

VARIETY – THE CHILDREN’S CHARITY OF IOWA

FINANCIAL REPORT

**YEAR ENDED
SEPTEMBER 30, 2016 AND 2015**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Variety – The Children's Charity of Iowa (a nonprofit organization), which comprise the statements of financial position as of September 30, 2016 and 2015, and the related statements of activities, functional expense, 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 audits 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 judgment, 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 Iowa as of September 30, 2016 and 2015, 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.

Shaul & Desmond, PLLC

West Des Moines, Iowa
February 23, 2017

**VARIETY - THE CHILDREN'S CHARITY
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2016 AND 2015**

ASSETS

	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,025,917	\$ 520,751
Contributions receivable, net of allowance for doubtful accounts 2016 \$49,992; 2015 \$21,975	419,071	782,411
Prepaid expenses	16,529	14,045
Total current assets	\$ 1,461,517	\$ 1,317,207
Interest in assets held by Community Foundation of Greater Des Moines	\$ 112,974	\$ 516,920
Office equipment, net of accumulated depreciation 2016 \$94,645; 2015 \$102,189	5,217	5,572
	\$ 118,191	\$ 522,492
Total assets	\$ 1,579,708	\$ 1,839,699

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 63,666	\$ 57,010
Accrued payroll taxes	10,989	-
Charity grants payable	558,956	648,452
Total current liabilities	\$ 633,611	\$ 705,462

NET ASSETS

Unrestricted	\$ 225,570	\$ 225,410
Temporarily restricted	720,527	497,909
Permanently restricted	-	410,918
Total net assets	\$ 946,097	\$ 1,134,237
Total liabilities and net assets	\$ 1,579,708	\$ 1,839,699

See Notes to Financial Statements.

VARIETY - THE CHILDREN'S CHARITY
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND CONTRIBUTIONS				
SPECIAL EVENTS				
Star Playground	\$ -	\$ 202,447	\$ -	\$ 202,447
Black Tie Dinner	159,785	-	-	159,785
Golf Outings	138,165	-	-	138,165
Polo on the Green	203,307	28,220	-	231,527
Principal Charity Classic	90,000	-	-	90,000
Radiothon	59,292	111,678	-	170,970
Sportsman's Stag	220,819	88,000	-	308,819
Telethons:				
Grocery Industry	424,073	25,986	-	450,059
Advance/VIP	2,122,545	39,648	-	2,162,193
Phone Groups	265,875	-	-	265,875
Other	21,350	-	-	21,350
Other Special Events	118,371	1,800	-	120,171
Less costs of direct benefits to donors	(186,775)	-	-	(186,775)
OTHER REVENUES				
Dues	4,498	-	-	4,498
Interest	2,393	-	-	2,393
Change in value of interest of assets held by Community				
Foundation of Greater Des Moines	6,527	-	26,571	33,098
Other	39,035	50,994	-	90,029
Total amount raised	<u>\$ 3,689,260</u>	<u>\$ 548,773</u>	<u>\$ 26,571</u>	<u>\$ 4,264,604</u>
Less donor designated funds	<u>(924,160)</u>	<u>-</u>	<u>-</u>	<u>(924,160)</u>
	<u>\$ 2,765,100</u>	<u>\$ 548,773</u>	<u>\$ 26,571</u>	<u>\$ 3,340,444</u>
Net assets released from restrictions, satisfaction of donor restrictions	<u>326,155</u>	<u>(326,155)</u>	<u>-</u>	<u>-</u>
Net revenue, contributions and assets released from restrictions	<u>\$ 3,091,255</u>	<u>\$ 222,618</u>	<u>\$ 26,571</u>	<u>\$ 3,340,444</u>
CHARITY GRANTS				
Charity grants	\$ 3,039,715	\$ -	\$ 437,489	\$ 3,477,204
Less donor designated funds	<u>(924,160)</u>	<u>-</u>	<u>-</u>	<u>(924,160)</u>
	<u>\$ 2,115,555</u>	<u>\$ -</u>	<u>\$ 437,489</u>	<u>\$ 2,553,044</u>
SPECIAL EVENTS - DIRECT EXPENSES				
Black Tie Dinner	45,021	-	-	45,021
Golf Outings	36,333	-	-	36,333
Polo on the Green	86,026	-	-	86,026
Radiothon	34,905	-	-	34,905
Sportsman's Stag	56,636	-	-	56,636
Telethons:				
Des Moines	225,257	-	-	225,257
Cedar Rapids	1,454	-	-	1,454
Other Special Events	44,010	-	-	44,010
Less costs of direct benefits to donors	(186,775)	-	-	(186,775)
OTHER EXPENSES				
Program Services	199,004	-	-	199,004
Administrative	142,803	-	-	142,803
Fundraising	290,866	-	-	290,866
Total charity grants and expenses	<u>\$ 3,091,095</u>	<u>\$ -</u>	<u>\$ 437,489</u>	<u>\$ 3,528,584</u>
CHANGE IN NET ASSETS	<u>\$ 160</u>	<u>\$ 222,618</u>	<u>\$ (410,918)</u>	<u>\$ (188,140)</u>
NET ASSETS, beginning	<u>225,410</u>	<u>497,909</u>	<u>410,918</u>	<u>1,134,237</u>
NET ASSETS, ending	<u>\$ 225,570</u>	<u>\$ 720,527</u>	<u>\$ -</u>	<u>\$ 946,097</u>

