

**VARIETY CLUB OF NORTH TEXAS –  
TENT 17 AND  
THE VARIETY FOUNDATION OF TEXAS**

**FINANCIAL STATEMENTS**

**September 30, 2005 and 2004**

VARIETY CLUB OF NORTH TEXAS – TENT 17 AND  
THE VARIETY FOUNDATION OF TEXAS

FINANCIAL STATEMENTS

TABLE OF CONTENTS

	<u>PAGE (S)</u>
BASIC FINANCIAL STATEMENTS	
Independent Auditor's Report	1
Statements of Financial Position September 30, 2005 and 2004	2-3
Statements of Activities for the Year Ended September 30, 2005	4-5
Statements of Activities for the Year Ended September 30, 2004	6-7
Statements of Cash Flows for the Years Ended September 30, 2005 and 2004	8-9
Statements of Functional Expenses for the Year Ended September 30, 2005	10-11
Statements of Functional Expenses for the Year Ended September 30, 2004	12-13
Notes to the Financial Statements	14-20



David S. Hall, P. C.  
Certified Public Accountant

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Variety Club of North Texas – Tent 17 and  
The Variety Foundation of Texas  
Dallas, Texas

We have audited the accompanying statements of financial position of Variety Club of North Texas – Tent 17 and The Variety Foundation of Texas (nonprofit organizations) as of September 30, 2005, and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Variety Club of Texas – Tent 17 and The Variety Foundation of Texas as of September 30, 2004 were audited by other auditors whose report was dated February 14, 2005, and expressed an unqualified opinion on those 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 Club of Texas – Tent 17 and The Variety Foundation of Texas as of September 30, 2005, 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.

David S. Hall, P.C.  
Dallas, Texas

February 9, 2006

**VARIETY CLUB OF NORTH TEXAS - TENT 17**  
**Statements of Financial Position**  
**September 30, 2005 and 2004**

ASSETS

	2005	2004
<b>Current Assets</b>		
Cash and Cash Equivalents-Unrestricted	\$ 116,973	\$ 182,025
Cash and Cash Equivalents-Restricted	8,283	8,283
Accounts Receivable	749	1,053
Deposits	9,200	20,415
Inventory	7,272	11,703
Other Assets	0	2,305
Total Current Assets	142,477	225,784
<b>Fixed Assets</b>		
Equipment	12,331	11,331
Less: Accumulated Depreciation	(10,130)	(9,680)
Total Fixed Assets	2,201	1,651
TOTAL ASSETS	\$ 144,678	\$ 227,435

LIABILITIES AND NET ASSETS

<b>Current Liabilities</b>		
Accounts Payable and Accrued Expenses	9,743	1,722
Due to Variety Foundation	0	664
Special Events Deposits	0	20,000
Total Current Liabilities	9,743	22,386
<b>Net Assets</b>		
Unrestricted	69,935	196,766
Temporarily Restricted	65,000	8,283
Permanently Restricted	0	0
Total Net Assets	134,935	205,049
TOTAL LIABILITIES AND NET ASSETS	\$ 144,678	\$ 227,435

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

**THE VARIETY FOUNDATION OF TEXAS**  
**Statements of Financial Position**  
**September 30, 2005 and 2004**

ASSETS

	2005	2004
<b>Current Assets</b>		
Cash and Cash Equivalents-Unrestricted	\$ 2,074	\$ 5,325
Cash and Cash Equivalents-Restricted	10,376	10,376
Due from Variety Club	0	664
Total Current Assets	12,450	16,365
<b>Fixed Assets</b>		
Land and Buildings	839,620	839,620
Less: Accumulated Depreciation	(242,557)	(226,824)
Total Fixed Assets	597,063	612,796
<b>Other Assets</b>		
Investments	288,021	302,200
Total Other Investments	288,021	302,200
TOTAL ASSETS	\$ 897,534	\$ 931,361

LIABILITIES AND NET ASSETS

<b>Net Assets</b>		
Unrestricted	887,158	920,985
Temporarily Restricted	10,376	10,376
Permanently Restricted	0	0
Total Net Assets	897,534	931,361
TOTAL LIABILITIES AND NET ASSETS	\$ 897,534	\$ 931,361

