

**VARIETY CLUB OF PHILADELPHIA, INC. AND
VARIETY CAMP AND DEVELOPMENT CENTER
FOR HANDICAPPED CHILDREN, INC.**

COMBINED FINANCIAL STATEMENTS

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

**VARIETY CLUB OF PHILADELPHIA, INC. AND VARIETY CAMP AND DEVELOPMENT
CENTER FOR HANDICAPPED CHILDREN, INC.
SEPTEMBER 30, 2015 AND 2014**

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Giordano & Associates CPAs, P.C.
Business and Tax Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Variety Club of Philadelphia, Inc. and Variety Camp and Development
Center for Handicapped Children, Inc.
Philadelphia, Pennsylvania

We have audited the accompanying combined financial statements of the Variety Club of Philadelphia, Inc. and Variety Camp and Development Center for Handicapped Children, Inc. (non-profit Organizations), which comprise the statement of financial position as of September 30, 2015, and 2014, and the related combined statements of activities and changes in net assets, 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 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. 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 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 auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of the Variety Club of Philadelphia, Inc. and Variety Camp and Development Center for Handicapped Children, Inc. as of September 30, 2015 and 2014, changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Giordano & Associates CPAs, P.C.
Certified Public Accountants

Bristol, Pennsylvania
January 15, 2016

**VARIETY CLUB OF PHILADELPHIA INC. AND
VARIETY CAMP AND DEVELOPMENT CENTER FOR HANDICAPPED CHILDREN, INC.
COMBINED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 421,363	\$ 198,024
Accounts receivable	108,315	299,274
Grants receivable	15,000	46,000
Prepaid expenses	29,947	51,696
TOTAL CURRENT ASSETS	<u>574,625</u>	<u>594,994</u>
FIXED ASSETS, Less: accumulated depreciation of \$1,191,180 and \$1,030,869, respectively	<u>1,909,655</u>	<u>1,999,000</u>
INVESTMENTS	<u>-</u>	<u>7,971</u>
TOTAL ASSETS	<u><u>\$ 2,484,280</u></u>	<u><u>\$ 2,601,965</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 74,390	\$ 83,247
Installment agreements payable	151,742	144,000
Accrued expenses	46,084	55,089
Deferred revenue	15,600	15,000
Current portion of long term debt and lines of credit	226,667	272,569
TOTAL CURRENT LIABILITIES	<u>514,483</u>	<u>569,905</u>
LONG-TERM DEBT, less current portion	<u>-</u>	<u>147,951</u>
TOTAL LIABILITIES	514,483	717,856
NET ASSETS		
Unrestricted	1,717,298	1,718,586
Temporarily restricted	252,499	165,523
TOTAL NET ASSETS	<u>1,969,797</u>	<u>1,884,109</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,484,280</u></u>	<u><u>\$ 2,601,965</u></u>

See the accompanying notes which are an integral part of these combined financial statements.

**VARIETY CLUB OF PHILADELPHIA INC. AND
VARIETY CAMP AND DEVELOPMENT CENTER FOR HANDICAPPED CHILDREN, INC.
COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Contributions - individuals	\$ 112,257	\$ 28,297	\$ -	\$ 140,554
Contributions - corporate	297,263	-	-	297,263
Grants	299,303	91,052	-	390,355
Grants - camp	123,932	26,000	-	149,932
Donated services, supplies and facilities	547,586	-	-	547,586
Camp/program fees	790,447	-	-	790,447
Program fees - Delaware	10,033	-	-	10,033
Camp facility rental	84,035	-	-	84,035
Fundraising events	277,429	153,400	-	430,829
Interest income	104	-	-	104
Investment income	1,429	-	-	1,429
Miscellaneous income	49	-	-	49
Forgiveness of debt income	120,865	-	-	120,865
Net assets released from restrictions satisfaction of donor imposed restrictions	211,773	(211,773)	-	-
TOTAL SUPPORT AND REVENUE	<u>2,876,505</u>	<u>86,976</u>	<u>-</u>	<u>2,963,481</u>
EXPENSES				
Program services				
Camp	1,703,474	-	-	1,703,474
After school	483,140	-	-	483,140
Other programs	288,704	-	-	288,704
Total program services	<u>2,475,318</u>	<u>-</u>	<u>-</u>	<u>2,475,318</u>
Support services				
Management and general	236,235	-	-	236,235
Fundraising	166,240	-	-	166,240
Total support services	<u>402,475</u>	<u>-</u>	<u>-</u>	<u>402,475</u>
TOTAL EXPENSES	<u>2,877,793</u>	<u>-</u>	<u>-</u>	<u>2,877,793</u>
INCREASE (DECREASE) IN NET TOTAL NET ASSETS	(1,288)	86,976	-	85,688
NET ASSETS, BEGINNING OF YEAR	<u>1,718,586</u>	<u>165,523</u>	<u>-</u>	<u>1,884,109</u>
NET ASSETS, END OF YEAR	<u>\$ 1,717,298</u>	<u>\$ 252,499</u>	<u>\$ -</u>	<u>\$ 1,969,797</u>

See the accompanying notes which are an integral part of these combined financial statements.