See Notes to Financial Statements.

VARIETY - THE CHILDREN'S CHARITY
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND CONTRIBUTIONS				
SPECIAL EVENTS				
Star Playground	\$ -	\$ 43,452	\$ -	\$ 43,452
Black Tie Dinner	166,505	-	-	166,505
Golf Outings	125,705	-	-	125,705
Polo on the Green	169,979	-	-	169,979
Principal Charity Classic	105,000	-	-	105,000
Radiothon	43,640	87,975	-	131,615
Sportsman's Stag	209,713	-	-	209,713
Telethons:				
Grocery Industry	679,554	20,000	-	699,554
Advance/VIP	1,550,893	121,678	-	1,672,571
Phone Groups	326,878	-	-	326,878
Other	29,200	-	-	29,200
Other Special Events	99,809	-	-	99,809
Less costs of direct benefits to donors	(149,990)	-	-	(149,990)
OTHER REVENUES				
Dues	2,496	-	-	2,496
Interest	1,011	-	-	1,011
Change in value of interest of assets held by Community				
Foundation of Greater Des Moines	(6,446)	-	(19,269)	(25,715)
Other	144,984	17,987	-	162,971
Total amount raised	\$ 3,498,931	\$ 291,092	\$ (19,269)	\$ 3,770,754
Less donor designated funds	(495,965)	-	-	(495,965)
	\$ 3,002,966	\$ 291,092	\$ (19,269)	\$ 3,274,789
Net assets released from restrictions, satisfaction of donor restrictions	309,340	(309,340)	-	-
Net revenue, contributions and assets released from restrictions	\$ 3,312,306	\$ (18,248)	\$ (19,269)	\$ 3,274,789
CHARITY GRANTS				
Charity grants	\$ 2,757,367	\$ -	\$ 6,943	\$ 2,764,310
Less donor designated funds	(495,965)	-	(6,943)	(502,908)
	\$ 2,261,402	\$ -	\$ -	\$ 2,261,402
SPECIAL EVENTS - DIRECT EXPENSES				
Black Tie Dinner	46,354	-	-	46,354
Golf Outings	25,976	-	-	25,976
Polo on the Green	83,626	-	-	83,626
Radiothon	13,368	-	-	13,368
Sportsman's Stag	52,816	-	-	52,816
Telethons:				
Des Moines	235,053	-	-	235,053
Cedar Rapids	1,775	-	-	1,775
Other Special Events	32,131	-	-	32,131
Less costs of direct benefits to donors	(149,990)	-	-	(149,990)
OTHER EXPENSES				
Program Services	178,211	-	-	178,211
Administrative	130,846	-	-	130,846
Fundraising	262,609	-	-	262,609
Total charity grants and expenses	\$ 3,174,177	\$ -	\$ -	\$ 3,174,177
CHANGE IN NET ASSETS	\$ 138,129	\$ (18,248)	\$ (19,269)	\$ 100,612
NET ASSETS, beginning	87,281	516,157	430,187	1,033,625
NET ASSETS, ending	\$ 225,410	\$ 497,909	\$ 410,918	\$ 1,134,237

See Notes to Financial Statements.