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

**VARIETY CLUB OF NORTH TEXAS - TENT 17**  
**Statement of Activities**  
**For the Year Ended September 30, 2005**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUE AND PUBLIC SUPPORT</b>				
Special Events	\$ 142,074	\$ 0	\$ 0	\$ 142,074
Sales-Gold Hearts	159,504	6,717	0	166,221
Grants	0	50,000	0	50,000
Donations	796	0	0	796
Membership Dues	10,915	0	0	10,915
In-Kind Contributions	29,215	0	0	29,215
Interest Income	1,528	0	0	1,528
	344,032	56,717	0	400,749
<b>EXPENSES</b>				
Program Services	289,103	0	0	289,103
Fundraising	74,536	0	0	74,536
Management and General	107,224	0	0	107,224
	470,863	0	0	470,863
<b>CHANGE IN NET ASSETS</b>	(126,831)	56,717	0	(70,114)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	196,766	8,283	0	205,049
<b>NET ASSETS AT END OF YEAR</b>	\$ 69,935	\$ 65,000	\$ 0	\$ 134,935

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

**THE VARIETY FOUNDATION OF TEXAS**  
**Statement of Activities**  
**For the Year Ended September 30, 2005**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUE AND PUBLIC SUPPORT</b>				
Investment Income	\$ 9,972	\$ 0	\$ 0	\$ 9,972
Rent	<u>68,000</u>	<u>0</u>	<u>0</u>	<u>68,000</u>
Total Revenue and Public Support	77,972	0	0	77,972
<b>EXPENSES</b>				
Program Services	103,733	0		103,733
Management and General	<u>8,066</u>	<u>0</u>	<u>0</u>	<u>8,066</u>
Total Expenses	<u>111,799</u>	<u>0</u>	<u>0</u>	<u>111,799</u>
CHANGE IN NET ASSETS	(33,827)	0	0	(33,827)
NET ASSETS AT BEGINNING OF YEAR	<u>920,985</u>	<u>10,376</u>	<u>0</u>	<u>931,361</u>
NET ASSETS AT END OF YEAR	<u>\$ 887,158</u>	<u>\$ 10,376</u>	<u>\$ 0</u>	<u>\$ 897,534</u>

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

**VARIETY CLUB OF NORTH TEXAS - TENT 17**  
**Statement of Activities**  
**For the Year Ended September 30, 2004**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUE AND PUBLIC SUPPORT</b>				
Special Events	\$ 54,982	\$ 10,015	\$ 0	\$ 64,997
Sales-Gold Hearts	111,921	0	0	111,921
Donations	3,394	0	0	3,394
Membership Dues	6,995	0	0	6,995
Investment Income	<u>1,601</u>	<u>0</u>	<u>0</u>	<u>1,601</u>
Total Revenue and Public Support	178,893	10,015	0	188,908
<b>EXPENSES</b>				
Program Services	146,647	7,666	0	154,313
Fundraising	38,557	0	0	38,557
Management and General	<u>68,014</u>	<u>0</u>	<u>0</u>	<u>68,014</u>
Total Expenses	<u>253,218</u>	<u>7,666</u>	<u>0</u>	<u>260,884</u>
CHANGE IN NET ASSETS	(74,325)	2,349	0	(71,976)
NET ASSETS AT BEGINNING OF YEAR	<u>271,091</u>	<u>5,934</u>	<u>0</u>	<u>277,025</u>
NET ASSETS AT END OF YEAR	<u>\$ 196,766</u>	<u>\$ 8,283</u>	<u>\$ 0</u>	<u>\$ 205,049</u>

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

**VARIETY CLUB OF NORTH TEXAS - TENT 17**  
**Statement of Activities**  
**For the Year Ended September 30, 2004**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUE AND PUBLIC SUPPORT</b>				
Donations	\$ 2,177	\$ 0	\$ 0	\$ 2,177
Rent	68,000	0	0	68,000
Investment Income	48	56	0	104
	<u>70,225</u>	<u>56</u>	<u>0</u>	<u>70,281</u>
<b>EXPENSES</b>				
Program Services	113,346	0	0	113,346
Management and General	7,639	0	0	7,639
	<u>120,985</u>	<u>0</u>	<u>0</u>	<u>120,985</u>
CHANGE IN NET ASSETS	(50,760)	56	0	(50,704)
NET ASSETS AT BEGINNING OF YEAR	<u>971,745</u>	<u>10,320</u>	<u>0</u>	<u>982,065</u>
NET ASSETS AT END OF YEAR	<u>\$ 920,985</u>	<u>\$ 10,376</u>	<u>\$ 0</u>	<u>\$ 931,361</u>