**VARIETY CLUB OF PHILADELPHIA INC. AND
VARIETY CAMP AND DEVELOPMENT CENTER FOR HANDICAPPED CHILDREN, INC.
COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Contributions - individuals	\$ 133,435	\$ 6,350	\$ -	\$ 139,785
Contributions - corporate	321,972	78,176	-	400,148
Grants	-	316,452	-	316,452
Grants - camp	-	42,000	-	42,000
Grants - Delaware	-	10,000	-	10,000
Donated services, supplies and facilities	1,069,948	-	-	1,069,948
Donated services, supplies and facilities - Delaware	12,000	-	-	12,000
Camp/program fees	536,183	407,419	-	943,602
Program fees	1,288	20,000	-	21,288
Program fees - Delaware	26,387	-	-	26,387
Camp facility rental	86,815	-	-	86,815
Fundraising events	228,250	-	-	228,250
Interest income	36	176	-	212
Investment income	3,991	-	-	3,991
Gain on impaired assets	132,230	-	-	132,230
Net assets released from restrictions satisfaction of donor imposed restrictions	919,471	(919,471)	-	-
TOTAL SUPPORT AND REVENUE	<u>3,472,006</u>	<u>(38,898)</u>	<u>-</u>	<u>3,433,108</u>
EXPENSES				
Program services				
Camp	1,363,407	-	-	1,363,407
After school	725,701	-	-	725,701
Other programs	863,411	-	-	863,411
Total program services	<u>2,952,519</u>	<u>-</u>	<u>-</u>	<u>2,952,519</u>
Support services				
Management and general	558,057	-	-	558,057
Fundraising	73,782	-	-	73,782
Total support services	<u>631,839</u>	<u>-</u>	<u>-</u>	<u>631,839</u>
TOTAL EXPENSES	<u>3,584,358</u>	<u>-</u>	<u>-</u>	<u>3,584,358</u>
DECREASE IN NET TOTAL NET ASSETS	(112,352)	(38,898)	-	(151,250)
NET ASSETS, BEGINNING OF YEAR	<u>1,830,938</u>	<u>204,421</u>	<u>-</u>	<u>2,035,359</u>
NET ASSETS, END OF YEAR	<u>\$ 1,718,586</u>	<u>\$ 165,523</u>	<u>\$ -</u>	<u>\$ 1,884,109</u>

See the accompanying notes which are an integral part of these combined financial statements.

**VARIETY CLUB OF PHILADELPHIA INC. AND
VARIETY CAMP AND DEVELOPMENT CENTER FOR HANDICAPPED CHILDREN, INC.
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 85,688	\$ (151,250)
Adjustments to reconcile change in net assets to net cash provided (Used) by operating activities:		
Depreciation	160,311	150,511
Amortization on promise to give	-	(3,097)
Realized and unrealized gain on investments	(1,429)	(3,991)
Effects of changes in operating assets and liabilities		
Accounts receivable	190,959	(90,740)
Grants receivable	31,000	49,217
Unconditional promise to give	-	50,000
Prepaid expenses	21,749	14,094
Accounts payable	(8,857)	(40,451)
Accrued expenses	(9,005)	4,064
Deferred revenue	600	(26,620)
Net cash provided (used) in operating activities	<u>471,016</u>	<u>(48,263)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(7,435)	(3,980)
Sale of investments	16,835	-
Purchase of fixed assets	(70,965)	(288,435)
Net cash used in investing activities	<u>(61,565)</u>	<u>(292,415)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Forgiveness of debt income	(120,865)	-
Principal payments on long term debt	(65,247)	(120,850)
Net cash used in financing activities	<u>(186,112)</u>	<u>(120,850)</u>
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	223,339	(461,528)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>198,024</u>	<u>659,552</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 421,363</u>	<u>\$ 198,024</u>

See the accompanying notes which are an integral part of these combined financial statements.

