

VARIETY – THE CHILDREN’S CHARITY OF IOWA

FINANCIAL REPORT

**YEAR ENDED
SEPTEMBER 30, 2022 AND 2021**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Variety – the Children's Charity of Iowa
Des Moines, Iowa

Opinion

We have audited the accompanying financial statements of Variety – the Children's Charity of Iowa (a nonprofit organization), which comprise the statement of financial position as of September 30, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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 Iowa as of September 30, 2022 and 2021, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Variety – the Children's Charity of Iowa and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Variety – the Children's Charity of Iowa's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



DESMOND_{CPA PLC}

CERTIFIED PUBLIC ACCOUNTANTS

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Variety – the Children's Charity of Iowa 's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Variety – the Children's Charity of Iowa 's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Desmond CPA, PLC

West Des Moines, Iowa
January 31, 2023

**VARIETY - THE CHILDREN'S CHARITY
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2022 AND 2021**

ASSETS

	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,860,261	\$ 2,466,748
Contributions receivable, net of allowance for doubtful accounts 2022 \$5,989; 2021 \$7,160	750,615	657,749
Prepaid expenses	68,681	38,785
Total current assets	\$ 3,679,557	\$ 3,163,282
Interest in assets held by Community Foundation of Greater Des Moines	\$ 1,382,009	\$ 1,315,623
Office equipment, net of accumulated depreciation 2022 \$29,690; 2021 \$43,917	11,964	8,405
	\$ 1,393,973	\$ 1,324,028
Total assets	\$ 5,073,530	\$ 4,487,310

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 53,353	\$ 25,904
Accrued payroll taxes	-	454
Deferred revenue	37,000	44,250
Charity grants payable	610,000	433,600
Total current liabilities	\$ 700,353	\$ 504,208

NET ASSETS

Without donor restrictions	\$ 3,171,963	\$ 2,962,783
With donor restrictions	1,201,214	1,020,319
Total net assets	\$ 4,373,177	\$ 3,983,102
Total liabilities and net assets	\$ 5,073,530	\$ 4,487,310

See Notes to Financial Statements.

VARIETY - THE CHILDREN'S CHARITY
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND CONTRIBUTIONS			
SPECIAL EVENTS			
Golf Outings	\$ 103,108	\$ 25,098	\$ 128,206
Polo on the Green	359,356	48,600	407,956
Stag Events	378,359	48,600	426,959
Telethons	2,389,753	358,564	2,748,317
Two Days of Compassion	139,140	91,340	230,480
Other Special Events	201,915	-	201,915
OTHER REVENUES			
Interest	30,276	-	30,276
Other	116,136	276,567	392,703
Change in value of interest of assets held by Community Foundation of Greater Des Moines	(258,482)	-	(258,482)
Total amount raised	\$ 3,459,561	\$ 848,769	\$ 4,308,330
Less donor designated funds	(290,000)	-	(290,000)
	\$ 3,169,561	\$ 848,769	\$ 4,018,330
Net assets released from restrictions, satisfaction of donor restrictions	667,874	(667,874)	-
Net revenue, contributions and assets released from restrictions	\$ 3,837,435	\$ 180,895	\$ 4,018,330
CHARITY GRANTS			
Charity grants	\$ 2,796,205	\$ -	\$ 2,796,205
Less donor designated funds	(290,000)	-	(290,000)
	\$ 2,506,205	\$ -	\$ 2,506,205
SPECIAL EVENTS - DIRECT EXPENSES			
Golf Outings	23,063	-	23,063
Polo on the Green	119,025	-	119,025
Stag Events	84,302	-	84,302
Telethons	62,975	-	62,975
Two Days of Compassion	27,484	-	27,484
Other Special Events	26,403	-	26,403
OTHER EXPENSES			
Program Services	303,981	-	303,981
Administrative	182,953	-	182,953
Fundraising	291,864	-	291,864
Total charity grants and expenses	\$ 3,628,255	\$ -	\$ 3,628,255
CHANGE IN NET ASSETS	\$ 209,180	\$ 180,895	\$ 390,075
NET ASSETS, beginning	2,962,783	1,020,319	3,983,102
NET ASSETS, ending	\$ 3,171,963	\$ 1,201,214	\$ 4,373,177

See Notes to Financial Statements.

