

**VARIETY CLUB OF TEXAS - TENT 17
AND VARIETY FOUNDATION OF TEXAS**

Audited Consolidated Financial Statements
And Supplementary Information

For the Year Ended
September 30, 2008

**VARIETY CLUB OF TEXAS - TENT 17
AND VARIETY FOUNDATION OF TEXAS**

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CF & Co., L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Variety Club of Texas – Tent 17 and Variety Foundation of Texas

We have audited the accompanying consolidated statement of financial position of the Variety Club of Texas – Tent 17, (a Texas nonprofit corporation) and Variety Foundation of Texas collectively (the “Organization”), as of September 30, 2008, and the related consolidated statements of activities, functional expenses, and cash flows 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.

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2008, and the changes in net assets, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Schedules I, II, III, IV and V is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CF & Co., LLP
CF & Co., L.L.P.

Dallas, Texas
February 27, 2009

VARIETY CLUB OF TEXAS - TENT 17
AND VARIETY FOUNDATION OF TEXAS
Consolidated Statement of Financial Position
September 30, 2008

ASSETS

Cash and cash equivalents	\$	221,258
Certificates of deposit		55,000
Accounts receivable		61,000
Inventory		51,179
Investments		282,730
Other		15,037
		686,204
Property and equipment:		
Land		249,620
Buildings		590,000
Equipment		1,900
Less: accumulated depreciation		(290,806)
		550,714
		\$ 1,236,918

LIABILITIES AND NET ASSETS

Liabilities:		
Accrued liabilities	\$	707
Deferred revenue		22,500
Grants payable		100,000
		123,207
Net assets:		
Unrestricted		991,742
Temporarily restricted		121,969
		1,113,711
		\$ 1,236,918

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

VARIETY CLUB OF TEXAS - TENT 17
AND VARIETY FOUNDATION OF TEXAS
Consolidated Statement of Activities
For the Year Ended September 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support:			
Fund raising programs	\$ 445,320	\$ -	\$ 445,320
Grants	25,250	50,000	75,250
Donations	59,375		59,375
Memberships	11,815		11,815
Other income	93,254	38,700	131,954
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>97,527</u>	<u>(97,527)</u>	<u>-</u>
 Total revenue and support	 <u>732,541</u>	 <u>(8,827)</u>	 <u>723,714</u>
 Expenses:			
Program services	529,486		529,486
General and administrative	47,818		47,818
Fund raising	<u>160,554</u>		<u>160,554</u>
 Total operating expenses	 <u>737,858</u>	 <u>-</u>	 <u>737,858</u>
 Increase (decrease) in net assets	 (5,317)	 (8,827)	 (14,144)
Net assets at beginning of year	<u>997,059</u>	<u>130,796</u>	<u>1,127,855</u>
 Net assets at end of year	 <u>\$ 991,742</u>	 <u>\$ 121,969</u>	 <u>\$ 1,113,711</u>

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

VARIETY CLUB OF TEXAS - TENT 17
AND VARIETY FOUNDATION OF TEXAS
Consolidated Statement of Functional Expenses
For the Year Ended September 30, 2008

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
Accounting	\$ -	\$ 9,380	\$ -	\$ 9,380
Bank charges	-	2,424	-	2,424
Board and staff development	-	118	-	118
Charitable gifts	438,608	-	-	438,608
Consulting	6,000	-	-	6,000
Convention	-	3,775	-	3,775
Cost of sales- gold hearts	-	-	57,800	57,800
Depreciation	530	204	81	815
Depreciation-Foundation	15,733	-	-	15,733
Dues- International	-	5,000	-	5,000
Fundraising	-	-	92,116	92,116
Insurance	-	527	-	527
Marketing, advertising, promotion	590	227	91	908
Miscellaneous	934	359	144	1,437
Office	407	157	63	627
Office equipment	3,150	1,212	485	4,847
Postage and shipping	3,037	1,168	467	4,672
Printing newsletter	1,814	697	279	2,790
Rent	8,358	3,214	1,286	12,858
Salaries	42,997	16,538	6,615	66,150
Storage	698	269	107	1,074
Taxes- payroll	4,055	1,559	624	6,238
Telephone and internet	2,575	990	396	3,961
Total expenses	\$ 529,486	\$ 47,818	\$ 160,554	\$ 737,858

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

VARIETY CLUB OF TEXAS - TENT 17
AND VARIETY FOUNDATION OF TEXAS
Consolidated Statement of Cash Flows
For the Year Ended September 30, 2008

