

**VARIETY CLUB OF TEXAS - TENT 17**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30, 2007 and 2006**

**VARIETY CLUB OF TEXAS - TENT 17**  
**FINANCIAL STATEMENTS**  
**Years Ended September 30, 2007 and 2006**

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**INDEPENDENT AUDITORS' REPORT**

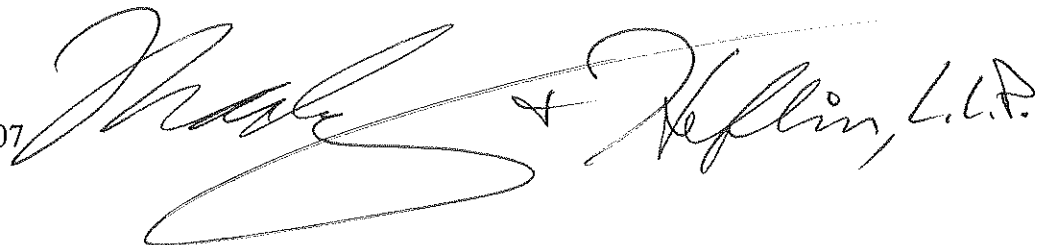
To the Board of Directors of  
Variety Club of Texas - Tent 17  
Dallas, Texas

We have audited the accompanying statements of financial position of the Variety Club of Texas - Tent 17 ("Club") as of September 30, 2007 and 2006, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Club's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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 audits provide 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 changes in net assets and cash flows as of September 30, 2007 and 2006 in conformity with accounting principles generally accepted in the United States of America.

Frisco, Texas  
December 31, 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  
STATEMENTS OF FINANCIAL POSITION**

**September 30, 2007 and 2006**

	<b>2007</b>	<b>2006</b>
<b>ASSETS</b>		
Current assets		
Cash	\$ 185,177	\$ 134,089
Short-term investments	60,000	-
Accounts receivable	16,603	-
Inventory	40,158	29,523
Other	749	749
Total current assets	302,687	164,361
Fixed assets		
Equipment	4,076	4,076
Less: Accumulated depreciation	(2,298)	(1,483)
	1,778	2,593
Total assets	\$ 304,465	\$ 166,954
<b>LIABILITIES</b>		
Current Liabilities		
Accrued liabilities	6,346	-
Deferred revenue	24,627	-
Total current liabilities	30,973	-
<b>Net Assets</b>		
Unrestricted	142,696	101,954
Temporarily restricted	130,796	65,000
Total net assets	273,492	166,954
Total liabilities and net assets	\$ 304,465	\$ 166,954

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

**VARIETY CLUB OF TEXAS - TENT 17  
STATEMENTS OF ACTIVITIES**

**For the Years Ended September 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>SUPPORT AND REVENUES</b>		
Fund raising	\$ 382,482	\$ 229,007
Grants	58,000	50,000
Foundations	5,450	6,000
Donations	36,418	68,397
Memberships	6,640	6,150
Other income	<u>135,709</u>	<u>2,284</u>
Total support and revenues	<u>624,699</u>	<u>361,838</u>
<b>EXPENSES</b>		
Program services	321,678	169,423
General and administrative	48,846	62,075
Fund raising	<u>147,637</u>	<u>98,321</u>
Total operating expenses	<u>518,161</u>	<u>329,819</u>
Increase (decrease) in net assets	106,538	32,019
Net assets at beginning of year	<u>166,954</u>	<u>134,935</u>
Net assets at end of year	<u>\$ 273,492</u>	<u>\$ 166,954</u>

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

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

**For the Years Ended September 30, 2007 and 2006**

<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 106,538	\$ 32,019
Adjustments to reconcile net loss to net cash provided by		
Depreciation	815	718
Increase in short-term investments	(60,000)	-
Increase in accounts receivable	(16,603)	-
Increase in inventory	(10,634)	(22,251)
Decrease in deposits	-	9,200
Decrease in accounts payable	-	(9,743)
Increase in accrued liabilities	6,346	-
Increase in deferred revenue	24,626	-
	<u>51,088</u>	<u>9,943</u>
Net cash provided by operating activities		
<b>Cash flows from investing activities:</b>		
Purchases of fixed assets	-	(1,110)
Net cash used by investing activities	<u>-</u>	<u>(1,110)</u>
Net (decrease) increase in cash and cash equivalents	51,088	8,833
Cash and cash equivalents at beginning of period	<u>134,089</u>	<u>125,256</u>
Cash and cash equivalents at end of period	<u>\$ 185,177</u>	<u>\$ 134,089</u>
 Supplemental data:		
Interest paid	<u>\$ 16</u>	<u>\$ 96</u>