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

**VARIETY CLUB OF NORTH TEXAS - TENT 17**  
**Statements of Cash Flows**  
**For the Years Ended September 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (70,114)	\$ (71,976)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	450	450
Decrease in Receivables	304	61,509
Decrease in Deposits	11,215	5,500
Decrease in Inventory	4,431	7,059
(Increase) Decrease in Other Assets	2,305	(2,305)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	7,357	(20,723)
(Decrease) in Special Events Deposits	<u>(20,000)</u>	<u>(10,500)</u>
Net Cash (Used) by Operating Activities	(64,052)	(30,986)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	<u>(1,000)</u>	<u>(1,951)</u>
Net Cash (Used) by Investing Activities	(1,000)	(1,951)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
None	<u>0</u>	<u>0</u>
Net Cash Provided (Used) by Financing Activities	<u>0</u>	<u>0</u>
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(65,052)	(32,937)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>190,308</u>	<u>223,245</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 125,256</u>	<u>\$ 190,308</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash Paid During the Year for Interest Expense	<u>\$ 0</u>	<u>\$ 2</u>
In-Kind Contributions	<u>\$ 29,215</u>	<u>\$ 0</u>

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

**THE VARIETY FOUNDATION OF TEXAS**  
**Statements of Cash Flows**  
**For the Years Ended September 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (33,827)	\$ (50,704)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	15,733	15,733
Decrease in Receivables	664	4,336
Decrease in Other Assets	14,179	0
(Decrease) in Accounts Payable and Accrued Liabilities	<u>0</u>	<u>(4,091)</u>
Net Cash Provided (Used) by Operating Activities	(3,251)	(34,726)
CASH FLOWS FROM INVESTING ACTIVITIES		
None	<u>0</u>	<u>0</u>
Net Cash Provided (Used) by Investing Activities	0	0
CASH FLOWS FROM FINANCING ACTIVITIES		
None	<u>0</u>	<u>0</u>
Net Cash (Used) by Financing Activities	<u>0</u>	<u>0</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,251)	(34,726)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>15,701</u>	<u>50,427</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 12,450</u>	<u>\$ 15,701</u>
SUPPLEMENTAL DISCLOSURES		
Cash Paid During the Year for Interest Expense	<u>\$ 0</u>	<u>\$ 0</u>
In-Kind Contributions	<u>\$ 68,000</u>	<u>\$ 68,000</u>

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

## VARIETY CLUB OF NORTH TEXAS - TENT 17

### Statement of Functional Expenses For the Year Ended September 30, 2005

	Program Services	Fundraising	General & Administrative	Total
Accounting	\$ 0	\$ 0	\$ 6,077	\$ 6,077
Advertising	0	0	2,325	2,325
Automobile	0	0	203	203
Bank Charges	0	0	1,750	1,750
Consulting	0	0	9,370	9,370
Convention Expenses	0	0	5,179	5,179
Cost of Sales-Gold Hearts	113,329	0	0	113,329
Depreciation	0	0	450	450
Insurance	0	0	1,022	1,022
International Dues	0	0	6,250	6,250
Membership Events	0	0	1,396	1,396
Office	0	0	6,639	6,639
Operating Expenses	0	74,536	0	74,536
Postage/Shipping	0	0	589	589
Printing/Newsletter	0	0	4,640	4,640
Rent	0	0	7,040	7,040
Salaries	14,181	0	42,544	56,725
Storage Expense	0	0	1,377	1,377
Taxes-Payroll	1,180	0	3,541	4,721
Telephone	0	0	5,102	5,102
Board & Staff Development	0	0	1,730	1,730
Various Charities	160,413	0	0	160,413
				0
Total Expenses	<u>\$ 289,103</u>	<u>\$ 74,536</u>	<u>\$ 107,224</u>	<u>\$ 470,863</u>

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

**THE VARIETY FOUNDATION OF TEXAS**  
**Statement of Functional Expenses**  
**For the Year Ended September 30, 2005**

	<u>Program</u> <u>Services</u>	<u>Fundraising</u>	<u>General &amp;</u> <u>Administrative</u>	<u>Total</u>
Accounting	\$ 0	\$ 0	\$ 3,850	\$ 3,850
Convention Expenses	0	0	3,948	3,948
Depreciation	15,733	0	0	15,733
Miscellaneous	0	0	268	268
Various Charities	<u>88,000</u>	<u>0</u>	<u>0</u>	<u>88,000</u>
 Total Expenses	 <u>\$ 103,733</u>	 <u>\$ 0</u>	 <u>\$ 8,066</u>	 <u>\$ 111,799</u>