VARIETY - THE CHILDREN'S CHARITY
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND CONTRIBUTIONS			
SPECIAL EVENTS			
Star Playground	\$ -	\$ 1,388	\$ 1,388
Golf Outings	129,035	12,550	141,585
Polo on the Green	262,158	43,657	305,815
Stag Events	334,211	48,476	382,687
Telethon	2,848,369	104,232	2,952,601
Two Days of Compassion	100,690	122,986	223,676
Other Special Events	105,692	-	105,692
OTHER REVENUES			
Interest	18,545	-	18,545
Other	103,418	52,690	156,108
Change in value of interest of assets held by Community Foundation of Greater Des Moines	229,915	-	229,915
Total amount raised	<u>\$ 4,132,033</u>	<u>\$ 385,979</u>	<u>\$ 4,518,012</u>
Less donor designated funds	(380,000)	-	(380,000)
	<u>\$ 3,752,033</u>	<u>\$ 385,979</u>	<u>\$ 4,138,012</u>
Net assets released from restrictions, satisfaction of donor restrictions	239,944	(239,944)	-
Net revenue, contributions and assets released from restrictions	<u>\$ 3,991,977</u>	<u>\$ 146,035</u>	<u>\$ 4,138,012</u>
CHARITY GRANTS			
Charity grants	\$ 2,290,803	\$ -	\$ 2,290,803
Less donor designated funds	(380,000)	-	(380,000)
	<u>\$ 1,910,803</u>	<u>\$ -</u>	<u>\$ 1,910,803</u>
SPECIAL EVENTS - DIRECT EXPENSES			
Golf Outings	28,060	-	28,060
Polo on the Green	90,663	-	90,663
Stag Events	80,995	-	80,995
Telethon	112,172	-	112,172
Two Days of Compassion	22,643	-	22,643
Other Special Events	6,665	-	6,665
OTHER EXPENSES			
Program Services	295,245	-	295,245
Administrative	150,982	-	150,982
Fundraising	236,489	-	236,489
Total charity grants and expenses	<u>\$ 2,934,717</u>	<u>\$ -</u>	<u>\$ 2,934,717</u>
CHANGE IN NET ASSETS	\$ 1,057,260	\$ 146,035	\$ 1,203,295
NET ASSETS, beginning	<u>1,905,523</u>	<u>874,284</u>	<u>2,779,807</u>
NET ASSETS, ending	<u>\$ 2,962,783</u>	<u>\$ 1,020,319</u>	<u>\$ 3,983,102</u>

See Notes to Financial Statements.

VARIETY - THE CHILDREN'S CHARITY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2022

	<u>Program Services</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Charity grants, less designated funds	\$ 2,506,205	\$ -	\$ -	\$ 2,506,205
Special events - direct expenses	\$ -	\$ -	\$ 343,252	\$ 343,252
Expenses:				
Salaries, payroll taxes and benefits	\$ 227,887	\$ 115,493	\$ 223,961	\$ 567,341
International dues	-	32,444	-	32,444
Professional fees	19,087	9,673	18,758	47,518
Supplies	3,268	633	1,227	5,128
Telephone and internet	2,478	1,256	2,435	6,169
Postage and shipping	745	329	638	1,712
Office and occupancy	21,000	10,643	20,638	52,281
Equipment rental and maintenance	3,858	1,955	3,792	9,605
Printing and publications	297	150	292	739
Travel	2,633	854	1,656	5,143
Conferences and meetings	1,295	656	1,273	3,224
Depreciation	2,164	1,097	2,126	5,387
Insurance	4,551	2,306	4,473	11,330
Marketing	7,205	3,551	6,885	17,641
Other	7,513	1,914	3,709	13,136
	<u>\$ 303,981</u>	<u>\$ 182,954</u>	<u>\$ 291,863</u>	<u>\$ 778,798</u>
	<u>\$ 2,810,186</u>	<u>\$ 182,954</u>	<u>\$ 635,115</u>	<u>\$ 3,628,255</u>

See Notes to Financial Statements.

