

**VARIETY - THE CHILDREN'S CHARITY
OF GEORGIA, INC.
D/B/A VARIETY THE CHILDREN'S CHARITY
AUDITED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
SEPTEMBER 30, 2012 AND 2013**

D. Michael LaBounty & Associates, P.C.
Certified Public Accountants
2750 Buford Highway, Suite 247
Atlanta, Georgia 30324

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT.....	1
STATEMENT OF FINANCIAL POSITION.....	3
STATEMENT OF ACTIVITIES	4
STATEMENT OF FUNCTIONAL EXPENSES	5
STATEMENT OF CASH FLOWS	6
NOTES TO THE FINANCIAL STATEMENTS.....	7



R. MICHAEL LABOUNTY
& ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

2750 BUFORD HIGHWAY, SUITE 247
ATLANTA, GA 30324
ph: 404-636-6272 fax: 404-636-6271
5 SAWGRASS RUN
ST. SIMONS ISLAND, GA 31522
ph: 912-222-4206 fax: 912-268-2594

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Variety - The Children's Charity of Georgia, Inc.
d/b/a Variety The Children's Charity
9800 Medlock Bridge Rd, Suite 100
Atlanta, GA 30097

Report on the Financial Statements

We have audited the accompanying financial statements of Variety - The Children's Charity of Georgia, Inc. d/b/a Variety The Children's Charity (the Organization), which comprise the statements of financial position as of September 30, 2012 and 2013, 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 upon our audits. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend upon 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.

To the Board of Directors
Variety - The Children's Charity of Georgia, Inc.

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 Georgia, Inc. d/b/a Variety The Children's Charity as of September 30, 2012 and 2013, 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.

R MICHAEL LaBOUNTY & ASSOCIATES, PC

Atlanta, Georgia
January 14, 2014

VARIETY - THE CHILDREN'S CHARITY OF GEORGIA, INC.
D/B/A VARIETY THE CHILDREN'S CHARITY
STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2012 AND 2013

	2012	2013
ASSETS		
ASSETS:		
Cash	\$ 220,365	\$ 266,225
Accounts receivable	90,282	116,962
Prepaid supplies	1,677	599
Prepaid expense	<u>4,672</u>	<u>747</u>
Total assets	<u>\$ 316,996</u>	<u>\$ 384,533</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 8,037	\$ 18,318
Accrued payroll & taxes	<u>9,790</u>	<u>9,528</u>
Total liabilities	<u>17,827</u>	<u>27,846</u>
NET ASSETS:		
Unrestricted	287,169	314,662
Temporarily restricted	<u>12,000</u>	<u>42,025</u>
Total net assets	<u>299,169</u>	<u>356,687</u>
Total liabilities and net assets	<u>\$ 316,996</u>	<u>\$ 384,533</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

VARIETY - THE CHILDREN'S CHARITY OF GEORGIA, INC.
D/B/A VARIETY THE CHILDREN'S CHARITY
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2013

	2012	2013
CHANGES IN UNRESTRICTED NET ASSETS:		
REVENUE & SUPPORT:		
Events	\$ 258,714	\$ 219,704
Cinema passport fees	89,200	101,263
Contributions	15,688	37,738
Other income	34,928	22,459
Interest income	60	59
In-kind donations	6,000	40,436
Released restrictions	<u>25,892</u>	<u>12,000</u>
Total revenue & support	<u>430,482</u>	<u>433,659</u>
EXPENSES:		
Program expenses	181,601	209,785
Fundraising expenses	126,733	157,729
General & administrative expenses	<u>32,942</u>	<u>38,652</u>
Total expenses	<u>341,276</u>	<u>406,166</u>
INCREASE IN UNRESTRICTED NET ASSETS	<u>89,206</u>	<u>27,493</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Contributions for specific projects	30,892	42,025
Net assets released from restrictions	<u>(25,892)</u>	<u>(12,000)</u>
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>5,000</u>	<u>30,025</u>
INCREASE IN NET ASSETS	94,206	57,518
NET ASSETS - BEGINNING OF YEAR	<u>204,963</u>	<u>299,169</u>
NET ASSETS - END OF YEAR	<u>\$ 299,169</u>	<u>\$ 356,687</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