VARIETY - THE CHILDREN'S CHARITY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2016

	<u>Program Services</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Charity grants, less designated funds	\$ 2,553,044	\$ -	\$ -	\$ 2,553,044
Special events - direct expenses	\$ -	\$ -	\$ 342,867	\$ 342,867
Expenses:				
Salaries, payroll taxes and benefits	\$ 151,412	\$ 86,782	\$ 226,396	\$ 464,590
International dues	-	31,308	-	31,308
Professional fees	2,037	1,167	3,046	6,250
Supplies	862	484	1,264	2,610
Telephone and internet	3,526	1,945	5,074	10,545
Postage and shipping	541	138	360	1,039
Office and occupancy	12,934	7,413	19,338	39,685
Equipment rental and maintenance	1,151	660	1,720	3,531
Printing and publications	497	263	687	1,447
Travel	3,895	1,330	3,470	8,695
Conferences and meetings	3,843	1,837	4,791	10,471
Depreciation	1,089	624	1,629	3,342
Insurance	2,577	1,477	3,853	7,907
Other	14,640	7,375	19,238	41,253
	<u>\$ 199,004</u>	<u>\$ 142,803</u>	<u>\$ 290,866</u>	<u>\$ 632,673</u>
	<u>\$ 2,752,048</u>	<u>\$ 142,803</u>	<u>\$ 633,733</u>	<u>\$ 3,528,584</u>

See Notes to Financial Statements.

VARIETY - THE CHILDREN'S CHARITY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2015

	<u>Program Services</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Charity grants, less designated funds	\$ 2,261,402	\$ -	\$ -	\$ 2,261,402
Special events - direct expenses	\$ -	\$ -	\$ 341,109	\$ 341,109
Expenses:				
Salaries, payroll taxes and benefits	\$ 134,675	\$ 78,986	\$ 205,227	\$ 418,888
International dues	-	29,776	-	29,776
Professional fees	1,929	1,131	2,940	6,000
Supplies	441	153	398	992
Telephone and internet	2,720	1,596	4,145	8,461
Postage and shipping	1,079	133	348	1,560
Office and occupancy	12,863	7,545	19,602	40,010
Equipment rental and maintenance	2,134	1,251	3,252	6,637
Printing and publications	2,403	1,156	3,004	6,563
Travel	3,537	1,353	3,515	8,405
Conferences and meetings	4,306	1,423	3,699	9,428
Depreciation	2,860	1,678	4,359	8,897
Insurance	2,482	1,455	3,782	7,719
Other	6,782	3,210	8,338	18,330
	<u>\$ 178,211</u>	<u>\$ 130,846</u>	<u>\$ 262,609</u>	<u>\$ 571,666</u>
	<u>\$ 2,439,613</u>	<u>\$ 130,846</u>	<u>\$ 603,718</u>	<u>\$ 3,174,177</u>

See Notes to Financial Statements.

VARIETY - THE CHILDREN'S CHARITY
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (188,140)	\$ 100,612
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,342	8,897
Change in value of interest in assets held by Community Foundation of Greater Des Moines	403,946	(37,405)
Change in assets and liabilities:		
Decrease in contributions receivable	363,339	384,648
Decrease in accrued interest receivable	-	56
(Increase) decrease in prepaid expenses	(2,484)	2,232
Increase in accounts payable	6,656	11,000
Increase in accrued payroll taxes	10,989	-
(Decrease) in charitable grants payable	(89,495)	(427,708)
Net cash provided by operating activities	\$ 508,153	\$ 42,332
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	\$ (2,987)	\$ (2,500)
Net cash (used in) investing activities	\$ (2,987)	\$ (2,500)
 Increase in cash and cash equivalents	\$ 505,166	\$ 39,832
 Cash and cash equivalents at beginning of year	520,751	480,919
 Cash and cash equivalents at end of year	\$ 1,025,917	\$ 520,751

See Notes to Financial Statements.

VARIETY – THE CHILDREN’S CHARITY OF IOWA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

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.

Unrestricted, temporarily restricted and permanently restricted 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:

Unrestricted net assets:

Net assets that are not subject to donor-imposed restrictions. Variety’s Board of Directors may designate portions of its unrestricted net assets as board-designated for various purposes.

Temporarily restricted net assets:

Net assets subject to donor-imposed restrictions that will be met by the actions of Variety or by the passage of time.

Permanently restricted net assets:

Net assets subject to donor-imposed restrictions to 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.

VARIETY – THE CHILDREN’S CHARITY OF IOWA

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2016 AND 2015

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

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.

Contributions receivable:

Contributions received, including unconditional promises to give, are recognized as revenue in the period received and contributions receivable are recognized when they become unconditional; that is, when the conditions on which they depend are substantially met. Outstanding donor contributions are recorded in the year pledged at the amount estimated to be collectible. Variety anticipates that contributions receivable will be collected within one year.

