

**VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS**

FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT

**SEPTEMBER 30, 2010**

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## Independent Auditors' Report

Board of Directors  
Variety the Children's Charity of St. Louis  
St. Louis, Missouri

We have audited the accompanying statement of financial position of Variety the Children's Charity of St. Louis as of September 30, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Variety the Children's Charity of St. Louis' management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Variety the Children's Charity of St. Louis as of September 30, 2009 were audited by other auditors whose report, dated December 23, 2009, expressed an unqualified opinion on those financial statements. The prior year summarized comparative information was derived from Variety the Children's Charity of St. Louis 2009 financial statements.

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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 St. Louis as of September 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Brown Smith Wallace, L.L.C.*

February 8, 2011

# VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

## Statement of Financial Position

September 30, 2010 (with comparative totals for 2009)

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,829,211	\$ 1,911,997
Promises to give	10,475	23,515
Prepaid expenses - Children's Theatre	63,125	80,027
Short-term investments	256,985	255,000
Investments restricted for playground	291,531	291,531
Investments designated for endowment	1,657,778	1,249,687
Equipment (net of accumulated depreciation of \$116,730 in 2010 and \$113,237 in 2009)	4,068	7,561
<b>TOTAL ASSETS</b>	<b>\$ 4,113,173</b>	<b>\$ 3,819,318</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 96,720	\$ 111,333
<b>Net Assets</b>		
Unrestricted:		
Board designated for contributions to children's agencies	614,625	617,980
Board designated for endowment	1,657,778	1,249,687
Board designated for reserve fund	100,000	100,000
Undesignated	684,009	675,189
<b>Total Unrestricted</b>	<b>3,056,412</b>	<b>2,642,856</b>
Temporarily restricted	960,041	1,065,129
<b>Total Net Assets</b>	<b>4,016,453</b>	<b>3,707,985</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,113,173</b>	<b>\$ 3,819,318</b>

The accompanying notes are an integral part of these financial statements.

# VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

## Statement of Activities

Year ended September 30, 2010 (with comparative totals for 2009)

	2010			2009
	Unrestricted	Temporarily Restricted	Total	Total
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 951,832	\$ 316,454	\$1,268,286	\$ 936,441
Annual giving	595,073	10,475	605,548	725,253
Special events, (net of expenses totaling \$300,536)	730,799	-	730,799	702,504
Investment income	127,717	-	127,717	48,731
Other support and revenue	80,300	-	80,300	84,595
Net assets released from restrictions	432,017	(432,017)	-	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>2,917,738</b>	<b>(105,088)</b>	<b>2,812,650</b>	<b>2,497,524</b>
<b>EXPENSES</b>				
Program	2,120,389	-	2,120,389	2,344,799
Management and general	269,692	-	269,692	228,644
Fundraising	114,101	-	114,101	143,854
<b>TOTAL EXPENSES</b>	<b>2,504,182</b>	<b>-</b>	<b>2,504,182</b>	<b>2,717,297</b>
<b>Increase (Decrease) in Net Assets</b>	<b>413,556</b>	<b>(105,088)</b>	<b>308,468</b>	<b>(219,773)</b>
<b>Net assets, beginning of year</b>	<b>2,642,856</b>	<b>1,065,129</b>	<b>3,707,985</b>	<b>3,927,758</b>
<b>Net assets, end of year</b>	<b>\$3,056,412</b>	<b>\$ 960,041</b>	<b>\$4,016,453</b>	<b>\$ 3,707,985</b>

The accompanying notes are an integral part of these financial statements.

# VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

## Statement of Functional Expenses

Year ended September 30, 2010 (with comparative totals for 2009)