VARIETY - THE CHILDREN'S CHARITY OF GEORGIA, INC.
D/B/A VARIETY THE CHILDREN'S CHARITY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2013

	<u>Program</u>	<u>Fundraising</u>	<u>General & Administrative</u>	<u>Total</u>
September 30, 2013				
Grants & gifts	\$ 170,457	\$ -	\$ -	\$ 170,457
Events	-	102,515	-	102,515
Personnel	30,950	31,196	16,974	79,120
Supplies & printing	-	16,765	-	16,765
Meetings	-	-	7,622	7,622
National dues	-	-	6,376	6,376
Rent	4,000	1,000	1,000	6,000
Plaques & awards	-	2,341	-	2,341
Bad debt	-	-	2,270	2,270
Professional fees	-	-	2,221	2,221
Gold Heart pins	-	1,723	-	1,723
Other	4,378	2,189	2,189	8,756
	<u>209,785</u>	<u>157,729</u>	<u>38,652</u>	<u>406,166</u>
Total expenses	\$ <u>209,785</u>	\$ <u>157,729</u>	\$ <u>38,652</u>	\$ <u>406,166</u>
September 30, 2012				
Grants & gifts	\$ 145,420	\$ -	\$ -	\$ 145,420
Events	-	71,025	-	71,025
Personnel	28,483	30,415	14,241	73,139
Supplies & printing	-	14,746	-	14,746
Meetings	-	-	6,951	6,951
National dues	-	-	5,750	5,750
Rent	4,000	1,000	1,000	6,000
Plaques & awards	-	5,370	-	5,370
Bad debt	-	-	1,330	1,330
Professional fees	-	-	1,821	1,821
Gold Heart pins	-	2,328	-	2,328
Other	3,698	1,849	1,849	7,396
	<u>181,601</u>	<u>126,733</u>	<u>32,942</u>	<u>341,276</u>
Total expenses	\$ <u>181,601</u>	\$ <u>126,733</u>	\$ <u>32,942</u>	\$ <u>341,276</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

VARIETY - THE CHILDREN'S CHARITY OF GEORGIA, INC.
D/B/A VARIETY THE CHILDREN'S CHARITY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2013

	2012	2013
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Increase in net assets	\$ 94,206	\$ 57,518
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
(Increase) in accounts receivable	(25,178)	(26,680)
Decrease in inventory	2,173	1,078
Decrease (Increase) in prepaid expense	(3,076)	3,925
Increase (Decrease) in accounts payable	(55,636)	10,281
Increase (Decrease) in accrued payroll & taxes	<u>8,313</u>	<u>(262)</u>
Net cash provided by operating activities	<u>20,802</u>	<u>45,860</u>
 NET INCREASE IN CASH	 20,802	 45,860
 CASH, BEGINNING OF YEAR	 <u>199,563</u>	 <u>220,365</u>
 CASH, END OF YEAR	 <u>\$ 220,365</u>	 <u>\$ 266,225</u>
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
 Cash paid during the year for:		
Interest	 <u>\$ -</u>	 <u>\$ -</u>
Income taxes	 <u>\$ -</u>	 <u>\$ -</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

VARIETY - THE CHILDREN'S CHARITY OF GEORGIA, INC.
D/B/A VARIETY THE CHILDREN'S CHARITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2013

Variety-The Children's Charity of Georgia, Inc. d/b/a Variety-The Children's Charity (the Organization) is a fraternal organization governed by the charter and by-laws of the Variety Clubs International (National Affiliate). The Organization was organized in 1939 and was granted exemption under Section 501(c)(3) of the Internal Revenue Code. The Organization was chartered to support worthy charitable projects for children and to provide a club for its members.