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 April 30, 2016.

Contributions:

Variety considers all contributions to be unrestricted unless specifically restricted by the donor. Amounts received that are designated for future periods or specific purposes are reported as temporarily restricted support. When a donor restriction expires (i.e., when a stipulated time restriction ends or a purpose 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.

Donor-designated funds:

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.

Donated services, materials and facilities:

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.

VARIETY – THE CHILDREN’S CHARITY OF IOWA

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2016 AND 2015

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, the John R. Grubb Variety Transportation Program, Kids on the Go! Mobility Program and other Variety at Work 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’s remaining open years subject to examination include the years ended September 30, 2013 through September 30, 2016.

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). A substantial portion (\$-0- and \$410,918 at September 30, 2016 and 2015, respectively) of the assets held by the CFGDM are permanently restricted. 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, 2016, the majority of assets in the long-term growth portfolio were comprised of fixed income securities and domestic and international equities. 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). During 2016 the board voted to contribute the permanently restricted endowment to CFGDM to for the benefit of Youth Emergency Services and Shelter of Iowa (YESS). By doing this, CFGDM has total control of the funds. On an annual basis, Variety recognizes unrestricted revenue and charity grants and the related asset and liability for the net interest and dividend income directed to the specified beneficiary. The realized gains/losses and unrealized appreciation/depreciation on the permanently restricted endowment at September 30, 2016 and 2015 are reflected in permanently restricted net assets.

VARIETY – THE CHILDREN’S CHARITY OF IOWA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

Note 3. Fair Value Measurements

Fair values of the assets measured on a recurring basis at September 30, 2016 are as follows:

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest in assets held by Community Foundation of Greater Des Moines	<u>\$ 112,974</u>	<u>-</u>	<u>-</u>	<u>\$ 112,974</u>
Total	<u>\$ 112,974</u>	<u>-</u>	<u>-</u>	<u>\$ 112,974</u>

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

Net unrealized gains-unrestricted	\$ 3,944
Net realized gains-unrestricted	2,583
Net unrealized gains-permanently restricted	16,474
Net realized gains-permanently restricted	10,108
	<u>\$ 33,109</u>

Fair values of the assets measured on a recurring basis at September 30, 2015 are as follows:

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest in assets held by Community Foundation of Greater Des Moines	<u>\$ 516,920</u>	<u>-</u>	<u>-</u>	<u>\$ 516,920</u>
Total	<u>\$ 516,920</u>	<u>-</u>	<u>-</u>	<u>\$ 516,920</u>

VARIETY – THE CHILDREN’S CHARITY OF IOWA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

Note 3. Fair Value Measurements (Continued)

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

Net unrealized gains-unrestricted	\$ (7,484)
Net realized gains-unrestricted	1,038
Net unrealized gains-permanently restricted	(27,217)
Net realized gains-permanently restricted	7,948
	<u>\$ (25,715)</u>

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, as noted in the previous table, include equity, fixed income, and other marketable securities, the pool itself is not a publicly traded instrument. Variety estimates the fair value of its pooled funds at the balance sheet date based on its relative ownership investment 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, 2016 AND 2015**

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:

	2016	2015
Beginning balance	\$ 516,920	\$ 479,515
Contributions	-	63,709
Interest and dividends	11,494	10,371
Realized gains	12,691	8,986
Unrealized (losses) gains	19,314	(34,702)
Investment expenses	(2,645)	(2,497)
Grants	(7,300)	(8,462)
Gift to CFGDM	(437,500)	-
Ending balance	\$ 112,974	\$ 516,920

Note 4. Charity Grants Payable

As of September 30, 2016, charity grants payable consists of:

Blank Children’s Hospital	\$ 250,000
Community Action Agency of Siouxland	6,065
Crittenton Center	3,700
Friendly House	1,930
Mercy Medical Center – Des Moines	250,000
Oakridge	1,500
River Bend Foodbank	1,500
YMCA Clinton	28,936
Youth Emergency Services and Shelter	12,000
Child Serve	3,325
	\$ 558,956

As of September 30, 2015, charity grants payable consists of:

Blank Children’s Hospital	\$ 275,000
Mercy Medical Center-Des Moines	275,000
I Have a Dream	50,000
Hispanic Educational Resources	37,849
Freedom for Youth	4,000
Youth Emergency Services and Shelter	6,353
Special Olympics	250
	\$ 648,452

VARIETY – THE CHILDREN’S CHARITY OF IOWA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

Note 5. Lease Commitment

Variety leases office space for \$3,214 per month on a month-to-month basis. Rent expense was \$38,564 and \$38,676 for the years ended September 30, 2016 and 2015, respectively.