	Program Services									Total Program Expenses 2009	
	Medical/ Special Equipment - Individuals	Variety Adventure Camps	Bikes For Kids	Dinner with the Stars	Children's Theatre	Telecast	Awareness Programs	Partner Agency Programs	Other Programs		Total Program Expenses
Direct program expense	\$ 428,699	\$ 1,098	\$ 13,450	\$ 95	\$ 123,479	\$ -	\$ 5,464	\$ 617,980	\$ 132,878	\$ 1,323,143	\$ 1,532,584
Salaries and related expenses	57,818	98,264	16,760	49,544	63,657	17,353	79,568	-	131,286	514,250	543,235
Bad debts	-	-	-	-	5,870	-	-	-	-	5,870	244
Depreciation	-	-	-	-	-	-	-	-	-	-	-
In-kind expenses	5,881	9,996	1,705	14,040	6,475	31,465	8,095	-	27,563	105,220	102,153
Insurance	-	1,022	486	438	5,245	-	-	-	5,560	12,751	11,692
International convention	-	-	-	-	-	-	-	-	-	-	-
International dues	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	785	512	129	1,730	12,593	293	1,417	-	2,382	19,841	12,445
Office supplies and expense	-	-	63	450	80	671	1,419	-	819	3,502	4,069
Photography	-	37	11	-	110	-	150	-	33	341	725
Printing and postage	722	400	444	22,136	5,317	14,386	5,288	-	9,005	57,698	44,396
Production	38	253	38	-	-	89	9,547	-	-	9,965	3,676
Professional fees	5,835	2,405	116	22	9,518	16,304	4,015	-	18,328	56,543	75,986
Promotion and publicity	-	-	-	-	7,950	-	2,690	-	100	10,740	11,676
Special events	-	-	-	-	-	-	-	-	-	-	-
Telephone	-	-	-	188	72	265	-	-	-	525	1,918
	71,079	112,889	19,752	88,548	116,887	80,826	112,189	-	195,076	797,246	812,215
Total expenses	\$ 499,778	\$ 113,987	\$ 33,202	\$ 88,643	\$ 240,366	\$ 80,826	\$ 117,653	\$ 617,980	\$ 327,954	\$ 2,120,389	\$ 2,344,799

The accompanying notes are an integral part of these financial statements.

# VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

## Statement of Functional Expenses (Continued)

Year ended September 30, 2010 (with comparative totals for 2009)

	Fundraising Services						2009
	Management and General	Special Events	Other Fundraising	Telecast	Total Fundraising	Total Expenses	
Direct program expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,323,143	\$ 1,532,584
Salaries and related expenses	157,967	63,688	14,327	1,928	79,943	752,160	735,168
Bad debts	63	375	-	-	375	6,308	760
Depreciation	3,493	-	-	-	-	3,493	4,630
In-kind expenses	28,069	7,478	1,457	4,096	13,031	146,320	156,365
Insurance	15,683	1,994	-	-	1,994	30,428	24,124
International convention	-	-	-	-	-	-	-
International dues	(9,016)	-	200	-	200	(8,816)	21,650
Miscellaneous	5,069	591	601	31	1,223	26,133	19,289
Office supplies and expense	29,868	2,068	285	55	2,408	35,778	34,781
Photography	-	-	-	-	-	341	726
Printing and postage	4,059	7,996	388	1,598	9,982	71,739	56,252
Production	38	290	77	30	397	10,400	4,803
Professional fees	26,799	2,984	234	1,213	4,431	87,773	106,623
Promotion and publicity	442	-	-	-	-	11,182	12,401
Special events	-	-	67	-	67	67	62
Telephone	7,158	21	-	29	50	7,733	7,079
	<u>269,692</u>	<u>87,485</u>	<u>17,636</u>	<u>8,980</u>	<u>114,101</u>	<u>1,181,039</u>	<u>1,184,713</u>
Total expenses	<u>\$ 269,692</u>	<u>\$ 87,485</u>	<u>\$ 17,636</u>	<u>\$ 8,980</u>	<u>\$ 114,101</u>	<u>\$ 2,504,182</u>	<u>\$ 2,717,297</u>

The accompanying notes are an integral part of these financial statements.

# VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

## Statement of Cash Flows

Year ended September 30, 2010 (with comparative totals for 2009)

	<u>2010</u>	<u>2009</u>
<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets	\$ 308,468	\$ (219,773)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	3,493	4,630
Realized gains on investments	(10,238)	(947)
Unrealized gains on investments	(76,980)	(575)
Changes in assets and liabilities:		
Decrease in promises to give	13,040	222,154
(Increase) decrease in prepaid expenses	16,902	(80,027)
Increase (decrease) in accounts payable and accrued expenses	(14,613)	51,656
<b>Net cash provided by (used in) operating activities</b>	<b>240,072</b>	<b>(22,882)</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of investments	705,469	674,265
Purchase of investments	(1,028,327)	(969,770)
Payments for equipment	-	(1,989)
<b>Net cash used in investing activities</b>	<b>(322,858)</b>	<b>(297,494)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(82,786)</b>	<b>(320,376)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,911,997</b>	<b>2,232,373</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,829,211</b>	<b>\$ 1,911,997</b>

The accompanying notes are an integral part of these financial statements.

# VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

## Notes to Financial Statements

September 30, 2010

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### **Note A - Nature of Activities**

For more than 75 years, Variety the Children's Charity of St. Louis ("Variety" or "Tent No. 4") has helped thousands of children with disabilities say "I can" by providing them with vital medical equipment, as well as educational, therapeutic and recreational programs such as the annual Variety Adventure Camp and Children's Theatre. An international leader in fundraising, Variety also distributes grants to more than 80 qualified agencies throughout the St. Louis area to fund programs and/or services that directly impact the lives of children with physical and mental disabilities.

### **Description of Program Services and Supporting Activities**

#### **Kids on the Go Mobility Program**

Variety assists more than 1,350 St. Louis-area children by providing them with durable medical equipment – including wheelchairs, augmentative speech devices, leg braces, hearing aids, prostheses, and van lifts – that empowers them to be physically independent.

#### **Agency Funding**

Variety allocates more than \$600,000 annually to 80+ agencies throughout St. Louis to fund programs and/or services that directly impact the lives of children with physical and mental disabilities.

#### **Champions for Children Summit**

The Champions for Children Summit is a two-part educational and celebratory event for area nonprofits. The morning Executive Educational Forum provides an unsurpassed learning and networking opportunity, free of charge, to Variety partner agencies, followed by an afternoon Allocations Luncheon in which Variety distributes more than \$600,000 across its 80+ partner agencies. Also during the Allocations Luncheon, Variety honors individuals in St. Louis who have made a tremendous impact on local youth:

- Champion for Kids: Honoring a nationally known celebrity for going above and beyond to help St. Louis children.
- President's Award: For outstanding sponsorship of Variety events and/or programs.
- Stellar Performance Awards: Recognizing Variety partner agencies recognized for their extraordinary commitment to Variety programs.
- Have a Heart, Lend a Hand Awards: Paying tribute to individuals for their long-standing dedication to Variety as unpaid volunteers.

# VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

## Notes to Financial Statements – Continued

September 30, 2010

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### Note A - Nature of Activities (Continued)

#### **Adventure Camp**

Limits and boundaries are thrown out the window. Adventure Camp is all about making the impossible, possible. Open to children ages 4-12 with physical disabilities, Variety Adventure Camp includes a two-day session in the winter and three week-long sessions in the summer. Specially trained counselors and medical professionals are on-site each day, as Variety places great emphasis on safety, proper equipment fit and expert instruction, all adjusted for each camper's ability level. Adventure Camp destinations include Creve Coeur Park, St. Louis Zoo, Catch 22 Miracle Field, Dennis & Judith Jones Variety Wonderland Playground in Forest Park, Le'Cole Culinaire, and more. Activities include karaoke, cooking, riding therapeutic bikes, ice skating, soccer, rock climbing, basketball, swimming, baseball, and more. Variety also offers a Teen Track Adventure Camp option for older children, 13-16 years old.

#### **Sunshine Coach Vans**

As of Fall 2010, there are 104 Sunshine Coach Vans on the streets of St. Louis, allocated to Variety partner agencies to transport children across the area to doctor appointments, therapy sessions and special outings or activities.

#### **Resource Center**

Overseen by Variety's Program Director, the Resource Center provides valuable information and community connections to resolve the legal, social, therapeutic, education, medical and counseling issues often encountered by families of children with disabilities. Other elements of the Resource Center include a library of books available for families to borrow, a Community Connections event in which families and agencies can network, and a quarterly "Family Focus" newsletter just for families served by Variety.

#### **Bikes for Kids**

Each year, just before the holiday season, hundreds of volunteers relive the joy of receiving their first bicycle at Variety's Bikes for Kids event. Toolboxes in hand, volunteers build bikes for children who are funded by Variety's partner agencies throughout the St. Louis area. Later, Variety also presents therapeutic bikes to children with physical disabilities who are unable to ride traditional bicycles with their friends and siblings. The therapeutic bikes are custom-fitted for every child and worth \$1,500-\$3,000 each. Since 1996, Variety's Bikes for Kids program has provided more than 2,200 bikes to children between the ages of 5 and 14. Children also receive a helmet, bike lock and safety instruction.

# VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

## Notes to Financial Statements – Continued

September 30, 2010

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### Note A - Nature of Activities (Continued)

#### **St. Louis Through the Eyes of a Child with a Disability**

St. Louis has so many amazing sights to see, landmarks to visit and activities to experience. But for those families who have a child with a disability, typical St. Louis family outings often pose challenges. St. Louis Through the Eyes of a Child with a Disability is designed to make the city's favorite destinations accessible for everyone, through outings that are geared toward the entire Variety family. As a result, parents and children of all abilities are able to socialize and make new friends in a memorable, inclusive setting that also includes hands-on educational lessons designed specifically to enrich the lives of children with disabilities. Past outings have included the Gateway Arch & Riverfront, Grant's Farm, Missouri Botanical Gardens, Busch Stadium, St. Louis Science Center, Missouri History Museum, Magic House, Lambert International Airport, St. Louis Zoo and The Muny.

#### **Variety Children's Chorus**

Music has long been a unifying force between people of different cultures and, in Variety's case, abilities. Since 2000, the Variety Children's Chorus has been spreading the "I CAN!" message throughout St. Louis and beyond, comprised of children with and without physical disabilities. But the Variety Children's Chorus is not just a showpiece for Variety. The children involved, invigorated by their own powerful performances and the warm reception from audiences, emerge feeling more self-confident and accepted than ever before.

#### **Variety Children's Theatre**

What do you get when you combine resources from the entire St. Louis performing arts community with professional actors and children of all abilities? Variety Children's Theatre! The result? An unforgettable experience for theatergoers, cast and crew alike. The 2009 inaugural production of Variety Children's Theatre was The Adventures of Tom Sawyer, followed by OLIVER! the Broadway Musical in 2010. Both shows took place at the Touhill Performing Arts Center and were directed by Tony Award Nominee Lara Teeter. From tryouts to production, Variety Children's Theatre allows children to learn on-stage and backstage production skills from seasoned professionals. The inclusive setting offers an unmatched opportunity to develop important relationships, skills sets and appreciation of the overall workings of a live musical theater program.

# VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

## Notes to Financial Statements – Continued

September 30, 2010

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### Note A - Nature of Activities (Continued)

#### Variety Week & Dinner with the Stars

Variety Week is Variety's pillar fundraising campaign, culminating with Dinner with the Stars, the signature black-tie fundraiser for Variety the Children's Charity of St. Louis. With past headliners including such talent as The Temptations, Kenny Rogers, Ray Charles and Wynonna Judd, the gala serves as a community-wide celebration for Variety's extensive impact in St. Louis. Also at the gala, Variety's honors its Man & Woman of the Year, recognizing St. Louis philanthropists who are playing an active role in shaping the local community.

Other activities during Variety Week include:

- Variety Parade: The official kickoff of Variety Week, featuring hundreds of Variety families, floats and balloons through the streets of downtown St. Louis.
- Variety's Runway Lights Fashion Show: Featuring the hottest fashions from world-renowned designers on the runway of the Chase Park Plaza, with all proceeds benefiting Variety.
- Imo's for Kids Day: On this day during Variety Week, 10% of the revenue from participating Imo's restaurants is donated directly to Variety, annually raising thousands of dollars to help children with physical and mental disabilities.
- Young Variety Night of the Rising Stars: Young Variety's signature fundraising event during Variety Week each spring, the see-and-be-seen event for area young professionals

### Note B - Summary of Significant Accounting Policies

#### Basis of Presentation

Financial statement presentation follows the recommendations of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205. Under FASB ASC 958-210, Variety 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. At September 30, 2010, Variety does not have any permanently restricted net assets.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Variety's financial statements for the year ended September 30, 2009, from which the summarized information was derived.

# VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

## Notes to Financial Statements – Continued

September 30, 2010

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### Note B - Summary of Significant Accounting Policies (Continued)

#### **Basis of Presentation** (Continued)

Variety also utilizes funds to report its activities to Variety the Children's Charity International as follows:

1. The Operating Fund includes all revenue and expenses not derived or incurred directly as a result of fundraising activities.
2. The Charity Fund includes all revenue and expenses derived or incurred as a result of fundraising activities.

#### **Estimates**

Variety 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.

#### **Cash and Cash Equivalents**

Variety considers all cash investment instruments with original maturities of less than 90 days to be cash equivalents. Variety maintains cash accounts at one national financial institution. At times, bank balances exceed federal depository insurance limits.