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

**VARIETY CLUB OF NORTH TEXAS - TENT 17**  
**Statement of Functional Expenses**  
**For the Year Ended September 30, 2004**

	Program Services	Fundraising	General & Administrative	Total
Accounting	\$ 0	\$ 0	\$ 8,365	\$ 8,365
Advertising	0	0	1,445	1,445
Automobile	0	0	144	144
Bank Charges	0	0	707	707
Convention Expenses	0	0	4,568	4,568
Cost of Sales-Gold Hearts	67,042	0	0	67,042
Depreciation	0	0	450	450
Insurance	0	0	415	415
Interest Expense	0	0	2	2
International Dues	0	0	3,750	3,750
Membership Events	0	0	1,530	1,530
Office	0	0	1,516	1,516
Operating Expense	0	37,890	0	37,890
Penalties	0	0	91	91
Rent	0	0	9,464	9,464
Salaries	10,175	615	29,912	40,702
Taxes-Payroll	880	52	2,587	3,519
Telephone	0	0	2,082	2,082
Board & Staff Development	0	0	986	986
Various Charities	76,216	0	0	76,216
<b>Total Expenses</b>	<b>\$ 154,313</b>	<b>\$ 38,557</b>	<b>\$ 68,014</b>	<b>\$ 260,884</b>

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

**THE VARIETY FOUNDATION OF TEXAS**  
**Statement of Functional Expenses**  
**For the Year Ended September 30, 2004**

	<u>Program</u> <u>Services</u>	<u>Fundraising</u>	<u>General &amp;</u> <u>Administrative</u>	<u>Total</u>
Accounting	\$ 0	\$ 0	\$ 3,100	\$ 3,100
Convention Expenses	0	0	4,336	4,336
Depreciation	15,733	0	0	15,733
Property Tax	0	0	203	203
Payroll Tax	863	0	0	863
Various Charities	<u>96,750</u>	<u>0</u>	<u>0</u>	<u>96,750</u>
 Total Expenses	 <u>\$ 113,346</u>	 <u>\$ 0</u>	 <u>\$ 7,639</u>	 <u>\$ 120,985</u>

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

**VARIETY CLUB OF NORTH TEXAS – TENT 17 AND  
THE VARIETY FOUNDATION OF TEXAS**

**Notes to the Financial Statements**

**September 30, 2005 and 2004**

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities, History and Organization:

Variety Club of North Texas – Tent 17 (Variety Club) is a nonprofit organization affiliated with Variety Clubs International. Its primary purpose is to aid sick, disabled and underprivileged children. The Variety Foundation of Texas (Foundation) is a charitable trust created by Variety Clubs International in 1944. Members of Variety Club donate their services to fundraising activities that benefit the charitable purposes of the Foundation. For the purposes of financial presentation, Variety Club of North Texas – Tent 17 and The Variety Foundation of Texas have been presented together as organizations.

Significant Accounting Policies:

In fulfilling its responsibility for the preparation of the Organizations' financial statements and disclosures, management selects accounting principles generally accepted in the United States of America and adopts methods for their application. The application of accounting principles requires the estimating, matching and timing of revenue and expense in the determination of support or expenditures. It is also necessary for management to determine, measure and allocate resources and obligations within the financial process according to those principles. Below is a summary of certain significant accounting policies selected by management.

Basis of Presentation:

The Organizations prepare their financial statements on the accrual basis. The statement of activities is a statement of the various financial activities and changes in net assets during the current reporting period. It does not purport to represent the results of operations nor of net income or loss for the period since the primary objective of the Organization is not to achieve a "profit", but to provide community services.

**VARIETY CLUB OF NORTH TEXAS – TENT 17 AND  
THE VARIETY FOUNDATION OF TEXAS**

**Notes to the Financial Statements  
September 30, 2005 and 2004**

NOTE 1 – (CONTINUED)

Net Asset Accounting:

As nonprofit organizations, Variety Club of North Texas – Tent 17 and The Variety Foundation of Texas maintain their records on a fund accounting basis in order to ensure observance of the limitations and restrictions placed on the use of its resources. This is the procedure by which net assets for various purposes are classified for accounting and reporting purposes into self-balancing accounts. Per FASB 116 and 117, those funds are further classified into net asset groupings as follows:

Unrestricted net assets are those funds not restricted by donor-imposed stipulations. Unrestricted net assets include certain funds that the Board of Directors has determined are to be retained for a particular purpose.