Note 6. Net Assets

Unrestricted net assets are available for the following purposes:

	2016	2015
Unrestricted	\$ 112,596	\$ 120,760
Unrestricted-Board designated endowment	112,974	104,650
	\$ 225,570	\$ 225,410

Temporarily restricted net assets are available for the following purposes:

	2016	2015
Kids on the Go! Mobility Program	\$ 175,886	\$ 62,453
Therapeutic Riding Program	-	4,067
Ashley Okland Star Playground	56,797	56,797
Star Playground	240,894	38,447
John R. Grubb Variety Transportation Program	65,806	154,729
Compassion Fund	181,144	181,416
	\$ 720,527	\$ 497,909

Permanently restricted net assets are to be invested in perpetuity, the net interest and dividend income from such assets is expendable to maintain the Steven N. Blank Variety Youth Center at YESS. The amounts at September 30, 2016 and 2015 were \$-0- and \$410,918, respectively. During 2016, the board voted to contribute the endowment to CFGDM for the benefit of YESS.

Note 7. In-Kind Donations

Contributions of assets other than cash are recorded at their estimated fair value. Such contributions include airline tickets, and other costs for various fundraising events. The following include equal amounts of revenue and expense for in-kind donations:

	2016	2015
Telethon	\$ 21,350	\$ 29,200
Sportsman’s Stag	4,995	3,313
	\$ 26,345	\$ 32,513

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NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2016 AND 2015

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 is required to match a portion of the employee’s contribution up to 3 percent of eligible wages. Total expense recorded for Variety’s match was \$11,640 and \$5,862 for the years ended September 30, 2016 and 2015, respectively.

Note 9. Major Contributors

Contributions include amounts from one major contributor totaling approximately \$420,838 and \$604,335 for the years ended September 30, 2016 and 2015, respectively. Major contributors are those contributors whose contributions for the year exceeded 10 percent 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

Variety’s endowments consist of two funds. One fund was established by the Board of Directors to function as an endowment and the other fund was established by a donor and is permanently restricted to be invested in perpetuity in which only the net income can be used. 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. As a result of this interpretation, Variety classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Variety in a manner consistent with the standard of prudence prescribed by IPMIFA. 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.

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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

Note 11. Endowment Funds (Continued)

Investment Return Objectives, Risk Parameters and Strategies. The Organization 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.

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 permanently restricted endowment fund’s spending policy is governed by donor intent. The donor stipulated that all net investment income (interest and dividends less administrative cost of managing the funds) is to be distributed to Youth Emergency Services & Shelter. All realized and unrealized gains on the endowment are to be added to the principal of the endowment.

The endowment net asset composition by type of fund as of September 30, 2016 is as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 104,650</u>	<u>\$ 410,918</u>	<u>\$ 515,568</u>
Investment return:			
Investment income	2,338	-	2,338
Realized and unrealized gains on investments	6,527	26,571	33,098
Total investment return	<u>8,865</u>	<u>26,571</u>	<u>33,098</u>
Contribution to CFGDM	<u>-</u>	<u>(437,489)</u>	<u>(437,489)</u>
Expenses	<u>(541)</u>	<u>-</u>	<u>(541)</u>
Endowment assets, end of year	<u>\$ 112,974</u>	<u>\$ -</u>	<u>\$ 112,974</u>

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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

Note 11. Endowment Funds (Continued)

The endowment net asset composition by type of fund as of September 30, 2015 is as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 46,456	\$ 430,187	\$ 476,643
Investment return:			
Investment income	1,232	-	1,232
Realized and unrealized gains on investments	(6,446)	(19,269)	(25,715)
Total investment return	<u>(6,446)</u>	<u>(19,269)</u>	<u>(25,715)</u>
Gifts received	<u>63,709</u>	-	<u>63,709</u>
Expenses	<u>(301)</u>	-	<u>(301)</u>
Endowment assets, end of year	<u>\$ 104,650</u>	<u>\$ 410,918</u>	<u>\$ 515,568</u>

Note 12. Subsequent Events

Management has evaluated subsequent events through February 23, 2017, the date on which the financial statements were available to be issued. There were no subsequent events required to be accrued or disclosed.