

**VARIETY CLUB OF TEXAS - TENT 17
and
THE VARIETY FOUNDATION OF TEXAS
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2006**

**VARIETY CLUB OF TEXAS - TENT 17
and
THE VARIETY FOUNDATION OF TEXAS
FINANCIAL STATEMENTS
Year Ended September 30, 2006**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of the Variety Club of Texas - Tent 17 ("Club") and The Variety Foundation of Texas ("Foundation") as of September 30, 2006, and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Organizations' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 the Variety Club of Texas - Tent 17 and The Variety Foundation of Texas and the changes in their net assets and their cash flows as of September 30, 2006 in conformity with accounting principles generally accepted in the United States of America.

Frisco, Texas
May 16, 2007

A large, stylized handwritten signature in black ink, appearing to read 'Mackey & Heflin, L.L.P.', is written across the bottom right of the page. The signature is fluid and cursive, with a large loop at the end.

VARIETY CLUB OF TEXAS - TENT 17
and
THE VARIETY FOUNDATION OF TEXAS
STATEMENTS OF FINANCIAL POSITION

September 30, 2006

	Club		
	Unrestricted	Restricted	Total
	Funds	Funds	
ASSETS			
Current assets			
Cash	\$ 69,089	\$ 65,000	\$ 134,089
Inventory	29,523	-	29,523
Other	749	-	749
Total current assets	99,361	65,000	164,361
Fixed assets			
Equipment	4,076	-	4,076
Less: Accumulated depreciation	(1,483)	-	(1,483)
	2,593	-	2,593
Total assets	\$ 101,954	\$ 65,000	\$ 166,954
LIABILITIES AND NET ASSETS			
Net Assets			
Unrestricted	101,954	-	101,954
Temporarily restricted	-	65,000	65,000
Total net assets	\$ 101,954	\$ 65,000	\$ 166,954

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

VARIETY CLUB OF TEXAS - TENT 17
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STATEMENTS OF FINANCIAL POSITION

September 30, 2006

	Foundation		Total
	Unrestricted Funds	Restricted Funds	
ASSETS			
Current assets			
Cash	\$ 7,073	\$ -	\$ 7,073
Total current assets	7,073	-	7,073
Property and equipment			
Land and buildings	\$ 839,620	-	839,620
Less: Accumulated depreciation	(258,290)	-	(258,290)
	581,330	-	581,330
Other assets			
Investments	279,887	-	279,887
Total assets	\$ 868,290	\$ -	\$ 868,290
LIABILITIES AND NET ASSETS			
Net assets:			
Unrestricted	868,290	-	868,290
Temporarily restricted	-	-	-
Total net assets	\$ 868,290	\$ -	\$ 868,290

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

**VARIETY CLUB OF TEXAS - TENT 17
and
THE VARIETY FOUNDATION OF TEXAS
STATEMENTS OF ACTIVITIES**

For the Year Ended September 30, 2006

	Club		
	Unrestricted Funds	Restricted Funds	Total
SUPPORT AND REVENUES			
Fund raising	\$ 229,007	\$ -	\$ 229,007
Grants	-	50,000	50,000
Foundations	6,000	-	6,000
Donations	68,397	-	68,397
Memberships	6,150	-	6,150
Other income	2,284	-	2,284
	311,838	50,000	361,838
Total support and revenues			
Net assests released from restriction	50,000	(50,000)	-
EXPENSES			
Program services	169,423	-	169,423
General and administrative	62,075	-	62,075
Fund raising	98,321	-	98,321
	329,819	-	329,819
Total operating expenses			
Increase (decrease) in net assets	32,019	-	32,019
Net assets at beginning of year	69,935	65,000	134,935
Net assets at end of year	\$ 101,954	\$ 65,000	\$ 166,954