Cash flows from operating activities:

Change in net assets	\$ (14,144)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation	16,548
Loss on disposal of fixed asset	113
Unrealized loss on investments	10,933
Increases and decreases in assets and liabilities:	
(Increase) decrease in short-term investments	5,000
(Increase) decrease in accounts receivable	(44,397)
(Increase) decrease in inventory	(11,020)
(Increase) decrease in other assets	(14,288)
Increase (decrease) in accounts payable	(5,641)
Increase (decrease) in grant payable	100,000
Increase (decrease) in deferred revenue	(2,127)
	40,977
Net cash provided (used) by operating activities	40,977
Cash flows from investing activities:	
Interest income re-invested	(7,621)
Net cash provided (used) by investing activities	(7,621)
Increase (decrease) in cash and cash equivalents	33,356
Cash and cash equivalents, beginning of year	187,902
Cash and cash equivalents, end of year	\$ 221,258

Supplemental information:

Cash paid for interest	\$ -
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The accompanying notes are an integral part of these consolidated financial statements.

VARIETY CLUB OF TEXAS – TENT 17
AND VARIETY FOUNDATION OF TEXAS
Notes to Consolidated Financial Statements
September 30, 2008

Note 1 - Summary of Significant Accounting Policies

Mission of the Organization

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

Principles of Consolidation

The Organization has adopted the consolidation requirement of the American Institute of Certified Public Accountants Statement of Position 94-3 ("SOP 94-3"), "Reporting of Related Entities by Not-For-Profit Organizations". Under SOP 94-3, a not-for-profit organization must consolidate another not-for-profit organization in which it has a controlling financial interest. For this reason, the Club's and the Foundation's statements of financial position as of September 30, 2008, and statements of activities, functional expenses and cash flows for the year ended September 30, 2008, have been consolidated. All transactions between the two entities were eliminated upon consolidation.

Selection of Accounting Principles

In fulfilling its responsibility for the preparation of the Organization'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 Organization is to provide community services and not to achieve a "profit".

VARIETY CLUB OF TEXAS – TENT 17
AND VARIETY FOUNDATION OF TEXAS
Notes to Consolidated Financial Statements
September 30, 2008

Note 1 - Summary of Significant Accounting Policies, continued

Net Asset Accounting

As a nonprofit organization, management of the Organization 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.

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 Organization had no permanently restricted net assets as of September 30, 2008.

The Organization 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

VARIETY CLUB OF TEXAS – TENT 17
AND VARIETY FOUNDATION OF TEXAS
Notes to Consolidated Financial Statements
September 30, 2008

Note 1 - Summary of Significant Accounting Policies, continued

Estimates, continued

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.

Investments

Investments are carried at fair value, as determined by quoted market prices. Investment income is included in unrestricted income from operations, unless restricted by the donor.

Contributions

Contributions are recognized when a donor makes a pledge to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions (primarily restrictions as to purpose and/or time) are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. There was no allowance for uncollectible promises to give at September 30, 2008.

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.

Federal Income Taxes

The Organization is a nonprofit organization 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.

VARIETY CLUB OF TEXAS – TENT 17
AND VARIETY FOUNDATION OF TEXAS
Notes to Consolidated Financial Statements
September 30, 2008

Note 1 - Summary of Significant Accounting Policies, continued

Statement of Cash Flows

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

Inventory

Inventory for the Organization 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

Depreciation expense for the year ended September 30, 2008 was \$16,548.

Note 2 - 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 by the unrelated charity. The Foundation deems the rental value of the property (\$91,840 for this current period) as a charitable grant with an offsetting credit to income from rents.

Note 3 - 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 has not paid \$50,000 for the year ending September 30, 2008 leaving a balance to be paid of \$350,000. The \$50,000 obligation has been reflected as a grant payable as of that date.

VARIETY CLUB OF TEXAS – TENT 17
AND VARIETY FOUNDATION OF TEXAS
Notes to Consolidated Financial Statements
September 30, 2008

Note 4 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available to specific program activities. Net assets are released from donor restrictions by incurring expenditures relating to the donors' original purpose, or the expiration of time restrictions.

Note 5 - Fund Raising Activities

The Club has several fund raising activities each year. During the year ended September 30, 2008, a summary of those activities is as follows:

	Revenues	Expenses	Increase in Net Assets
Gold Hearts	\$ 289,687	\$ 57,800	\$ 231,887
Golf			
Tournament	89,483	60,264	29,219
Other	19,650	10,990	8,660
	\$ 398,820	\$ 129,054	\$ 269,766

Note 6 - Tax Status

The Internal Revenue Service (IRS) has determined that the Organization is exempt from Federal income taxes under Section 501(c)(3) and qualifies as a publicly supported organization under Sections 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code.