VARIETY - THE CHILDREN'S CHARITY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2021

	<u>Program Services</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Charity grants, less designated funds	\$ 1,910,803	\$ -	\$ -	\$ 1,910,803
Special events - direct expenses	\$ -	\$ -	\$ 341,198	\$ 341,198
Expenses:				
Salaries, payroll taxes and benefits	\$ 230,964	\$ 96,488	\$ 189,959	\$ 517,411
International dues	-	30,860	-	30,860
Professional fees	3,013	1,259	2,478	6,750
Supplies	999	336	662	1,997
Telephone and internet	2,418	1,010	1,988	5,416
Postage and shipping	631	243	479	1,353
Office and occupancy	24,451	9,789	19,273	53,513
Equipment rental and maintenance	4,294	1,794	3,532	9,620
Printing and publications	935	290	571	1,796
Travel	3,145	566	1,114	4,825
Conferences and meetings	639	256	504	1,399
Depreciation	1,605	670	1,320	3,595
Insurance	3,994	1,668	3,285	8,947
Marketing	10,948	4,574	9,004	24,526
Other	7,209	1,179	2,320	10,708
	<u>\$ 295,245</u>	<u>\$ 150,982</u>	<u>\$ 236,489</u>	<u>\$ 682,716</u>
	<u>\$ 2,206,048</u>	<u>\$ 150,982</u>	<u>\$ 577,687</u>	<u>\$ 2,934,717</u>

See Notes to Financial Statements.

VARIETY - THE CHILDREN'S CHARITY
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 390,075	\$ 1,203,295
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,387	3,595
Change in value of interest in assets held by Community Foundation of Greater Des Moines	234,783	(245,029)
Change in assets and liabilities:		
Contributions receivable	(92,866)	138,590
Prepaid expenses	(29,896)	(9,083)
Accounts payable	27,449	(3,297)
Accrued payroll taxes	(454)	(1,212)
Deferred revenue	(7,250)	17,000
Charity grants payable	176,400	(564,837)
Net cash provided by operating activities	\$ 703,628	\$ 539,022
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	\$ (8,946)	\$ (8,065)
Transfers to Community Foundation of Greater Des Moines	(301,169)	(939)
Net cash (used in) investing activities	\$ (310,115)	\$ (9,004)
Increase in cash and cash equivalents	\$ 393,513	\$ 530,018
Cash and cash equivalents at beginning of year	2,466,748	1,936,730
Cash and cash equivalents at end of year	\$ 2,860,261	\$ 2,466,748

See Notes to Financial Statements.

VARIETY – THE CHILDREN’S CHARITY OF IOWA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

Note 1. Nature of Activities and Significant Accounting Policies

Nature of organization:

Variety - the Children’s Charity of Iowa (Variety) is organized to raise, manage, and administer contributions for other nonprofit and charitable organizations, thereby enhancing and benefiting services to the children of Iowa. Variety is affiliated with Variety International, and Variety’s main event is an annual telethon. Variety receives most of its revenue through private, individual, and corporate contributions.

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires Variety’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses including functional allocations, during the reporting period. Actual results could differ from those estimates.

Net assets:

The financial statements of Variety have been prepared on the accrual basis of accounting. Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, Variety presents the following categories of revenues and expenses on its statements of activities:

Net assets without donor restrictions:

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Variety. Variety’s board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions:

Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Variety or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Cash and cash equivalents:

Variety considers unrestricted and restricted cash (including certificates of deposits) and highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents for the purpose of the cash flow statement.

Interest in assets held by Community Foundation of Greater Des Moines:

Investments are recorded at fair value. Realized gains/losses and the change in unrealized appreciation on investments are included in net gains/losses on investments and reported as revenue in the statements of activities.

VARIETY – THE CHILDREN’S CHARITY OF IOWA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Revenue and Contributions Recognition:

Variety recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give—that is, those with a measurable performance or other barrier and a right of return—are not recognized until the conditions on which they depend have been met.

