimates are appropriate, changes in assumptions utilized in preparing such estimates could cause these estimates to change sometime in the future.

Significant estimates include management's estimate of employee time allocated to program, fund-raising, and event activities for purposes of allocating costs in the statement of functional expenses and managements estimates of donated goods.

**VARIETY - THE CHILDREN'S CHARITY
OF SOUTHERN CALIFORNIA - TENT 25**

NOTES TO FINANCIAL STATEMENTS
September 30, 2015 and 2014

NOTE 3 - INVESTMENTS

The following table presents information about the Charity's assets that are measured at fair value on a recurring basis at September 30, 2015 and 2014 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

Fair Value Measurements Using					
	Year Ended September 30	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
2014	\$ 505,759	\$ -	\$ 505,759	\$ -	
2015	\$ 503,774	\$ -	\$ 503,774	\$ -	

The fair values of marketable securities determined by Level 2 inputs were valued utilizing observable data points such as interest rates and yield curves at September 30, 2015 and 2014. Assets consist of one fixed annuity with a guaranteed 3.1% yield through 2017. The contract provides for long term restrictions on the liquidation of the annuity.

Investment income consists of interest and dividend income of \$15,988 and \$14,702 for the years ended September 30, 2015 and 2014, respectively.

**VARIETY - THE CHILDREN'S CHARITY
OF SOUTHERN CALIFORNIA - TENT 25**

NOTES TO FINANCIAL STATEMENTS
September 30, 2015 and 2014

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2015	2014
Computers	\$ 12,846	\$ 10,472
Furniture and Fixtures	5,385	5,385
Office Equipment	14,004	14,004
<i>TOTAL</i>	32,235	29,861
Less: Accumulated Depreciation	(29,288)	(26,997)
<i>PROPERTY AND EQUIPMENT (NET)</i>	<i>\$ 2,947</i>	<i>\$ 2,864</i>

Depreciation expense charged to the statement of activities was \$2,290 and \$2,432 for the years ended September 30, 2015 and 2014, respectively.

NOTE 5 - GRANTS AND SCHOLARSHIPS PAYABLE

Grants and scholarships payable consist of the following:

	2015	2014
Boys and Girls Club	\$ 160,417	\$ 175,000
Scholarships	98,750	98,917
Grants/Therapy	107,940	1,840
<i>TOTAL GRANTS AND SCHOLARSHIPS PAYABLE</i>	<i>\$ 367,107</i>	<i>\$ 275,757</i>

Grants and scholarships payable expected to be funded within one year is \$319,982.

**VARIETY - THE CHILDREN'S CHARITY
OF SOUTHERN CALIFORNIA - TENT 25**

NOTES TO FINANCIAL STATEMENTS
September 30, 2015 and 2014

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2015	2014
Inner City Fund	\$ 12,952	\$ 11,972
Lori Alvarez Memorial	12,073	8,278
<i>TOTAL TEMPORARILY RESTRICTED NET ASSETS</i>	<i>\$ 25,025</i>	<i>\$ 20,250</i>

NOTE 7 - RELATED PARTY TRANSACTIONS

As an accredited chapter of Variety (See Note 1), the Charity remits accreditation fees. The Charity incurred accreditation fees totaling \$7,535 and \$10,814 for the years ended September 30, 2015 and 2014, respectively.

The Charity subleases office space from Variety International. The Charity incurred rent expense to Variety International of \$49,910 and \$43,266 for the years ended September 30, 2015 and 2014, respectively.

NOTE 8 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents. The Company places its cash and cash equivalents with high-credit, quality financial institutions. At times, such deposits may be in excess of amounts insured by the Federal Deposit Insurance Corporation. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

**VARIETY - THE CHILDREN'S CHARITY
OF SOUTHERN CALIFORNIA - TENT 25**

NOTES TO FINANCIAL STATEMENTS
September 30, 2015 and 2014

NOTE 9 - DONATED GOODS AND SERVICES

Donated goods and services are recorded as contributions and expenses in the statements of activities at their estimated fair market values at the date of donation. For the years ended September 30, 2015 and 2014, these in-kind donations include:

	2015	2014
Special Events	\$ 196,971	\$ 252,255
Programs	12,438	4,550
Services	8,000	8,000
TOTAL IN-KIND CONTRIBUTIONS	\$ 217,409	\$ 264,805

In-kind contributions relating to special events in the amount of \$196,971 and \$252,255 for the years ended September 30, 2015 and 2014, respectively, are included in fund-raising events revenue and similar amounts are included in event expenses.

NOTE 10 - INCOME TAXES

The Charity 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 Charity accounts for income taxes by evaluating its tax positions and recognizes 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 Charity 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 2012.