

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

FINANCIAL STATEMENTS

YEARS ENDED
SEPTEMBER 30, 2017 AND 2016

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, 2017 and 2016, 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

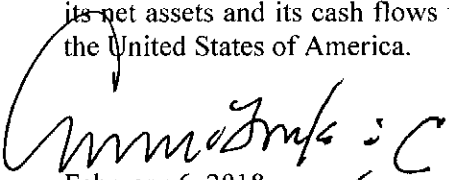
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2017 and 2016, 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 6, 2018
Encino, California

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

STATEMENTS OF FINANCIAL POSITION

ASSETS	September 30	
	2017	2016
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 1,040,051	\$ 1,841,017
Investments	1,272,821	-
Contributions Receivable, net of allowance for uncollectable amounts of \$49,000 and \$77,500 for the years ended September 30, 2017 and 2016, respectively	224,649	149,805
Prepaid Expenses	11,915	7,000
TOTAL CURRENT ASSETS	2,549,436	1,997,822
Fixed Annuity Contract	-	506,657
Property and Equipment (net)	6,523	2,387
Security Deposit	9,317	9,317
TOTAL ASSETS	\$ 2,565,276	\$ 2,516,183
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable and Accrued Expenses	\$ 10,283	\$ 69,949
Grants and Scholarships Payable	291,231	304,373
Deferred Revenue	239,040	18,250
TOTAL CURRENT LIABILITIES	540,554	392,572
NET ASSETS:		
Unrestricted	2,001,882	2,101,255
Temporarily Restricted	22,840	22,356
TOTAL NET ASSETS	2,024,722	2,123,611
TOTAL LIABILITIES AND NET ASSETS	\$ 2,565,276	\$ 2,516,183

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, 2017 and 2016

	2017		2016		Total
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	
REVENUES:					
Fundraising Events (Net of Special Event Costs of \$475,871 and \$504,803 in 2017 and 2016, Respectively)	\$ 877,542	\$ -	\$ 877,542	\$ -	\$ 1,120,280
In-Kind Contributions	38,019	-	38,019	-	12,450
Contributions	198,001	500	198,501	-	193,582
Investment Income	35,099	-	35,099	-	14,400
Uncollectable Contributions	-	-	-	-	(63,200)
Unrealized Gains	11,761	-	11,761	-	898
TOTAL REVENUES	1,160,422	500	1,160,922	1,278,410	1,278,410
Net Assets Released from Program Restrictions	16	(16)	-	(2,669)	-
EXPENSES:					
Program Services:					
Grants and Scholarships to Organizations and Individuals	859,643	-	859,643	-	782,312
Other Program Expenses	206,515	-	206,515	-	199,606
TOTAL PROGRAM SERVICES	1,066,158	-	1,066,158	-	981,918
Supporting Services:					
Management and General Expenses	38,730	-	38,730	-	37,533
Fundraising Expenses	154,923	-	154,923	-	150,138
TOTAL SUPPORTING SERVICES	193,653	-	193,653	-	187,671
TOTAL EXPENSES	1,259,811	-	1,259,811	-	1,169,589
CHANGE IN NET ASSETS	(99,373)	484	(98,889)	(2,669)	108,821
Net Assets - Beginning of Year	2,101,255	22,356	2,123,611	1,989,765	2,014,790
NET ASSETS - END OF YEAR	\$ 2,001,882	\$ 22,840	\$ 2,024,722	\$ 2,101,255	\$ 2,123,611

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, 2017 and 2016

	2017				2016			
	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	\$ 763,124	\$ -	\$ -	\$ 763,124	\$ 721,862	\$ -	\$ -	\$ 721,862
In-Kind Contributions	38,019	-	-	38,019	12,450	-	-	12,450
Scholarships	58,500	-	-	58,500	48,000	-	-	48,000
TOTAL DONATIONS TO RECIPIENT ORGANIZATIONS	859,643	-	-	859,643	782,312	-	-	782,312
Advertising	1,120	-	-	1,120	60	12	48	120
Depreciation	621	124	497	1,242	280	56	224	560
Employee Benefits	2,240	448	1,792	4,480	-	-	-	-
Insurance	13,023	2,606	10,419	26,048	15,433	3,086	12,345	30,864
Meetings and Seminars	7,779	466	1,861	10,106	6,903	1,257	5,028	13,188
Membership Dues	5,392	1,048	4,313	10,753	4,954	990	3,963	9,907
Office Expenses & Supplies	10,679	885	3,545	15,109	14,705	702	2,807	18,214
Payroll Taxes	7,918	1,611	6,334	15,863	8,529	1,706	6,823	17,058
Professional Fees	13,690	2,739	10,952	27,381	12,051	2,410	9,641	24,102
Rent	21,671	4,334	17,336	43,341	22,981	4,596	18,385	45,962
Salaries	117,895	23,579	94,315	235,789	109,728	21,945	87,783	219,456
Telephone & Utilities	3,701	733	2,930	7,364	3,498	676	2,704	6,878
Website	786	157	629	1,572	484	97	387	968
TOTAL FUNCTIONAL EXPENSES	\$ 1,066,158	\$ 38,730	\$ 154,923	\$ 1,259,811	\$ 981,918	\$ 37,533	\$ 150,138	\$ 1,169,589