**VARIETY CLUB OF PHILADELPHIA INC. AND
VARIETY CAMP AND DEVELOPMENT CENTER FOR HANDICAPPED CHILDREN, INC.
COMBINED SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Program Services			Support Services			
	Camp	After School/Summer Program	Other Programs	Total Program Services	Mgmt & General	Fundraising	Total
Salaries	\$ 937,646	\$ 186,994	\$ 7,743	\$ 1,132,383	\$ 95,366	\$ -	\$ 1,227,749
Payroll taxes & employee benefits	122,891	21,715	592	145,198	21,724	-	166,922
Vehicles expenses	15,771	-	-	15,771	-	-	15,771
Bank/credit card processing fees	74	-	1,349	1,423	-	2,646	4,069
Food and kitchen supplies	39,677	-	-	39,677	191	-	39,868
Insurance	88,938	-	863	89,801	36,522	-	126,323
Interest	-	-	-	-	5,361	-	5,361
International overnight counselors	29,132	-	-	29,132	-	-	29,132
Medical supplies	1,351	-	-	1,351	-	-	1,351
Office supplies	11,975	-	-	11,975	12,069	1,790	25,834
Pool supplies and expenses	10,176	-	-	10,176	-	-	10,176
Postage	-	-	-	-	117	-	117
Program costs	59,711	35,412	15,697	110,820	-	141,508	252,328
Professional services	21,476	-	-	21,476	19,184	-	40,660
Public relations	2,900	-	-	2,900	113	-	3,013
Rent	-	-	-	-	16,019	-	16,019
Repairs and maintenance	43,007	-	-	43,007	-	-	43,007
Telephone and communications	6,899	-	-	6,899	3,157	-	10,056
Travel/conferences/dues	7,026	42	222	7,290	10,263	-	17,553
Safety and security services	1,515	-	-	1,515	-	-	1,515
Scholarships to campers/direct care	20,050	-	-	20,050	-	-	20,050
Utilities	113,022	-	-	113,022	-	-	113,022
Depreciation	144,701	-	-	144,701	15,610	-	160,311
Total expenses before in-kinds	<u>\$ 1,677,938</u>	<u>\$ 244,163</u>	<u>\$ 26,466</u>	<u>\$ 1,948,567</u>	<u>\$ 235,696</u>	<u>\$ 145,944</u>	<u>\$ 2,330,207</u>

See the accompanying notes which are an integral part of these combined financial statements.

**VARIETY CLUB OF PHILADELPHIA INC. AND
VARIETY CAMP AND DEVELOPMENT CENTER FOR HANDICAPPED CHILDREN, INC.
COMBINED SCHEDULES OF FUNCTIONAL EXPENSES (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Program Services			Support Services			
	Camp	After School/Summer Program	Other Programs	Total Program Services	Mgmt & General	Fundraising	Total
Events for children/supplies	\$ 7,476	\$ -	\$ -	\$ 7,476	\$ 539	\$ -	\$ 8,015
Food - camp and developmental center	7,098	-	-	7,098	-	-	7,098
Food - after school program	-	39,477	-	39,477	-	-	39,477
Professional	10,962	-	-	10,962	-	-	10,962
Organizational events	-	-	262,238	262,238	-	20,296	282,534
Facilities use - school district	-	199,500	-	199,500	-	-	199,500
Total in-kind expenses	<u>25,536</u>	<u>238,977</u>	<u>262,238</u>	<u>526,751</u>	<u>539</u>	<u>20,296</u>	<u>547,586</u>
Total expenses	<u>\$ 1,703,474</u>	<u>\$ 483,140</u>	<u>\$ 288,704</u>	<u>\$ 2,475,318</u>	<u>\$ 236,235</u>	<u>\$ 166,240</u>	<u>\$ 2,877,793</u>

See the accompanying notes which are an integral part of these combined financial statements.

**VARIETY CLUB OF PHILADELPHIA INC. AND
VARIETY CAMP AND DEVELOPMENT CENTER FOR HANDICAPPED CHILDREN, INC.
COMBINED SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Program Services				Support Services		
	Camp	After School/Summer Program	Other Programs	Total Program Services	Mgmt & General	Fundraising	Total
Salaries	\$ 712,284	\$ 297,030	\$ 5,869	\$ 1,015,183	\$ 316,880	\$ 55,000	\$ 1,387,063
Payroll taxes & employee benefits	100,483	43,644	828	144,955	48,015	8,572	201,542
Vehicles expenses	14,242	-	-	14,242	-	-	14,242
Bad debt	26,176	-	4,625	30,801	-	-	30,801
Bank/credit card processing fees	933	154	2,577	3,664	1,876	1,410	6,950
Food and kitchen supplies	25,014	-	3,397	28,411	-	-	28,411
Insurance	63,273	21,091	-	84,364	6,351	-	90,715
Interest	4,738	-	-	4,738	28,916	-	33,654
International overnight counselors	49,578	-	-	49,578	-	-	49,578
Medical supplies	1,783	-	-	1,783	-	-	1,783
Office supplies	10,773	5,444	-	16,217	7,987	-	24,204
Pool supplies and expenses	7,502	-	-	7,502	-	-	7,502
Postage	200	150	-	350	132	350	832
Program costs	28,607	98,961	5,299	132,867	-	-	132,867
Professional services	2,465	-	5,000	7,465	94,373	-	101,838
Public relations	4,492	-	6,835	11,327	-	-	11,327
Rent	-	-	34,141	34,141	-	-	34,141
Repairs and maintenance	64,682	-	-	64,682	-	-	64,682
Telephone and communications	9,118	-	-	9,118	8,753	-	17,871
Travel/conferences/dues	3,133	-	-	3,133	22,217	-	25,350
Safety and security services	1,679	-	-	1,679	-	-	1,679
Scholarships to campers/direct care	3,725	-	-	3,725	-	-	3,725
Utilities	68,309	-	4,719	73,028	8,114	-	81,142
Depreciation	136,068	-	-	136,068	14,443	-	150,511
Total expenses before in-kinds	<u>\$ 1,339,257</u>	<u>\$ 466,474</u>	<u>\$ 73,290</u>	<u>\$ 1,879,021</u>	<u>\$ 558,057</u>	<u>\$ 65,332</u>	<u>\$ 2,502,410</u>

See the accompanying notes which are an integral part of these combined financial statements.