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

**VARIETY CLUB OF TEXAS - TENT 17  
STATEMENTS OF FUNCTIONAL EXPENSES**

**For the Years Ended September 30, 2007 and 2006**

	2007			2006		
	Program Services	General & Administrative	Fund Raising	Program Services	General & Administrative	Fund Raising
Accounting	\$ -	\$ 4,560	\$ -	\$ -	\$ 4,306	\$ -
Automobile	-	-	-	500	-	-
Bank charges	-	2,470	-	-	1,908	-
Board and staff development	-	-	-	-	1,184	-
Charitable gifts	252,607	-	-	143,556	-	-
Consulting	6,500	-	-	6,000	1,318	-
Convention	-	2,439	-	-	4,049	-
Cost of sales- gold hearts	-	-	34,128	-	-	8,585
Depreciation	530	204	82	-	718	-
Dues- International	-	5,000	-	-	5,000	-
Fundraising	-	-	103,882	-	-	76,826
Insurance	-	1,400	-	-	1,423	-
Interest	-	16	-	-	97	-
Marketing, advertising, promotion	-	2,319	-	-	2,652	-
Miscellaneous	496	510	76	-	260	-
Office	-	628	-	-	2,318	-
Office equipment	-	-	-	-	1,819	-
Postage and shipping	-	406	-	-	1,016	-
Printing newsletter	-	5,224	-	-	1,729	-
Rent	7,759	2,984	1,194	3,444	5,740	2,296
Salaries	45,825	17,624	7,050	13,253	22,088	8,835
Storage	675	260	104	275	458	182
Taxes- payroll	4,655	1,790	716	1,176	1,960	784
Telephone and internet	2,631	1,012	405	1,219	2,032	813
<b>Total expenses</b>	<b>\$ 321,678</b>	<b>\$ 48,846</b>	<b>\$ 147,637</b>	<b>\$ 169,423</b>	<b>\$ 62,075</b>	<b>\$ 98,321</b>
						<b>\$ 329,819</b>

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

**VARIETY CLUB OF TEXAS - TENT 17  
NOTES TO FINANCIAL STATEMENTS**

**For the Years Ended September 30, 2007 and 2006**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Mission of the Organizations**

The Variety Club of Texas - Tent 17 ("Club") is a nonprofit Texas Corporation affiliated with Variety Clubs International. Its mission is to aid sick, disabled and underprivileged children.

**Selection of Accounting Principles**

In fulfilling its responsibility for the preparation of the Club's 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 financial statements are prepared 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 Club is to provide community services and not to achieve a "profit".

**Net Asset Accounting**

As a nonprofit organization, management of the Club maintains 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.

**VARIETY CLUB OF TEXAS - TENT 17  
NOTES TO FINANCIAL STATEMENTS**

**For the Years Ended September 30, 2007 and 2006**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Asset Accounting**

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 Club reports 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 Organization reports 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.

**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 applied.

**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 TEXAS - TENT 17  
NOTES TO FINANCIAL STATEMENTS**

**For the Years Ended September 30, 2007 and 2006**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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**

The Club is a 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 Club considers cash to be all cash on hand and all highly liquid investments with maturities of three months or less.

**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:

Equipment	5-15 years
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Depreciation expense for the year ended September 30, 2007 and 2006 was \$815 and \$718, respectively.

**VARIETY CLUB OF TEXAS - TENT 17  
NOTES TO FINANCIAL STATEMENTS**

**For the Years Ended September 30, 2007 and 2006**

**C. COMMITMENTS**

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 carry forward to the next year. The Club paid \$50,000 for the year ending September 30, 2007 and 2006 leaving a balance to be paid of \$350,000.

**D. TEMPORARILY RESTRICTED NET ASSETS**

At September 30, 2007, the Club has \$70,796, in temporarily restricted cash and \$60,000 in temporarily restricted short-term investments. At September 30, 2006, the Club had \$65,000 in temporarily restricted cash. The Club received these funds to be used for future programmatic expenses.

**E. FUND RAISING ACTIVITIES**

The Club has several fund raising activities each year. During the years ended September 30, 2007 and 2006, a summary of those activities is as follows:

	2007		Increase in
	<u>Revenues</u>	<u>Expenses</u>	<u>Net Assets</u>
Gold Hearts	\$ 175,987	\$ 38,557	\$ 137,430
Golf tournament	137,834	59,480	78,354
Other	<u>68,661</u>	<u>49,600</u>	<u>19,061</u>
	<u>\$ 382,482</u>	<u>\$ 147,637</u>	<u>\$ 234,845</u>
	2006		Increase in
	<u>Revenues</u>	<u>Expenses</u>	<u>Net Assets</u>
Gold Hearts	\$ 75,106	\$ 8,585	\$ 66,521
Golf tournament	70,962	37,357	33,605
Other	<u>82,939</u>	<u>52,379</u>	<u>30,560</u>
	<u>\$ 229,007</u>	<u>\$ 98,321</u>	<u>\$ 130,686</u>

**VARIETY CLUB OF TEXAS - TENT 17  
NOTES TO FINANCIAL STATEMENTS**

**For the Years Ended September 30, 2007 and 2006**

**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 year ending September 30, 2007 and 2006 totaled \$12,000 for each year.