#### **Promises to Give**

Promises to give consist of unconditional contributions and grants that are expected to be collected in one year or less. Unconditional promises to give in future periods are recognized as support in the period the promises are received. Conditional promises to give, which depend upon specified future and uncertain events, are recognized as support when the conditions upon which they depend are substantially met. Variety does not provide an allowance for doubtful accounts; instead, promises to give are reported at the amount management expects to collect on balances outstanding at year end. Management closely monitors outstanding balances and writes off, as of year end, all balances that have not been collected by the time the financial statements are issued.

#### **Equipment**

Equipment is carried at cost, less accumulated depreciation. The assets are depreciated over periods ranging from three to seven years using the straight-line method.

# VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

## Notes to Financial Statements – Continued

September 30, 2010

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### **Note B - Summary of Significant Accounting Policies (Continued)**

#### **Restricted and Unrestricted Revenue and Support**

Variety reports gifts of cash and other assets as unrestricted, temporarily restricted or permanently restricted depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

#### **Expense Allocation**

Expenses are charged to program services and supporting activities 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 Variety.

#### **Donated Services and Materials**

Significant services and materials are donated to Variety by various organization and individuals. Donated materials and those donated services that meet the criteria for recognition under FASB ASC 958-605-25, such as those services related to the production of the telethon, advertising and rent, are recorded at fair value at the date of donation. For the year ended September 30, 2010, the value of donated materials and services was \$79,100 and is included in other revenues. In addition, a substantial number of volunteers have donated a significant amount of time to Variety's programs. However, such donated services have not been recorded because they do not meet the criteria for recognition under FASB ASC 958-605-25.

#### **Tax Status**

Variety constitutes a qualified not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and is, therefore, exempt from federal income taxes.

During 2010, Variety adopted recently issued accounting rules for uncertain tax positions. Those rules require financial statement recognition of the impact of a tax position if a position is more likely than not of being sustained on audit, based on the technical merits of the position. These rules also provide guidance on measurement, recognition, classification, interest and penalties, transition, and disclosure requirements for uncertain tax positions. The adoption of the new rules had no impact on the current financial statements. Variety's federal Form 990 for tax years 2007 and later remain subject to examination by taxing authorities.

# VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

## Notes to Financial Statements – Continued

September 30, 2010

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### Note B - Summary of Significant Accounting Policies (Continued)

#### Subsequent Events

Management has evaluated subsequent events through February 8, 2011, the date which the financial statements were available for issue. No events require recognition in the financial statements or disclosures of the Organization per the definitions and requirements of FASB ASC 855-10.

### Note C - Investments and Fair Value Measurements

Investments are reported at fair value in accordance with accounting principles generally accepted in the United States of America. During 2010, unrealized gains of \$91,124 were recorded to adjust the investments to fair value. These unrealized gains are included in investment income on the statement of activities. The cost basis of investments at September 30, 2010 was \$2,238,345.

Variety adopted FASB ASC 820-10 *Fair Value Measurements and Disclosures* (formerly SFAS 157, *Fair Value Measurements*) FASB ASC 820-10 establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

FASB ASC 820-10 defines fair value 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. FASB ASC 820-10 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

**Level 1:** Quoted prices in active markets for identical assets or liabilities.

**Level 2:** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in active markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

**Level 3:** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

# VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

## Notes to Financial Statements – Continued

September 30, 2010

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### Note C - Investments and Fair Value Measurements (Continued)

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying combined statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Equity Security Mutual Funds: Valued at the net assets value (NAV) of shares held at year end.

Fixed Income Mutual Funds: Valued at the NAV of shares held at year end.

Fixed Income Government and Agency Bond Security: Valued at the NAV of the investments as reported by the management of the fund.

Certificate of Deposit: Valued at the face value of the investment, including accrued interest.

The following table presents the fair value measurements of investments recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the FASB ASC 820-10 fair value hierarchy in which the fair value measurements fall at September 30, 2010:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash Equivalents	\$ 328,325	\$ 328,325	\$ -	\$ -
Equity Security Mutual Funds	1,039,088	1,039,088	-	-
Fixed Income Mutual Funds	380,839	380,839	-	-
Fixed Income Government and Agency Bond Security	201,057	-	201,057	-
Certificate of Deposit	<u>256,985</u>	<u>-</u>	<u>256,985</u>	<u>-</u>
	<u>\$2,206,294</u>	<u>\$1,748,252</u>	<u>\$ 458,042</u>	<u>\$ -</u>

There were no Level 3 investments during fiscal year ended September 30, 2010.

# VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

## Notes to Financial Statements – Continued

September 30, 2010

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### Note D - Net Assets

Temporarily restricted net assets consist of the following:

Variety Adventure Camps	\$ 236,874
Summer Outings	163,346
Variety Playground	291,531
Children's Theatre	73,803
Children's Chorus	30,072
Bikes for Kids	31,556
Youth Opportunity Program	122,384
Time Restrictions	<u>10,475</u>
	<u>\$ 960,041</u>

Net assets released from restrictions consist of the following:

Variety Adventure Camps	\$ 40,500
Summer Outings	21,331
Children's Theatre	228,023
Children's Chorus	34,452
Bikes for Kids	25,055
Youth Opportunity Program	59,733
Time Restrictions	<u>22,923</u>
	<u>\$ 432,017</u>

In addition to board-designated for endowment net assets as described in Note F, Variety has board-designated net assets for contributions to children's agencies and for a reserve fund. Board-designated net assets for contributions to children's agencies are comprised of funds held in cash and cash equivalents to be given to certain qualifying agencies outside of Variety that intend to utilize such funds to carry out the mission of Variety. Board-designated net assets for the reserve fund are comprised of funds held in cash and cash equivalents for outreach programs and in-service programs.

### Note E - Benefit Plan

Variety has a Simple IRA plan which allows eligible employees to make tax-deferred contributions. In addition, Variety makes matching contributions up to 3% on behalf of eligible employees. Variety's contributions to the plan were \$12,355 in 2010.

# VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

## Notes to Financial Statements – Continued

September 30, 2010

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### Note F - Endowment Funds

Variety's endowment funds are comprised of funds designated by the Board of Directors to be held in perpetuity. Assets associated with endowment funds, including funds designated by the Board of Directors to function as an endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

Variety has adopted investment and spending policies for endowment assets to achieve the following objectives: a) preservation of capital, b) generation of income to help fulfill the operating needs of Variety, c) growth of the principal asset value at a rate greater than inflation (as measured by the Consumer Price Index, and d) provide market (S&P 500) equivalent return. Achieving these objectives requires assuming a moderate level of risk, a long-term investment horizon and diversification among assets. Assets shall be diversified among the following asset classes: a) cash and equivalents consisting of obligations of the U.S. government, U.S. agencies, and corporate issues rated "A" or better and the two highest grades of commercial paper, b) fixed income securities rated not less than "A" by Moody's or Standard and Poor's with staggered maturity dates, and c) equities publicly traded on U.S. Exchanges, NASDAQ listed stocks and securities convertible into stocks plus a limited amount in foreign stocks. The portfolio is invested in passive, low-cost mutual or exchange-traded funds which should be expected to produce rates of return in line with their respective asset classes.

Income earned by the endowment assets, as well as net appreciation (both realized and unrealized) in the fair market value of the principal assets over the historic dollar value of such principal, may be initially expended, at the discretion of the Endowment Committee, to ensure that vitally essential medical equipment is provided, based on need, to disabled and disadvantaged children. Once the funds needed to perpetuate this goal have been obtained, the income and net appreciation may be expended for any purpose the Endowment Committee deems to be in the best interest of Variety, including but not limited to: providing supplemental support of annual general operating revenues; providing financial assistance to ongoing and new programs; and compensating and training appropriate staff to support the Board in carrying out Variety's mission.

At September 30, 2010, Variety had the following endowment funds:

	<u>Unrestricted</u>
Board-designated endowment funds	<u>\$1,657,778</u>

# VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

## Notes to Financial Statements – Continued

September 30, 2010

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### Note F - Endowment Funds (Continued)

Changes in the endowment funds for the year ended September 30, 2010 are as follows:

	<u>Unrestricted</u>
Balance – beginning of the year	\$1,249,687
Additions to principal	283,273
Investment income	<u>124,818</u>
Balance – end of the year	<u>\$1,657,778</u>

## Supplemental Information



## Independent Auditors' Report On Supplemental Information

Board of Directors  
Variety the Children's Charity of St. Louis  
St. Louis, Missouri

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental statement and schedules on pages 19 through 21 as of and for the year ended September 30, 2010 are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it. The financial statements of Variety the Children's Charity of St. Louis as of September 30, 2009 were audited by other auditors. Those auditors expressed no opinion on the supplemental statement and schedules in their report dated December 23, 2009.