Temporarily restricted net assets are those funds restricted by the donor(s) to be expended only for a specific purpose or within a certain time. Contributions received with donor restrictions that are met in the same year as received are reported in unrestricted net assets.

Permanently restricted net assets are subject to donor imposed restrictions that must be maintained in perpetuity. Only the income may be used by the Organization.

The Organizations report gifts of property and equipment as unrestricted support unless explicit donor restrictions exist that specify how the assets are to be used. Gifts of long-lived assets with explicit restrictions and gifts of cash that must be used to acquire long-lived assets are reported as temporarily restricted support. The Organizations report expirations of donor restrictions when the donated assets are placed in service, unless donor restrictions indicate otherwise. Income from permanently restricted net assets is recorded as unrestricted unless otherwise restricted by the donor.

Contributions:

Contributions are recorded when collected. Contributed goods are recorded as contributions at their estimated value at the date of receipt. Contributed services are recorded at the fair value of the services received. All contributions are available for unrestricted use unless specified by the donor.

**VARIETY CLUB OF NORTH TEXAS – TENT 17 AND  
THE VARIETY FOUNDATION OF TEXAS**  
Notes to the Financial Statements  
September 30, 2005 and 2004

NOTE 1 – (CONTINUED)

Functional Allocation of Expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the programs and supporting services benefited.

Income Taxes:

The Organizations qualify as exempt from taxation under Internal Revenue Code Section 501 (c)(3). The Organizations are not classified as private foundations and there was no unrelated business income for the fiscal years ended September 30, 2005 and 2004.

Cash and Cash Equivalents:

The Organizations consider all highly liquid investments that are redeemable in 90 days or less to be cash and cash equivalents.

Statement of Cash Flows:

The statement of cash flows is presented using the “indirect method”. For purposes of this statement, the Organizations consider as cash, all cash on hand and all highly liquid investments with maturities of three months or less.

Fixed Assets:

Fixed Assets are recorded at cost if purchased, or at estimated fair value at date of receipt if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of the assets. The cost of maintenance and repairs is charged to expense as incurred. Depreciation expense for Variety Club was \$450 and \$450 for the years ended September 30, 2005 and 2004. Depreciation expense for The Foundation was \$15,733 and \$15,733 for the years ended September 30, 2005 and 2004.

Inventory:

Inventory of Variety Club consists of gold hearts that are resold at various retail establishments as a fundraising activity. Inventory is valued at the lower of cost or market, using the average cost method.

**VARIETY CLUB OF NORTH TEXAS – TENT 17 AND  
THE VARIETY FOUNDATION OF TEXAS**  
Notes to the Financial Statements  
September 30, 2005 and 2004

NOTE 1 – (CONTINUED)

Investments:

The Foundation's investments consist of Mary Kay Corporation discount debentures due in the year 2001, bearing a 15% interest rate with a face value of \$1,300 as well as taxable bonds held in a brokerage account. The Foundation continues to hold the debentures.

Estimates:

Accounting estimates are used by management in the preparation of these financial statements. Significant estimates are necessary in valuation of lives used to depreciate fixed assets, allocations of functional expenses and in estimates of collectibility of receivables. Management represents that methods used in making accounting estimates are reasonable and have been consistently applied.

NOTE 2 – IN-KIND CONTRIBUTIONS

The Organizations received in-kind contributions from various donors during the fiscal years ended September 30, 2005 and 2004. The estimated values of such in-kind contributions are as follows:

	<u>2005</u>	<u>2004</u>
Variety Club		
Merchandise/Food Items	\$ 25,800	\$ 0
Office Expenses	<u>3,415</u>	<u>0</u>
Total In-Kind Contributions	<u>\$ 29,215</u>	<u>\$ 0</u>
The Foundation		
Building Rental Value	<u>\$ 68,000</u>	<u>\$ 68,000</u>
Total In-Kind Contributions	<u>\$ 68,000</u>	<u>\$ 68,000</u>

The Foundation owns a one-third interest in a building that houses Services for the Visually Impaired, Inc. as a tenant. All maintenance, taxes and insurance related to the building are paid by the tenant. The Organizations have recognized the amounts indicated above as contributions and expenses or assets as appropriate in the accompanying financial statements.