COMBINED SCHEDULES OF FUNCTIONAL EXPENSES (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Program Services			Support Services			
	Camp	After School/Summer Program	Other Programs	Total Program Services	Mgmt & General	Fundraising	Total
Events for children/supplies	\$ 10,650	\$ 3,250	\$ -	\$ 13,900	\$ -	\$ -	\$ 13,900
Food - camp and developmental center	10,900	-	-	10,900	-	-	10,900
Food - after school program	-	39,477	-	39,477	-	-	39,477
Professional	2,600	-	3,500	6,100	-	8,450	14,550
Organizational events	-	-	786,621	786,621	-	-	786,621
Facilities use - school district	-	204,500	-	204,500	-	-	204,500
Facilities use - Delaware division	-	12,000	-	12,000	-	-	12,000
Total in-kind expenses	24,150	259,227	790,121	1,073,498	-	8,450	1,081,948
Total expenses	<u>\$ 1,363,407</u>	<u>\$ 725,701</u>	<u>\$ 863,411</u>	<u>\$ 2,952,519</u>	<u>\$ 558,057</u>	<u>\$ 73,782</u>	<u>\$ 3,584,358</u>

See the accompanying notes which are an integral part of these combined financial statements.

**VARIETY CLUB OF PHILADELPHIA, INC. AND VARIETY CAMP AND DEVELOPMENT CENTER FOR HANDICAPPED CHILDREN, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 1 ORGANIZATION AND NATURE OF ACTIVITIES

Organization and Nature of Activities

Variety Club of Philadelphia, Inc. and Variety Camp and Development Center for Handicapped Children, Inc. (“the Organization”) are Pennsylvania nonprofit organizations that have an affiliation agreement with Variety – The Children’s Charity International and Variety – The Children’s Charity USA. The Organization is comprised of Variety Club of Philadelphia, Inc. and Variety Camp and Development Center for Handicapped Children, Inc., and has a common Board of Directors. The Organization has been in operation for over 75 years. Its mission is to build independence and self-confidence in children and youth with disabilities by engaging them in recreational, social and educational enrichment activities, while connecting families to resources. The Organization serves over 10,000 children in the Greater Delaware Valley area including Southeastern Pennsylvania, South Jersey and Delaware. Organizational support comes primarily from program and campers’ fees, contributions, grants and special event fundraisers.

The Organization’s programs include:

Camp and Developmental Center

A nationally acclaimed 80-acre facility, located in Worcester, PA, is available year-round to provide day camp, residential camp, Saturday arts programs, vocational skills training, after-school programs and weekend retreats to children with disabilities. The camp, which serves 3,000 children, enables children to live life with choice, allows them to interact with their peers, and encourages all children to reach beyond their disabilities. The camp also provides much-needed respite for parents, who can be assured that their children are in a safe and caring environment.

After-School Program/Work-Ready Summer Program

The After-School Program is a unique program providing a safe haven for children to go when the school day has ended. It offers educational and recreational opportunities for children, as well as after-school care for children of working parents. After-school programs, offered in various schools throughout the region, provide homework assistance as well as other opportunities for enrichment and recreation.

The Work-Ready Summer Program is designed to provide a structured opportunity to youth who have never worked before. This experience is intended to introduce participants to the workforce by exposing them to specific career areas with mentor supervision support to develop the work readiness skills to succeed in the workplace. Youth are exposed to employment and learning opportunities to assist and prepare themselves to become active and productive citizens.

Other Programs

Other programs include the following:

Direct Care for Kids

Provides families with much needed medical equipment and aids for living.

**VARIETY CLUB OF PHILADELPHIA, INC. AND VARIETY CAMP AND DEVELOPMENT
CENTER FOR HANDICAPPED CHILDREN, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 1 ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

Autism Initiative

The Organization's Autism Resource Center "the Center" provides direct services and support to children and youth with Autism Spectrum Disorders. The Center conducts educational seminars and workshops for parents, caregivers and professionals, social skills groups for teens on the spectrum, special sibling activities and numerous autism-specific, life-enriching, family oriented events. Through its Autism Resource Center, the Organization bridges the gap between families and the educational, medical, and behavioral health care systems and provides referrals to appropriate services in the community. The Center has been designed to improve the quality of life of children with autism and serves 3,000 families a year.