*Brown Smith Wallace, L.L.C.*

February 8, 2011

# VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

## Supplemental Statement of Financial Position

Year ended September 30, 2010

(See Independent Auditors' Report on Supplemental Information)

	Operating Fund	Charity Fund	Eliminations	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,308	\$ 1,822,903	\$ -	\$ 1,829,211
Promises to give	-	10,475	-	10,475
Prepaid expenses	-	63,125	-	63,125
Due from operating fund	-	119,906	(119,906)	-
Investments	-	256,985	-	256,985
Investments restricted for playground	-	291,531	-	291,531
Investments designated for endowment	-	1,657,778	-	1,657,778
Equipment	-	4,068	-	4,068
<b>TOTAL ASSETS</b>	<b>\$ 6,308</b>	<b>\$ 4,226,771</b>	<b>\$ (119,906)</b>	<b>\$ 4,113,173</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ -	\$ 96,720	\$ -	\$ 96,720
Due to charity fund	119,906	-	(119,906)	-
<b>Total Liabilities</b>	<b>119,906</b>	<b>96,720</b>	<b>(119,906)</b>	<b>96,720</b>
<b>Net Assets</b>				
Unrestricted:				
Board-designated for contributions to children's agencies	-	614,625	-	614,625
Board-designated for endowment	-	1,657,778	-	1,657,778
Board-designated for reserve fund	-	100,000	-	100,000
Operations	(113,598)	797,607	-	684,009
<b>Total Unrestricted</b>	<b>(113,598)</b>	<b>3,170,010</b>	<b>-</b>	<b>3,056,412</b>
Temporarily restricted	-	960,041	-	960,041
<b>Total Net Assets</b>	<b>(113,598)</b>	<b>4,130,051</b>	<b>-</b>	<b>4,016,453</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,308</b>	<b>\$ 4,226,771</b>	<b>\$ (119,906)</b>	<b>\$ 4,113,173</b>

# VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

## Schedule of Revenue, Expenses and Changes in Net Assets

Year ended September 30, 2010

(See Independent Auditors' Report on Supplemental Information)

	Operating Fund	Charity Fund	Total
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ -	\$ 1,268,286	\$ 1,268,286
Annual giving	-	605,548	605,548
Special events, net	-	730,799	730,799
Investment income (loss)	-	127,717	127,717
Other support and revenue	497	79,803	80,300
<b>TOTAL SUPPORT AND REVENUE</b>	497	2,812,153	2,812,650
<b>EXPENSES</b>			
Program	-	2,120,389	2,120,389
Management and general	-	278,615	278,615
Fundraising	(8,923)	114,101	105,178
<b>TOTAL EXPENSES</b>	(8,923)	2,513,105	2,504,182
<b>Increase (Decrease) in Net Assets</b>	9,420	299,048	308,468
<b>Net assets, beginning of year</b>	(123,018)	3,831,003	3,707,985
<b>Net assets, end of year</b>	\$ (113,598)	\$ 4,130,051	\$ 4,016,453

# VARIETY THE CHILDREN'S CHARITY OF ST. LOUIS

## Schedule of Revenue and Direct Expenses - Special Events

Year ended September 30, 2010 (with comparative totals for 2009)

(See Independent Auditors' Report on Supplemental Information)

	<u>2010</u>	<u>2009</u>
<b>SUPPORT AND REVENUE</b>		
Allocations luncheon	\$ 17,613	\$ 61,375
Dinner With The Stars table sales	731,545	681,592
Program book revenue	12,115	10,710
Night of the Rising Stars	55,442	61,593
Gold Hearts	101,513	79,474
Young Variety Wine Tasting	8,267	296
Young Variety Trivia Night	12,789	10,621
Variety Women Fashion Show	92,051	63,386
<b>TOTAL SUPPORT AND REVENUE</b>	<b>1,031,335</b>	<b>969,047</b>
<b>EXPENSES</b>		
Dinner entertainment	139,377	133,642
Gold Hearts	18,846	15,048
Miscellaneous	3,710	2,997
Special events	42,531	38,115
Dinner food	96,072	76,741
<b>TOTAL EXPENSES</b>	<b>300,536</b>	<b>266,543</b>
<b>SUPPORT AND REVENUE OVER EXPENSES</b>	<b>\$ 730,799</b>	<b>\$ 702,504</b>