Note 7 - Investments

The Organization's investments consist of bonds and bank deposits. The Organization may, at times, have deposits in excess of federally insured limits.

Note 8 - Office Lease

Subsequent to year end, the Organization entered into a new office lease. Minimum lease payments under the lease are as follows:

VARIETY CLUB OF TEXAS – TENT 17
AND VARIETY FOUNDATION OF TEXAS
Notes to Consolidated Financial Statements
September 30, 2008

Note 8 - Office Lease, continued

<u>Year Ending</u> <u>September 30,</u>	
2009	\$ 9,831
2010	10,725
2011	10,725
2012	10,725
2013	<u>894</u>
	<u>\$ 42,900</u>

Note 9 - Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("FAS 157"). FAS 157 defines fair value and establishes a framework for measuring fair value. FAS 157 applies to other pronouncements that require or permit fair value, however, it does not require any new fair value measurements. FAS 157 is effective for fiscal years beginning after November 15, 2007. The Organization does not expect the provisions of FAS 157 to have a material effect on the Organization's financial statements.

SUPPLEMENTARY INFORMATION

SCHEDULE I

VARIETY CLUB OF TEXAS - TENT 17
AND VARIETY FOUNDATION OF TEXAS
Consolidating Statement of Financial Position
September 30, 2008

<u>ASSETS</u>	<u>Club</u>	<u>Foundation</u>	<u>Reclassifications and Eliminations</u>	<u>Total</u>
Cash and cash equivalents	\$ 217,136	\$ 4,122	\$ -	\$ 221,258
Certificates of deposit	55,000	-		55,000
Accounts receivable	62,500	-	(1,500)	61,000
Inventory	51,179	-		51,179
Investments	-	282,730		282,730
Other	15,037	-		15,037
	<u>400,852</u>	<u>286,852</u>	<u>(1,500)</u>	<u>686,204</u>
Fixed Assets				
Land	-	249,620		249,620
Buildings	-	590,000		590,000
Equipment	1,900	-		1,900
Less: Accumulated depreciation	<u>(1,050)</u>	<u>(289,756)</u>		<u>(290,806)</u>
Total property and equipment	<u>850</u>	<u>549,864</u>	<u>-</u>	<u>550,714</u>
Total Assets	<u>\$ 401,702</u>	<u>\$ 836,716</u>	<u>\$ (1,500)</u>	<u>\$ 1,236,918</u>
 <u>LIABILITIES AND NET ASSETS</u>				
Liabilities:				
Accrued liabilities	\$ 707	\$ -	\$ -	\$ 707
Deferred revenue	22,500	-		22,500
Grants to others	100,000			100,000
Total current liabilities	<u>123,207</u>	<u>-</u>	<u>-</u>	<u>123,207</u>
Net assets:				
Unrestricted	156,526	836,716	(1,500)	991,742
Temporarily restricted	121,969	-		121,969
Total net assets	<u>278,495</u>	<u>836,716</u>	<u>(1,500)</u>	<u>1,113,711</u>
Total liabilities and net assets	<u>\$ 401,702</u>	<u>\$ 836,716</u>	<u>\$ (1,500)</u>	<u>\$ 1,236,918</u>

SCHEDULE II

VARIETY CLUB OF TEXAS - TENT 17
AND VARIETY FOUNDATION OF TEXAS

Consolidating Statement of Activities
For the Year Ended September 30, 2008

	<u>Club</u>	<u>Foundation</u>	<u>Reclassifications and Eliminations</u>	<u>Total</u>
Revenue and Support:				
Fund raising programs	\$ 398,820	\$ 46,500	\$ -	\$ 445,320
Grants	86,250	-	(11,000)	75,250
Donations	59,375	-		59,375
Memberships	11,815	-		11,815
Other income	42,264	89,690		131,954
	<u>598,524</u>	<u>136,190</u>	<u>(11,000)</u>	<u>723,714</u>
Total revenue and support				
Expenses:				
Program services	421,164	117,822	(9,500)	529,486
General and administrative	43,303	4,515		47,818
Fund raising	129,054	31,500		160,554
	<u>593,521</u>	<u>153,837</u>	<u>(9,500)</u>	<u>737,858</u>
Total operating expenses				
Increase (decrease) in net assets	5,003	(17,647)	(1,500)	(14,144)
Net assets at beginning of year	<u>273,491</u>	<u>854,364</u>		<u>1,127,855</u>
Net assets at end of year	<u>\$ 278,494</u>	<u>\$ 836,717</u>	<u>\$ (1,500)</u>	<u>\$ 1,113,711</u>