Golf Buddy Program

Developed in conjunction with the Philadelphia Section of the Professional Golf Association ("the PGA"), children are paired with PGA professionals who teach them the fundamentals of golf, while forging lasting friendships.

Variety at Play

This program offers children special events, such as: outings to recreational parks, zoos, sporting events, parties and other social and recreational opportunities.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounts Receivable

Accounts receivable are stated as unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of patients to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Basis of Accounting

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.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**VARIETY CLUB OF PHILADELPHIA, INC. AND VARIETY CAMP AND DEVELOPMENT
CENTER FOR HANDICAPPED CHILDREN, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Classification of Net Assets

The Organization's net assets have been classified into three categories:

Unrestricted Net Assets

Unrestricted net assets are assets that are not subject to donor-imposed stipulations. These assets may be designed for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Temporarily Restricted Net Assets

Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as the net assets are released from their restrictions.

Permanently Restricted Net Assets

Permanently restricted net assets are subject to donor-imposed stipulations that the assets be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of any income earned on the related investment for general or specific purposes.

Combined Financial Statements

The combined financial statements include the accounts of Variety Club of Philadelphia, Inc. and Variety Camp and Development Center for Handicapped Children, Inc., affiliated by common management, purpose and financial support. All significant inter-company transactions and balances have been eliminated.

Contributions and Grants Receivable

Contributions and grants receivable are recognized when a donor makes an unconditional pledge to the Organization. Contributions and grants that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions or grants are recognized. All other donor restricted pledges are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction.

The Organization uses the allowance method to determine uncollectible contributions. The allowance is based on prior years' experience and management's analysis of specific pledges. At September 30, 2015 and 2014, \$0 and \$0, respectively, was recorded as the allowance.

**VARIETY CLUB OF PHILADELPHIA, INC. AND VARIETY CAMP AND DEVELOPMENT
CENTER FOR HANDICAPPED CHILDREN, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments

The Organization's financial instruments are cash, accounts receivable, accounts payable, line of credits, and long-term debt. The recorded values of cash, accounts receivable, accounts payable and lines of credit approximate their fair values based on their short-term nature.

The recorded value of long-term debt approximates its fair value, as interest approximates market rates.

Deferred Revenue

Income from granting agencies for future periods is deferred and recognized over the periods to which the terms of the contracts indicate.

Donated Services, Supplies and Facilities

Donated materials and other noncash contributions are reflected in the accompanying statements at the estimated fair market value at the date of receipt. Contributions of services are recognized if the services received, create or enhance nonfinancial assets, require specialized skills, are provided by individual possessing those skills, would typically need to be purchased if not provided by donation. Other volunteer services that do not meet this criteria are not recognized in the financial statements as there is no objective base of deriving their value. At September 30, 2015 and 2014, the Organization reported Donated Services, Supplies and Facilities of \$547,586 and \$1,081,948, respectively, in the Combined Statement of Activities and the Schedule of Functional Expenses.

Estimates

Management uses estimates and assumptions in preparing financial statements. 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. Actual results could differ from those estimates.

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Property and Equipment

Property and Equipment are stated at cost. Major renewals and betterments are added to the proper accounts while ordinary maintenance and repairs are expensed as incurred. Donated equipment is capitalized at the fair market value at the date of donation. Depreciation is provided over the useful life of the related asset(s) and computed by the straight line method.

**VARIETY CLUB OF PHILADELPHIA, INC. AND VARIETY CAMP AND DEVELOPMENT
CENTER FOR HANDICAPPED CHILDREN, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments in marketable equity securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the changes of net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Income Taxes Uncertain Tax Positions

The Organization is a nonprofit, exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax is reported in the accompanying financial statements. The Organization qualifies as a publicly supported organization under Sections 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code. The Organization believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The federal and state income tax returns of the Organization for the three years ended September 30, 2013, 2014, and 2015 are subject to examination by the Internal Revenue Service Center and other various taxing authorities.

NOTE 3 PROPERTY, PLANT AND EQUIPMENT

For the period ending September 30, 2015 and 2014, Property, Plant and Equipment are classified as:

	<u>2015</u>	<u>2014</u>
Land	\$ 86,440	\$ 86,440
Buildings and related improvements	2,396,486	2,344,747
Equipment and office furniture	543,734	524,507
Vehicles	<u>74,175</u>	<u>74,175</u>
Total property, plant and equipment	3,100,835	3,029,869
Less: accumulated depreciation	<u>(1,191,180)</u>	<u>(1,030,869)</u>
Net property, plant and equipment	<u>\$ 1,909,655</u>	<u>\$ 1,999,000</u>

The Organization's land and buildings at its Camp and Developmental Center are pledged as collateral for its loan and lines of credit.