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

**VARIETY CLUB OF TEXAS - TENT 17
and
THE VARIETY FOUNDATION OF TEXAS
STATEMENTS OF ACTIVITIES**

For the Year Ended September 30, 2006

	Foundation		
	Unrestricted Funds	Restricted Funds	Total
SUPPORT AND REVENUE			
Rent income	\$ 68,000	\$ -	\$ 68,000
Investment income	9,726	-	9,726
Miscellaneous income	3,569	-	3,569
Total support and revenue	81,295	-	81,295
Net assests released from restriction	10,376	(10,376)	-
OPERATING EXPENSES			
Program Services	106,733	-	106,733
General and administrative	3,806	-	3,806
Total operating expenses	110,539	-	110,539
Increase (decrease) in net assets	(18,868)	(10,376)	(29,244)
Net assets at beginning of year	887,158	10,376	897,534
Net assets at end of year	\$ 868,290	\$ -	\$ 868,290

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

**VARIETY CLUB OF TEXAS - TENT 17
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THE VARIETY FOUNDATION OF TEXAS
STATEMENTS OF CASH FLOWS**

For the Year Ended September 30, 2006

	Club
Cash flows from operating activities:	
Change in net assets	\$ 32,019
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	718
Increase in inventory	(22,251)
Decrease in deposits	9,200
Decrease in accounts payable	(9,743)
Net cash provided by operating activities	9,943
Cash flows from investing activities:	
Purchases of fixed assets	(1,110)
Net cash used by investing activities	(1,110)
Net (decrease) increase in cash and cash equivalents	8,833
Cash and cash equivalents at beginnng of period	125,256
Cash and cash equivlents at end of period	\$ 134,089
 Supplemental data:	
Interest paid	\$ 96

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

**VARIETY CLUB OF TEXAS - TENT 17
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STATEMENTS OF CASH FLOWS
For the Year Ended September 30, 2006**

		Foundation
Cash flows from operating activities:		
Change in net assets	\$	(29,244)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation		15,733
Net cash used by operating activities		(13,511)
Cash flows from investing activities:		
Reduction in investments		8,134
Net cash provided by investing activities		8,134
Net (decrease) increase in cash and cash equivalents		(5,377)
Cash and cash equivalents at beginning of period		12,450
Cash and cash equivalents at end of period	\$	7,073
 Supplemental data:		
In-kind contributions	\$	68,000

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

VARIETY CLUB OF TEXAS - TENT 17
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STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2006

	Club			Total
	Program Services	General & Administrative	Fund Raising	
Accounting	\$ -	\$ 4,306	\$ -	\$ 4,306
Automobile	500	-	-	500
Bank charges	-	1,908	-	1,908
Board and staff development	-	1,184	-	1,184
Charitable gifts	143,556	-	-	143,556
Consulting	6,000	1,318	-	7,318
Convention	-	4,049	-	4,049
Cost of sales- gold hearts	-	-	8,585	8,585
Depreciation	-	718	-	718
Dues- International	-	5,000	-	5,000
Fundraising	-	-	76,826	76,826
Insurance	-	1,423	-	1,423
Interest	-	97	-	97
Marketing, advertising, promotion	-	2,652	-	2,652
Miscellaneous	-	260	-	260
Office	-	2,318	-	2,318
Office equipment	-	1,819	-	1,819
Postage and shipping	-	1,016	-	1,016
Printing newsletter	-	1,729	-	1,729
Rent	3,444	5,740	2,296	11,480
Salaries	13,253	22,088	8,835	44,176
Storage	275	458	182	915
Taxes- payroll	1,176	1,960	784	3,920
Telephone and internet	1,219	2,032	813	4,064
Total expenses	\$ 169,423	\$ 62,075	\$ 98,321	\$ 329,819

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

VARIETY CLUB OF TEXAS - TENT 17
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THE VARIETY FOUNDATION OF TEXAS
STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2006

	Foundation			Total
	Program Services	General & Administrative	Fund Raising	
Accounting	\$ -	\$ 2,800	\$ -	\$ 2,800
Bank service charges	-	113	-	113
Charitable gifts	91,000	-	-	91,000
Depreciation	15,733	-	-	15,733
Miscellaneous expenses	-	893	-	893
Total expenses	\$ 106,733	\$ 3,806	\$ -	\$ 110,539

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

VARIETY CLUB OF TEXAS - TENT 17
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THE VARIETY FOUNDATION OF TEXAS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2006

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

For purposes of financial statement presentation, the Variety Club of Texas - Tent 17 ("Club") and The Variety Foundation of Texas ("Foundation") have been presented together as Organizations ("Organizations").