**VARIETY CLUB OF NORTH TEXAS – TENT 17 AND  
THE VARIETY FOUNDATION OF TEXAS**

**Notes to the Financial Statements  
September 30, 2005 and 2004**

NOTE 3 – FUNDRAISING

A significant amount of annual revenues of Variety Club is a result of fundraising activities carried out by Variety Club members who volunteer their services. Activities during the years ended September 30, 2005 and 2004 consist of the following:

	<u>2005</u>	<u>2004</u>
Revenues		
Gold Hearts	\$ 159,504	\$ 111,921
Deer Hunt	45,000	35,500
Golf Tournament	77,848	8,088
Other	<u>25,943</u>	<u>21,409</u>
Total Fundraising Revenues	<u>\$ 308,295</u>	<u>\$ 176,918</u>
Expenses		
Gold Hearts	\$ 87,529	\$ 67,042
Deer Hunt	40,000	30,500
Bingo	0	3,217
Golf Tournament	26,007	0
Other	<u>8,529</u>	<u>4,840</u>
Total Fundraising Expenses	<u>\$ 162,065</u>	<u>\$ 105,599</u>
Increase in Net Assets		
Gold Hearts	\$ 71,975	\$ 44,879
Bingo	0	(3,217)
Deer Hunt	5,000	5,000
Golf Tournament	51,841	8,088
Other	<u>17,414</u>	<u>16,569</u>
Increase in Net Assets	<u>\$ 146,230</u>	<u>\$ 176,918</u>

**VARIETY CLUB OF NORTH TEXAS – TENT 17 AND  
THE VARIETY FOUNDATION OF TEXAS**  
Notes to the Financial Statements  
September 30, 2005 and 2004

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at September 30, 2005 and 2004 are available for the following purposes:

	<u>2005</u>	<u>2004</u>
Variety Club	\$ <u>8,283</u>	\$ <u>8,283</u>
The Foundation Scholarships	\$ <u>10,376</u>	\$ <u>10,376</u>

NOTE 5 – PERMANENTLY RESTRICTED NET ASSETS

There were no permanently restricted net assets as of September 30, 2005 and 2004, respectively.

NOTE 6 – NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions as expenses were incurred which simultaneously satisfied the restricted purposes of the funds. Net assets released during the years ended September 30, 2005 and 2004 are as follows:

	<u>2005</u>	<u>2004</u>
Variety Club Commitments	\$ <u>50,000</u>	\$ <u>0</u>
Total Released from Restrictions	\$ <u>50,000</u>	\$ <u>0</u>

NOTE 7 – RELATED PARTY TRANSACTIONS

Certain Variety Club board members and officers serve as trustees for The Foundation.

NOTE 8 – PENSION PLAN

During the year ended September 30, 1996, Variety Club established an IRA-SEP for its sole employee. No contributions were made to this plan for the years ended September 30, 2005 and 2004.

**VARIETY CLUB OF NORTH TEXAS – TENT 17 AND  
THE VARIETY FOUNDATION OF TEXAS**  
Notes to the Financial Statements  
September 30, 2005 and 2004

NOTE 9 – BINGO OPERATIONS

The Organizations discontinued all bingo operations effective for the year ended September 30, 2003.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Variety Club leases office space from BusinessSuites Turtle Creek. The lease is for a one-year term expiring October 31, 2005. Rent expense was \$7,040 for the fiscal year ended September 30, 2005 and \$9,464 for the fiscal year ended September 30, 2004.

The following is a schedule of minimum lease payments required under the existing leases at September 30, 2005:

<u>Year Ended</u> <u>September 30</u>	<u>Amount</u>
2006	\$ 940
2007	0
2008	0
2009	0
2010 and after	<u>0</u>
Total	<u>\$ 940</u>

Variety Club has two additional commitments as follows:

In November, 2000 Variety Club committed \$120,000 to fund an ambulance for Children's Medical Center. The Organization paid \$40,000 down and will pay \$16,000 annually for five years. At September 30, 2005, the Organization's commitment is \$16,000.

In December, 2004, Variety Club committed \$500,000 to fund the new Variety Equestrian Center at Peaceable Kingdom. The Organization will pay \$50,000 annually for ten years. At September 30, 2005, the Organization's commitment is \$450,000.