**VARIETY CLUB OF PHILADELPHIA, INC. AND VARIETY CAMP AND DEVELOPMENT
 CENTER FOR HANDICAPPED CHILDREN, INC.
 NOTES TO COMBINED FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015 AND 2014**

NOTE 4 INVESTMENTS

Investments in equity securities with readily determinable fair values are carried at fair value. Investments were comprised of the following:

	<u>September 30, 2014</u>		
	<u>Total Cost</u>	<u>Market Value</u>	<u>Unrealized Gain</u>
Equities	\$ 3,980	\$ 7,971	\$ 3,991

The following schedule summarized investment returns and their classification in the statement of activities for the years ended:

	<u>2015</u>	<u>2014</u>
Net unrestricted realized/unrealized gains	<u>\$ 1,429</u>	<u>\$ 3,991</u>

Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is reported as an increase or decrease in unrestricted net assets in the reporting period recognized, unless the income or loss is restricted by donor or law. Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement). Secondary priority is given to observable market based inputs other than quoted prices in active markets for identical assets or liabilities. This includes instruments that are primarily valued using valuation techniques that use observable market-based inputs or unobservable inputs that are corroborated by market data (level 2 measurement). Finally, there are prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. This is comprised of instruments whose fair value is estimated based on a market approach using alternate techniques or internally developed models using significant inputs that are generally less readily observable because of limited market activity or little transparency (level 3 measurement).

NOTE 5 LINES OF CREDIT

The Organization has a \$150,000 line of credit with First Trust Bank, with an interest rate of 4.75% per annum. The outstanding balance was \$150,524 and \$150,544 as of September 30, 2015 and 2014 respectively.

The Organization has a \$150,000 line of credit from TD Bank, with an interest rate of 5.20% per annum. The outstanding balance was \$64,738 and \$78,479 as of September 30, 2015 and 2014 respectively.

**VARIETY CLUB OF PHILADELPHIA, INC. AND VARIETY CAMP AND DEVELOPMENT
CENTER FOR HANDICAPPED CHILDREN, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 6 LOAN

The Organization has a loan from First Trust Bank, originally \$250,000, payable in 83 monthly installments of \$3,841 at an interest rate of 7.5%. The outstanding balance was \$11,405 and \$54,825 as of September 30, 2015, and 2014, respectively.

The loan's scheduled maturities are as follows:

Year ended September 30,

2016

\$ 11,405

NOTE 7 INSTALLMENT AGREEMENTS PAYABLE

Variety Club of Philadelphia, Inc. and Variety Camp and Development Center for Handicapped Children, Inc. entered into Installment Agreements with the Internal Revenue Service Center to pay outstanding payroll taxes due from March 2008 through June 2009. At September 30, 2015, the outstanding balances on these agreements were \$107,577 and \$44,165, respectively. At September 30, 2014 the outstanding balances on these agreements were \$186,535 and \$94,136, respectively.

The Organization renegotiated the outstanding balance for the year ending September 30, 2015 and included forgiveness of debt income of \$120,865 in its statements of activities and changes of net assets.

NOTE 8 TEMPORARILY RESTRICTED NET ASSETS

At September 30, Temporarily Restricted Assets were restricted for the following purposes:

	<u>2015</u>	<u>2014</u>
Adams Field	\$ 63,114	\$ 62,707
Christian Fund	-	19,302
Golf Buddies program	69,135	15,882
Pledged restricted to garden and greenhouse	7,910	1,618
Pledged restricted to after school program	91,052	65,000
Pledged restricted to Children's Hope	-	1,014
Pledged restricted to camp kitchen equipment	6,000	-
Pledged restricted to camp computer lab	8,735	-
Pledged restricted to camp Widener Building	5,503	-
Pledged restricted to camp - other	<u>1,050</u>	<u>-</u>
Total	<u>\$ 252,499</u>	<u>\$ 165,523</u>

**VARIETY CLUB OF PHILADELPHIA, INC. AND VARIETY CAMP AND DEVELOPMENT
CENTER FOR HANDICAPPED CHILDREN, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 9 LEASE COMMITMENTS

Office Rental Lease

The Organization leased a Philadelphia office on an annual basis. Rent expense was \$16,091 and \$21,325 for the years ended September 30, 2015 and 2014, respectively.

In April 2015, the Organization entered into a one year lease agreement for office space in Philadelphia. The lease required monthly payments in the amount of \$949.

Minimum future lease payments required under this lease agreement are as follows:

Year ended September 30,

2016

\$ 6,643

NOTE 10 MAJOR REVENUE SOURCES

A substantial portion of the Organization's revenue is derived from grants and contracts from the Commonwealth of Pennsylvania, county, local governments, and various sources. In event these grants and contracts were discontinued or severely restricted, the activities of the Organization would be curtailed accordingly.