Mission of the Organizations

The Variety Club of Texas - Tent 17 is a nonprofit Texas Corporation affiliated with Variety Clubs International. Its mission is to aid sick, disabled and underprivileged children. The Variety Foundation of Texas is a charitable trust created by the Club in 1944. Members of the Club donate their services to fund raising activities benefiting the charitable purposes of the Foundation.

Selection of Accounting Principles

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 applications. 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.

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 to provide community services and not to achieve a "profit".

VARIETY CLUB OF TEXAS - TENT 17
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NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2006

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Asset Accounting

As nonprofit organizations, management of the Organizations maintain the 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. In accordance with 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 Director has determined are to be retained for a particular purpose.

Temporarily restricted net assets are those funds restricted by the donor to be expended 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 as released from restrictions.

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.

VARIETY CLUB OF TEXAS - TENT 17
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NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2006

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Significant estimates are necessary in the valuation of lives used for fixed assets, allocation of functional expenses and in estimates of the collectibles of receivables. Management represents that methods used in making accounting estimates are reasonable and have been consistently

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.

Functional Allocation of Expenses

The cost 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.

Federal Income Taxes

Both Organizations are nonprofit organizations exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal income tax is reported in the accompanying financial statements.

Statement of Cash Flows

The statement of cash flow is presented using the "indirect method." For purposes of this statement, the Organizations consider cash to be all cash on hand and all highly liquid investments with maturities of three months or less.

VARIETY CLUB OF TEXAS - TENT 17
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NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2006

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory for the Club is comprised 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.

Property and Equipment

Property and equipment are stated at cost of acquisition or fair market value as of the date of the donation.

Depreciation is provided for on the straight-line method over the estimated useful lives of the respective assets, as follows:

Building	37.5 years
Equipment	5-15 years

Depreciation expense for the year ended September 30, 2006 for the Club and Foundation was \$718 and \$15,733, respectively.

B. IN-KIND CONTRIBUTIONS

The Foundation owns a one-third (1/3) interest in a building which is used by an unrelated charity. All maintenance, taxes and insurance relating to the property are paid the unrelated charity. The Foundation deems the rental value of the property (\$68,000 for this current period) as a charitable grant with an offsetting credit to income from rents.

C. COMMITMENTS

In November, 2001, the Club committed to fund \$120,000 for an ambulance for Children's Medical Center. The Club paid \$40,000 down and made its final payment during the current year.

**VARIETY CLUB OF TEXAS - TENT 17
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THE VARIETY FOUNDATION OF TEXAS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2006**

C. COMMITMENTS (CONTINUED)

In December, 2004, the Club committed to fund \$500,000 for the Variety Equestrian Center at Peaceable Kingdom. The Club, using "best efforts," will pay \$50,000 annually for ten years. Any funding not paid during any current year does not carryforward to the next year. The Club paid \$43,933 during this current year leaving a balance to be paid of \$450,000.

D. TEMPORARILY RESTRICTED NET ASSETS

At September 30, 2006, the Club has \$65,000 in restrictive cash. The Club received these funds to be used for programmatic expenses during the fiscal year ending September 30, 2007.

E. FUND RAISING ACTIVITIES

The Club has several fund raising activities each year. During the year ended September 30, 2006, a summary of those activities are as follows:

	Revenues	Expenses	Increase in Net Assets
Gold Hearts	\$ 75,106	\$ 8,585	\$ 66,521
Golf tournament	70,962	37,357	33,605
Other	82,939	52,379	30,560
	<u>\$ 229,007</u>	<u>\$ 98,321</u>	<u>\$ 130,686</u>

F. RELATED PARTY TRANSACTIONS

Certain Variety Club board members and officers serve as trustees for The Variety Foundation of Texas. In addition, the "Foundation" grants monies to the Variety Club. Grants for the current year totaled \$12,000.

G. SUBSEQUENT EVENT

Subsequent to year end the Club received \$129,732 from the dissolution of the Variety Club Sunshine Program.