Note A – Summary of Significant Accounting Policies

The Organization's Summary of Significant Accounting Policies is presented to assist in understanding its financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the statements' preparation. The financial statements and notes are representations of the Organization's management, who are responsible for their integrity and objectivity.

Basis of Accounting and Presentation - The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities. Information regarding its financial position and activities is presented under three separate net asset classifications: unrestricted, temporarily restricted and permanently restricted net assets. As of September 30, 2012 and 2013, the Organization held no permanently restricted net assets.

Accounts Receivable - The Organization's accounts receivable arise primarily from the programs and contributions of the local community. The Organization does not require collateral to secure these receivables. The Organization considers the need for an allowance for uncollectable accounts based upon an evaluation of its historical experience, the credit worthiness of its debtors and industry averages. For the years ending September 30, 2012 and 2013, the Organization's evaluation determined no allowance was necessary.

Donated Assets, Services and In-Kind Donations - Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization. If those conditions are met, then a contribution and an expense of equal amounts are recognized. Other donations in-kind are recorded as contributions at their estimated fair values at the date of donation. During both 2012 and 2013, the Organization recognized in-kind donations of \$6,000 as a result of a donor allowing the Organization to operate rent-free in its primary facility. There were \$34,436 in other services and in-kind donations recognized in 2013.

Restricted and Unrestricted Contributions - Contributions which are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending upon the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. For the years ended 2012 and 2013, the Organization reported no permanently restricted net assets.

Costs Allocated to Programs - The Organization applies allocation formulas to certain groups of expenses to make allocations of expenses to administration, resource development and programs. The allocation formulas are derived from cost of labor based upon personnel assignments and upon the space and resources assigned to the personnel involved in an activity. In addition, there are analyses of time expended for certain activities. Allocation formulas are reevaluated annually or as material changes warrant.

VARIETY - THE CHILDREN'S CHARITY OF GEORGIA, INC.
D/B/A VARIETY THE CHILDREN'S CHARITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2013

Note A – Summary of Significant Accounting Policies (Continued)

Income Taxes - The Organization is exempt from federal and state income tax according to IRS Section 501(c)(3). The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). Income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. For the years ended September 30, 2012 and 2013, the Organization did not have any unrelated business income and, accordingly, no unrelated business income tax. The Financial Accounting Standards Board has issued an Interpretation clarifying when an uncertainty in income taxes should be recognized or disclosed in the Organization's financial statements. The Organization has reviewed its tax positions and has determined that there are no tax uncertainties requiring recognition or disclosure for the years open to potential IRS examination (2010-2013).

Fair Value of Financial Instruments - The Organization's financial instruments include cash, accounts receivable, accounts payable and accrued payroll and taxes. The carrying value of these instruments approximates fair value due to their relatively short-term nature.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

Note B – Temporarily Restricted Net Assets

As of September 30, 2012 and 2013, temporarily restricted net assets are comprised of purpose-restricted contributions for the mobility bike program.

Note C – Concentration of Credit Risks

The Organization maintains its cash at financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). The FDIC-insured limit is \$250,000 per account per financial institution as of January 1, 2013. As of September 30, 2012 and 2013, the Organization's balances did not exceed these insured limits. Management believes that the FDIC backing and the quality of the financial institution with which these amounts are deposited minimizes any potential risk of material loss.

Note D – Economic Environment

During 2013 and thus far in 2014, the United States and global credit markets continue to be impacted by the financial crisis which occurred in 2008, resulting in several high-profile investment and commercial bank failures. These problems have affected the broader U.S. and global markets, as well as consumer confidence. It is uncertain how this downturn in the financial markets and consumer confidence may affect the operations, funding and contribution income of nonprofit organizations in the near future.

Note E – Subsequent Events

Management has evaluated events and transactions which occurred through January 14, 2014, which was the date the financial statements were available to be issued. As a result of this evaluation, management has determined that no events or transactions are required to be disclosed.