NOTE 11 CONCENTRATION OF CREDIT RISK

The Organization maintains cash accounts at several institutions located in Eastern Pennsylvania. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization's uninsured cash balances total \$75,727 and \$0 as of September 30, 2015 and 2014, respectively.

NOTE 12 SUBSEQUENT EVENTS

In accordance with SFAS 165, *Subsequent Events*, the Organization evaluated subsequent events that have occurred after September 30, 2015 through January 15, 2016, the date in which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION



Giordano & Associates CPAs, P.C.
Business and Tax Consultants

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors
Variety Club of Philadelphia, Inc. and Variety Camp and Development
Center for Handicapped Children, Inc.
Philadelphia, Pennsylvania

We have audited the combined financial statements of Variety Club of Philadelphia, Inc. and Variety Camp and Development Center for Handicapped Children, Inc. as of and for the year ended September 30, 2015, and have issued our report thereon dated January 15, 2016, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedules of combining information are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Giordano & Associates CPAs, P.C.
Certified Public Accountants

Bristol, Pennsylvania
January 15, 2016

**VARIETY CLUB OF PHILADELPHIA INC. AND
VARIETY CAMP AND DEVELOPMENT CENTER FOR HANDICAPPED CHILDREN, INC.
COMBINING STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2015**

	<u>Variety Camp</u>	<u>Variety Heart</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 223,173	\$ 198,190	\$ 421,363
Accounts receivable	46,379	61,936	108,315
Grants receivable	-	15,000	15,000
Prepaid expenses	24,074	5,873	29,947
TOTAL CURRENT ASSETS	<u>293,626</u>	<u>280,999</u>	<u>574,625</u>
NET FIXED ASSETS	<u>1,885,008</u>	<u>24,647</u>	<u>1,909,655</u>
TOTAL ASSETS	<u><u>\$ 2,178,634</u></u>	<u><u>\$ 305,646</u></u>	<u><u>\$ 2,484,280</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$ 7,858	\$ 66,532	\$ 74,390
Installment agreements payable	107,577	44,165	151,742
Accrued expenses	17,641	28,443	46,084
Deferred revenue	600	15,000	15,600
Current portion of long term debt and lines of credit	-	226,667	226,667
TOTAL CURRENT LIABILITIES	<u>133,676</u>	<u>380,807</u>	<u>514,483</u>
LONG-TERM DEBT, less current portion	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	133,676	380,807	514,483
NET ASSETS			
Unrestricted	2,015,760	(298,462)	1,717,298
Temporarily restricted	29,198	223,301	252,499
TOTAL NET ASSETS	<u>2,044,958</u>	<u>(75,161)</u>	<u>1,969,797</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,178,634</u></u>	<u><u>\$ 305,646</u></u>	<u><u>\$ 2,484,280</u></u>

See independent auditors' report on combining supplementary information.

**VARIETY CLUB OF PHILADELPHIA INC. AND
VARIETY CAMP AND DEVELOPMENT CENTER FOR HANDICAPPED CHILDREN, INC.
COMBINING STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2014**

	<u>Variety Camp</u>	<u>Variety Heart</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 26,135	\$ 171,889	\$ 198,024
Accounts receivable	281,523	17,751	299,274
Grants receivable	-	46,000	46,000
Prepaid expenses	23,058	28,638	51,696
TOTAL CURRENT ASSETS	<u>330,716</u>	<u>264,278</u>	<u>594,994</u>
NET FIXED ASSETS	<u>1,958,743</u>	<u>40,257</u>	<u>1,999,000</u>
INVESTMENTS	<u>-</u>	<u>7,971</u>	<u>7,971</u>
TOTAL ASSETS	<u><u>\$ 2,289,459</u></u>	<u><u>\$ 312,506</u></u>	<u><u>\$ 2,601,965</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$ -	\$ 83,247	\$ 83,247
Installment agreements payable	72,000	72,000	144,000
Accrued expenses	37,108	17,981	55,089
Deferred revenue	-	15,000	15,000
Current portion of long term debt and lines of credit	-	272,569	272,569
TOTAL CURRENT LIABILITIES	<u>109,108</u>	<u>460,797</u>	<u>569,905</u>
LONG-TERM DEBT, less current portion	<u>114,535</u>	<u>33,416</u>	<u>147,951</u>
TOTAL LIABILITIES	<u>223,643</u>	<u>494,213</u>	<u>717,856</u>
NET ASSETS			
Unrestricted	2,064,198	(345,612)	1,718,586
Temporarily restricted	1,618	163,905	165,523
TOTAL NET ASSETS	<u>2,065,816</u>	<u>(181,707)</u>	<u>1,884,109</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,289,459</u></u>	<u><u>\$ 312,506</u></u>	<u><u>\$ 2,601,965</u></u>

See independent auditors' report on combining supplementary information.