SCHEDULE III

VARIETY CLUB OF TEXAS - TENT 17
AND VARIETY FOUNDATION OF TEXAS
Consolidating Statement of Cash Flows
For the Year Ended September 30, 2008

	<u>Club</u>	<u>Foundation</u>	<u>Reclassifications and Eliminations</u>	<u>Total</u>
Cash flows from operating activities:				
Change in net assets	\$ 5,003	\$ (17,647)	\$ (1,500)	\$ (14,144)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:				
Depreciation	815	15,733		16,548
Loss on disposal of fixed asset	113	-		113
Unrealized loss on investments	-	10,933		10,933
Increases and decreases in assets and				
(Increase) decrease in short-term investments	5,000	-		5,000
(Increase) decrease in accounts receivable	(45,897)	-	1,500	(44,397)
(Increase) decrease in inventory	(11,020)	-		(11,020)
(Increase) decrease in other assets	(14,288)	-		(14,288)
Increase (decrease) in accounts payable	(5,641)	-		(5,641)
Increase (decrease) in grant payable	100,000	-		100,000
Increase (decrease) in deferred revenue	(2,127)	-		(2,127)
Net cash provided (used) by operating activities	<u>31,958</u>	<u>9,019</u>	<u>-</u>	<u>40,977</u>
Cash flows from investing activities:				
Interest income re-invested	<u>-</u>	<u>(7,621)</u>		<u>(7,621)</u>
Net cash provided (used) by investing activities	<u>-</u>	<u>(7,621)</u>	<u>-</u>	<u>(7,621)</u>
Increase (decrease) in cash and cash equivalents	31,958	1,398	-	33,356
Cash and cash equivalents, beginning of year	<u>185,178</u>	<u>2,724</u>		<u>187,902</u>
Cash and cash equivalents, end of year	<u>\$ 217,136</u>	<u>\$ 4,122</u>	<u>\$ -</u>	<u>\$ 221,258</u>
Supplemental information:				
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SCHEDULE IV

VARIETY CLUB OF TEXAS - TENT 17
AND VARIETY FOUNDATION OF TEXAS

Statement of Functional Expenses - Club

For the Year Ended September 30, 2008

	Club			Total
	Program Services	General and Administrative	Fund Raising	
Accounting	\$ -	\$ 4,865	\$ -	\$ 4,865
Bank charges	-	2,424	-	2,424
Board and staff development	-	118	-	118
Charitable gifts	346,019	-	-	346,019
Consulting	6,000	-	-	6,000
Convention	-	3,775	-	3,775
Cost of sales- gold hearts	-	-	57,800	57,800
Depreciation	530	204	81	815
Dues- International	-	5,000	-	5,000
Fundraising	-	-	60,616	60,616
Insurance	-	527	-	527
Marketing, advertising, promotior	590	227	91	908
Miscellaneous	934	359	144	1,437
Office	407	157	63	627
Office equipment	3,150	1,212	485	4,847
Postage and shipping	3,037	1,168	467	4,672
Printing newsletter	1,814	697	279	2,790
Rent	8,358	3,214	1,286	12,858
Salaries	42,997	16,538	6,615	66,150
Storage	698	269	107	1,074
Taxes- payroll	4,055	1,559	624	6,238
Telephone and internet	2,575	990	396	3,961
 Total expenses	 <u>\$ 421,164</u>	 <u>\$ 43,303</u>	 <u>\$ 129,054</u>	 <u>\$ 593,521</u>

SCHEDULE V

VARIETY CLUB OF TEXAS - TENT 17
AND VARIETY FOUNDATION OF TEXAS
Statement of Functional Expenses - Foundation
For the Year Ended September 30, 2008

	Foundation			
	Program Services	General and Administrative	Fund Raising	Total
Accounting	\$ -	\$ 4,515	\$ -	\$ 4,515
Charitable gifts	92,589	-	-	92,589
Depreciation-Foundation	15,733	-	-	15,733
Fundraising	-	-	31,500	31,500
Total expenses	<u>\$ 108,322</u>	<u>\$ 4,515</u>	<u>\$ 31,500</u>	<u>\$ 144,337</u>

Charitable gifts are net of amounts paid to the Club