Variety is occasionally notified that it has been included as a beneficiary in a will. These notifications are considered conditional and are not recorded as a contribution as the individuals retain the ability to modify their wills during their lifetimes. When the probate court declares the will valid, Variety recognizes contribution revenue and a receivable at the fair value of its interest in the estate, unless it is conditioned upon future or uncertain events. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions with donor-imposed restrictions are reported as restricted support unless Variety meets the donor-imposed restriction on all or a portion of the amount contributed in the same reporting period in which the contribution was received. In those cases the contributions, to the extent the restrictions have been met, are reported as support without donor restrictions.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts are recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management’s judgment, including such factors as prior collection history, type of contribution, and nature of fund-raising activity.

Variety receives and disburses certain donor-designated funds representing contributions designated by the donor for a specific charity served by Variety. Variety does not have the ability to vary the designation. Donor-designated funds are included in the total amount raised, but excluded from net revenue and contributions.

Many volunteers donate significant amounts of time to the fundraising activities of Variety; however, these donated services are not reflected in the financial statements since their services do not require specialized skills. Donated professional services are reflected in the statements of activities at their fair value. Significant materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values on the date of receipt.

Office equipment:

All acquisitions of equipment in excess of \$1,000 are capitalized. Equipment is stated at cost and depreciated by the straight-line and accelerated methods over the estimated useful lives of the related assets.

Charity grants payable:

Charity grants payable represent the grants that have been authorized by the Board of Directors of Variety to be disbursed to various charities from monies raised through September 30, 2022.

VARIETY – THE CHILDREN’S CHARITY OF IOWA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Statements of functional expenses:

Expenses are attributed to Variety’s primary functions of program services, fundraising and administration based on specific identification where possible. When specific identification is not possible, indirect expenses are allocated to a particular function using time studies and estimates made by management. Program service expenses include the cost to manage certain charitable programs offered by Variety such as the annual charity grants process, Mobility program, Compassion Fund program, and other Variety programs. Fundraising expenses arise from conducting special events and soliciting contributions, gifts and grants. Administrative expenses include expenses that are not directly related to programming or fundraising but still support the overall operation of Variety.

Income tax status and accounting for uncertain tax positions:

Variety is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and annually files a federal return as an exempt organization. Variety has been classified as other than a private foundation by the Internal Revenue Service. As such, Variety owes taxes on “unrelated trade or business” income to the extent that it exceeds expenses attributable to such income. No unrelated trade or business income was generated during the fiscal year by Variety.

Variety has a determination letter from the IRS stating Variety is exempt from income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. Variety has filed a Form 990 tax return in the U.S. federal jurisdiction. Management of Variety believes they have no material uncertain tax positions and, accordingly, will not recognize any liability for unrecognized tax benefits. Any interest and penalty payments would be recorded in separate accounts in the financial statements. Variety is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Liquidity

Variety’s financial assets within one year of the statement of financial position date for general expenditure is \$2,860,261 in cash and cash equivalents and \$750,615 in contributions receivable as of September 30, 2022. In addition, Variety has \$1,382,009 in the Community Foundation of Greater Des Moines which could also be used for operations. As part of Variety’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Variety currently keeps all of its operating resources in short-term cash or cash equivalents.

Note 2. Interest in Assets Held By Community Foundation of Greater Des Moines

Variety has an interest in assets held at the Community Foundation of Greater Des Moines (CFGDM). The assets are invested in CFGDM’s pooled long-term growth portfolio under an investment allocation determined by CFGDM’s Investment Committee. At September 30, 2022, the majority of assets in the long-term growth portfolio were comprised of fixed income securities (16%) and domestic (33%) and international equities (27%). The remaining assets are invested in money markets, real estate investments, private equity investments, and hedge fund of funds investments. Variety may request these assets or the net investment income of these assets at any time from the CFGDM. Distributions are not subject to variance power (i.e., the CFGDM does not have the power to redirect the assets or the net investment income to an entity other than Variety). The realized gains/losses and unrealized appreciation/depreciation on the endowment at September 30, 2022 and 2021 are reflected in net assets without donor restrictions.