**VARIETY CLUB OF PHILADELPHIA INC. AND
VARIETY CAMP AND DEVELOPMENT CENTER FOR HANDICAPPED CHILDREN, INC.
COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Variety Camp	Variety Heart	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE					
Contributions - individuals	\$ 42,802	\$ 69,455	\$ 28,297	\$ -	\$ 140,554
Contributions - corporate	161,432	135,831	-	-	297,263
Grants	-	299,303	91,052	-	390,355
Grants - camp	123,932	-	26,000	-	149,932
Donated services, supplies and facilities	37,291	510,295	-	-	547,586
Camp/program fees	790,447	-	-	-	790,447
Program fees - Delaware	-	10,033	-	-	10,033
Camp facility rental	84,035	-	-	-	84,035
Fundraising events	76,019	201,410	153,400	-	430,829
Interest income	-	104	-	-	104
Investment income	-	1,429	-	-	1,429
Miscellaneous income	49	-	-	-	49
Forgiveness of debt income	73,596	47,269	-	-	120,865
Net assets released from restrictions satisfaction of donor imposed restrictions	15,377	196,396	(211,773)	-	-
Total Support and Revenue	1,404,980	1,471,525	86,976	-	2,963,481
EXPENSES					
Program services					
Camp	1,703,474	-	-	-	1,703,474
After school	-	483,140	-	-	483,140
Other programs	-	288,704	-	-	288,704
Total program services	1,703,474	771,844	-	-	2,475,318
Support services					
Management and general	-	236,235	-	-	236,235
Fundraising	-	166,240	-	-	166,240
Total support services	-	402,475	-	-	402,475
Total expenses	1,703,474	1,174,319	-	-	2,877,793
INCREASE (DECREASE) IN NET TOTAL NET ASSETS	(298,494)	297,206	86,976	-	85,688
INTER-ORGANIZATION TRANSFERS	250,056	(250,056)	-	-	-
NET ASSETS, BEGINNING OF YEAR	2,064,198	(345,612)	165,523	-	1,884,109
NET ASSETS, END OF YEAR	\$ 2,015,760	\$ (298,462)	\$ 252,499	\$ -	\$ 1,969,797

See independent auditors' report on combining supplementary information.

**VARIETY CLUB OF PHILADELPHIA INC. AND
VARIETY CAMP AND DEVELOPMENT CENTER FOR HANDICAPPED CHILDREN, INC.
COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Variety Camp</u>	<u>Variety Heart</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE					
Contributions - individuals	\$ 37,462	\$ 95,973	\$ 6,350	\$ -	\$ 139,785
Contributions - corporate	46,810	275,162	78,176	-	400,148
Grants	-	-	316,452	-	316,452
Grants - camp	-	-	42,000	-	42,000
Grants - Delaware	-	-	10,000	-	10,000
Donated services, supplies and facilities	32,600	1,037,348	-	-	1,069,948
Donated services, supplies and facilities - Delaware	-	12,000	-	-	12,000
Camp/program fees	536,183	-	407,419	-	943,602
Program fees	-	1,288	20,000	-	21,288
Program fees - Delaware	-	26,387	-	-	26,387
Camp facility rental	86,815	-	-	-	86,815
Fundraising events	19,485	208,765	-	-	228,250
Interest income	12	24	176	-	212
Investment income	-	3,991	-	-	3,991
Gain on impaired assets	132,230	-	-	-	132,230
Net assets released from restrictions satisfaction of donor imposed restrictions	608,729	310,742	(919,471)	-	-
Total Support and Revenue	<u>1,500,326</u>	<u>1,971,680</u>	<u>(38,898)</u>	<u>-</u>	<u>3,433,108</u>
EXPENSES					
Program services					
Camp	1,363,407	-	-	-	1,363,407
After school	-	725,701	-	-	725,701
Other programs	-	863,411	-	-	863,411
Total program services	<u>1,363,407</u>	<u>1,589,112</u>	<u>-</u>	<u>-</u>	<u>2,952,519</u>
Support services					
Management and general	-	558,057	-	-	558,057
Fundraising	73,782	-	-	-	73,782
Total support services	<u>73,782</u>	<u>558,057</u>	<u>-</u>	<u>-</u>	<u>631,839</u>
Total expenses	<u>1,437,189</u>	<u>2,147,169</u>	<u>-</u>	<u>-</u>	<u>3,584,358</u>
INCREASE (DECREASE) IN NET TOTAL NET ASSETS	63,137	(175,489)	(38,898)	-	(151,250)
INTER-ORGANIZATION TRANSFERS	(85,006)	85,006	-	-	-
NET ASSETS, BEGINNING OF YEAR	<u>2,086,067</u>	<u>(255,129)</u>	<u>204,421</u>	<u>-</u>	<u>2,035,359</u>
NET ASSETS, END OF YEAR	<u>\$ 2,064,198</u>	<u>\$ (345,612)</u>	<u>\$ 165,523</u>	<u>\$ -</u>	<u>\$ 1,884,109</u>

See independent auditors' report on combining supplementary information.