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	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (98,889)	\$ 108,821
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used In) Operating Activities:		
Depreciation	1,242	560
(Increase) Decrease in:		
Realized and Unrealized Gains/Losses on Investments	(11,761)	(898)
Investment Income	(35,099)	-
Contributions Receivable	(74,844)	177,622
Prepaid Expenses	(4,915)	1,000
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(59,666)	43,509
Grants and Scholarships Payable	(13,142)	(62,734)
Deferred Revenue	220,790	(5,846)
	NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	262,034
	(76,284)	262,034
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(5,379)	-
Fixed Annuity Contract	506,657	-
Investments	(1,225,960)	-
	NET CASH USED IN INVESTING ACTIVITIES	-
	(724,682)	-
	NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	262,034
	(800,966)	262,034
Cash and Cash Equivalents - Beginning of Year	1,841,017	1,578,983
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,040,051	\$ 1,841,017
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, 2017 and 2016**

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
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**NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016**

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, 2017 and 2016 of \$22,840 and \$22,356 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, 2017 and 2016.

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, 2017 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, 2017 and 2016**

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 \$22,840 and \$22,356 at September 30, 2017 and 2016, 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.

CONTRIBUTIONS 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, 2017 and 2016**

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, 2017 and 2016.

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, 2017 and 2016. 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, 2017 and 2016**

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.

SPECIAL EVENT AND FUND RAISING EXPENSE

Direct costs of special events are reported as a reduction of gross event revenue. Indirect costs of special events and direct costs of solicitation of general contributions and grants are reported by the Charity as fund raising expenses.

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, 2017 and 2016

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, 2017 and 2016 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)	
2016	\$ 506,657	\$ -	\$ 506,657	\$ -	
2017	\$ 1,272,821	\$ 1,272,821	\$ -	\$ -	

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, 2016. 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 \$35,099 and \$14,400 for the years ended September 30, 2017 and 2016, respectively.

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

NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2017	2016
Computers	\$ 12,846	\$ 12,846
Furniture and Fixtures	10,763	5,385
Office Equipment	14,004	14,004
TOTAL	37,613	32,235
Less: Accumulated Depreciation	(31,090)	(29,848)
PROPERTY AND EQUIPMENT (NET)	\$ 6,523	\$ 2,387

Depreciation expense charged to the statement of activities was \$1,242 and \$560 for the years ended September 30, 2017 and 2016, respectively.

NOTE 5 - GRANTS AND SCHOLARSHIPS PAYABLE

Grants and scholarships payable consist of the following:

	2017	2016
Boys and Girls Club	\$ 175,000	\$ 145,833
Scholarships	104,875	101,500
Grants/Therapy	11,356	57,040
TOTAL GRANTS AND SCHOLARSHIPS PAYABLE	\$ 291,231	\$ 304,373

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

NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2017	2016
Inner City Fund	\$ 10,767	\$ 10,283
Lori Alvarez Memorial	12,073	12,073
<i>TOTAL TEMPORARILY RESTRICTED NET ASSETS</i>	<u>\$ 22,840</u>	<u>\$ 22,356</u>

NOTE 7 - RELATED PARTY TRANSACTIONS

As an accredited chapter of Variety (See Note 1), the Charity remits accreditation fees to Variety International. The Charity incurred accreditation fees totaling \$10,486 and \$9,908 for the years ended September 30, 2017 and 2016, respectively.

The Charity subleases office space from Variety International. The Charity incurred rent expense to Variety International of \$43,341 and \$45,962 for the years ended September 30, 2017 and 2016, 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, 2017 and 2016

NOTE 9 - CONTRIBUTED GOODS AND SERVICES

Contributed goods and services are recorded as contributions and expenses in the statements of activities at their estimated fair market values at the date of contribution. For the years ended September 30, 2017 and 2016, these in-kind contributions include:

	2017		2016
Special Events	\$ 194,772	\$	222,638
Programs	38,019		12,450
TOTAL IN-KIND CONTRIBUTIONS	\$ 232,791	\$	235,088

In-kind contributions relating to special events are included in fund-raising events revenue and similar amounts are included in event expenses on the statements of activities.

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 2014.