VARIETY – THE CHILDREN’S CHARITY OF IOWA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

Note 3. Fair Value Measurements

Fair values of the assets measured on a recurring basis at September 30, 2022 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Interest in assets held by Community Foundation of Greater Des Moines	\$ 1,382,009	-	-	\$ 1,382,009
Total	\$ 1,382,009	-	-	\$ 1,382,009

Fair values of the assets measured on a recurring basis at September 30, 2021 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Interest in assets held by Community Foundation of Greater Des Moines	\$ 1,315,623	-	-	\$ 1,315,623
Total	\$ 1,315,623	-	-	\$ 1,315,623

The makeup of the caption “change in value of interest in assets held by Community Foundation of Greater Des Moines” are the following:

	<u>2022</u>	<u>2021</u>
Net unrealized gains	\$(278,028)	\$ 159,673
Net realized gains	19,546	70,242
	\$(258,482)	\$ 229,915

VARIETY – THE CHILDREN’S CHARITY OF IOWA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

Note 3. Fair Value Measurements (*Continued*)

Variety accounts for its investments and assets held at the CFGDM at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in its principal market or in the absence of a principal market, the most advantageous market for the investment or liability. Variety has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. These levels are as follows:

Level 1 - Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 - Variety does not hold any level 2 assets.

Level 3 - Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques. The fair value of the investment is based on a combination of audited financial statements of the investees and monthly or quarterly statements received from investees.

Assets held by the CFGDM consist of pooled funds invested at CFGDM. Variety holds a share of pooled funds and not direct ownership of the underlying investments. Although the pooled funds include equity, fixed income, and other marketable securities, the pool itself is not a publicly traded instrument. The fair value of Variety’s share of the pooled funds at the balance sheet date is based on Variety’s relative ownership in the pool. All funds held at the CFGDM as well as assets held in trust by others are considered Level 3 investments, as there is not direct ownership of the underlying investments. However, the underlying investments in the pooled funds consist of investments that have been measured using Level 1, Level 2 and Level 3 inputs. The CFGDM invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the beneficial interest in each fund at the CFGDM.

VARIETY – THE CHILDREN’S CHARITY OF IOWA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

Note 3. Fair Value Measurements (Continued)

The following table provides a summary of changes in fair value of Variety’s Level 3 funds for the year ended:

	2022	2021
Beginning balance	\$ 1,315,623	\$1,069,655
Contributions	301,169	939
Interest and dividends	31,021	21,310
Net realized gains	19,546	70,242
Net unrealized (losses) gains	(278,028)	159,673
Investment expenses	(7,322)	(6,196)
Ending balance	\$1,382,009	\$1,315,623

Note 4. Charity Grants Payable

As of September 30, 2022, charity grants payable consists of:

The Bridge of Storm Lake	\$ 40,000
Des Moines Refugee Support	5,000
ChildServe	200,000
YSS	250,000
Starts Right Here	45,000
Whatsoever You Do	40,000
Ronald McDonald House	30,000
	\$ 610,000

As of September 30, 2021, charity grants payable consists of:

The Bridge of Storm Lake	\$ 40,000
Children’s Square USA	31,618
ChildServe	200,000
Hand in Hand	45,000
Starts Right Here	45,000
Whatsoever You Do	40,000
YSS Francis Lauer	31,982
	\$ 433,600

VARIETY – THE CHILDREN’S CHARITY OF IOWA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

Note 5. Commitments

Variety leases office space in Des Moines for \$3,372 per month on a month-to-month basis. In addition, Variety maintains office space in Cedar Rapids under a lease expiring on September 30, 2023 with a commitment of \$10,507 for the year ended September 30, 2022. Rent expense was \$50,940 and \$50,456 for the years ended September 30, 2022 and 2021, respectively.

Variety has a grant agreement with *ChildServe* to pay \$200,000 in December 2023 for the construction of a dedicated behavioral health clinic. This grant is contingent on Variety raising adequate funds each year to pay that year's commitment. If Variety does not raise adequate funds, the grant for that year will not be paid. In addition, if Variety becomes insolvent, the unpaid grant amount will be extinguished. Because this is deemed to be a contingent grant, the amounts to be paid in future years are not recorded in the financial statements of Variety until the contingency is met. During fiscal year 2022, Variety met the conditions required for the December 2023 payment and has accrued the payable in the financial statements as of September 30, 2022.

Variety has a grant agreement with YSS to pay \$250,000 in December 2023, \$250,000 in December 2024, \$250,000 in December 2025 for the construction of the Ember Youth Recovery Campus. This grant is contingent on Variety raising adequate funds each year to pay that year's commitment. If Variety does not raise adequate funds, the grant for that year will not be paid. In addition, if Variety becomes insolvent, the unpaid grant amount will be extinguished. Because this is deemed to be a contingent grant, the amounts to be paid in future years are not recorded in the financial statements of Variety until the contingency is met. During fiscal year 2022, Variety met the conditions required for the December 2023 payment and has accrued the payable in the financial statements as of September 30, 2022.

Note 6. Net Assets

Without donor restrictions net assets are available for the following purposes:

	<u>2022</u>	<u>2021</u>
Without donor restrictions	\$1,256,618	\$1,647,160
Board designated Grubb playground	533,336	-
Board designated endowment	1,382,009	1,315,623
	<u>\$3,171,963</u>	<u>\$2,962,783</u>

With donor restrictions net assets are available for the following purposes:

	<u>2022</u>	<u>2021</u>
Mobility Program	\$ 286,776	\$ 256,270
Variety Star Playgrounds	310,313	110,313
Compassion Funds	349,440	463,339
Jody Reynolds Memorial	170,347	170,347
Stan Reynolds Memorial	84,338	-
Other	-	20,050
	<u>\$ 1,201,214</u>	<u>\$ 1,020,319</u>

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Note 8. Defined Contribution Retirement Plan

Variety has a salary deferral retirement plan. The plan allows eligible employees to defer a portion of their compensation up to the maximum allowed by law. Variety matches a portion of the employee’s contribution up to 4 percent of eligible wages. Total expense recorded for Variety’s match was \$16,250 and \$16,040 for the years ended September 30, 2022 and 2021, respectively.

Note 9. Major Contributors

Contributions include amounts from one major contributor totaling approximately \$394,337 and \$477,935 for the years ended September 30, 2022 and 2021, respectively. Major contributors are those contributors whose contributions for the year are deemed to be a large portion of total revenue and contributions.

Note 10. Concentrations of Credit Risk

Variety maintains cash and cash equivalents in financial institutions in excess of FDIC insurance coverage limits. Variety has not experienced any losses in such accounts.

Note 11. Endowment Funds

The Board of Directors of Variety created a fund to function as an endowment. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of Variety has interpreted the Iowa Prudent Management of Institutional Funds Act (IPMIFA) as requiring the preservation of the historic value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. In accordance with IPMIFA, Variety considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of Variety, and (7) Variety’s investment policies.

Investment Return Objectives, Risk Parameters and Strategies. Variety has invested its assets in a pooled investment fund maintained by the CFGDM. The CFGDM and its Board of Directors have adopted a Statement of Investment Policy providing direction for the investment of funds. The CFGDM’s underlying investment policy objective is to achieve long-term asset appreciation through a diversified mix of asset classes, managed within prudent risk parameters so as not to expose the fund to unacceptable levels of risk.

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Note 11. Endowment Funds (Continued)

Spending Policy. At this time, Variety has not established a spending policy as it relates to its board designated endowment fund. Variety’s intent is to grow the board designated endowment to the point that it generates enough income to cover the annual operating needs of Variety. The endowment net asset composition by type of fund as of September 30, 2022 and 2021 was as follows:

	<u>2022</u>	<u>2021</u>
Endowment net assets, beginning of year	<u>\$ 1,315,623</u>	<u>\$ 1,069,655</u>
Investment return:		
Investment income	31,021	21,310
Realized and unrealized (losses) gains on investments	(258,482)	229,915
Total investment return	<u>227,461</u>	<u>251,225</u>
Contributions	<u>301,169</u>	<u>939</u>
Expenses	<u>(7,322)</u>	<u>(6,196)</u>
Endowment assets, end of year	<u><u>\$ 1,382,009</u></u>	<u><u>\$ 1,315,623</u></u>

Note 12. Subsequent Events

Management has evaluated subsequent events through January 31, 2023, the date on which the financial statements were available to be issued.