

**STARLIGHT STARBRIGHT CHILDREN'S  
FOUNDATION AND U.S. CHAPTERS**

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2006

**STARLIGHT STARBRIGHT CHILDREN'S FOUNDATION  
AND U.S. CHAPTERS**

**CONSOLIDATED FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2006**

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**GREEN HASSON & JANKS LLP**  
BUSINESS ADVISORS AND CPAs

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Starlight Starbright Children's  
Foundation and U.S. Chapters

We have audited the accompanying consolidated statement of financial position of Starlight Starbright Children's Foundation and U.S. Chapters as of March 31, 2006 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. 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 consolidated financial position of Starlight Starbright Children's Foundation and U.S. Chapters as of March 31, 2006 and the changes in its net assets and its cash flows for the year then ended in conformity with auditing standards generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2006 on our consideration of Starlight Starbright Children's Foundation and U.S. Chapters' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as whole. The consolidating schedules of financial position and activities are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual chapters. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as whole.

*Green Hasson & Janks LLP*

August 4, 2006  
Los Angeles, California

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**STARLIGHT STARBRIGHT CHILDREN'S FOUNDATION  
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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
March 31, 2006**

<b>ASSETS</b>	Unrestricted	Temporarily Restricted	2006
<b>CURRENT ASSETS:</b>			
Cash and Cash Equivalents	\$ 7,539,882	\$ 4,846,222	\$ 12,386,104
Investments	1,135,176	-	1,135,176
Pledges Receivable	-	2,761,355	2,761,355
Accounts Receivable (Net)	524,274	-	524,274
Receivables from International Affiliates (Net)	91,184	-	91,184
Inventory	3,593,835	-	3,593,835
Prepaid Expenses and Other Assets	306,441	-	306,441
<b>TOTAL CURRENT ASSETS</b>	<b>13,190,792</b>	<b>7,607,577</b>	<b>20,798,369</b>
<b>PROPERTY AND EQUIPMENT (Net)</b>	<b>97,700</b>	<b>-</b>	<b>97,700</b>
<b>TOTAL ASSETS</b>	<b>\$ 13,288,492</b>	<b>\$ 7,607,577</b>	<b>\$ 20,896,069</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts Payable and Accrued Liabilities	\$ 2,126,314	\$ -	\$ 2,126,314
Deferred Revenue	78,874	-	78,874
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,205,188</b>	<b>-</b>	<b>2,205,188</b>
<b>NET ASSETS:</b>			
Unrestricted Net Assets:			
Board Designated	519,737	-	519,737
Undesignated	10,563,567	-	10,563,567
<b>TOTAL UNRESTRICTED NET ASSETS</b>	<b>11,083,304</b>	<b>-</b>	<b>11,083,304</b>
Temporarily Restricted Net Assets	<b>-</b>	<b>7,607,577</b>	<b>7,607,577</b>
<b>TOTAL NET ASSETS</b>	<b>11,083,304</b>	<b>7,607,577</b>	<b>18,690,881</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 13,288,492</b>	<b>\$ 7,607,577</b>	<b>\$ 20,896,069</b>

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

**STARLIGHT STARBRIGHT CHILDREN'S FOUNDATION  
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**CONSOLIDATED STATEMENT OF ACTIVITIES  
Year Ended March 31, 2006**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND SUPPORT:</b>			
<b>Special Events:</b>			
Gross Receipts	\$ 6,646,299	\$ -	\$ 6,646,299
Less: Direct Benefit to Donors	(1,543,830)	-	(1,543,830)
<b>TOTAL</b>	5,102,469	-	5,102,469
Contributed Goods, Services and			
Use of Facilities	15,871,345	-	15,871,345
Contributions	4,588,645	1,913,325	6,501,970
Hospital Fees	281,042	-	281,042
Government Grants	197,125	-	197,125
Assessments and Sales to International			
Affiliates	361,601	-	361,601
Interest and Dividend Income	342,424	-	342,424
Unrealized Gains on Investments	68,099	-	68,099
Miscellaneous	50,656	-	50,656
Net Assets Released from Restrictions	4,174,104	(4,174,104)	-
<b>TOTAL REVENUE AND SUPPORT</b>	31,037,510	(2,260,779)	28,776,731
<b>EXPENSES:</b>			
<b>Program Services:</b>			
Asthma	649,919	-	649,919
Explorer Series	124,506	-	124,506
Fun Centers	1,410,573	-	1,410,573
Get Fit Get Right	121,049	-	121,049
Great Escapes	1,429,320	-	1,429,320
Hospital Happenings	14,444,250	-	14,444,250
PC Pals	162,649	-	162,649
Starbright World	1,066,449	-	1,066,449
Starlight Sites	1,677,440	-	1,677,440
Other Programs	2,017,604	-	2,017,604
<b>TOTAL PROGRAM SERVICES</b>	23,103,759	-	23,103,759
Management and General	1,651,835	-	1,651,835
Fundraising	3,376,743	-	3,376,743
<b>TOTAL EXPENSES</b>	28,132,337	-	28,132,337
<b>CHANGE IN NET ASSETS</b>	\$ 2,905,173	\$ (2,260,779)	\$ 644,394

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

**STARLIGHT STARBRIGHT CHILDREN'S FOUNDATION  
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**CONSOLIDATED STATEMENT OF NET ASSETS  
Year Ended March 31, 2006**

	Unrestricted	Temporarily Restricted Net	Total
Consolidated Net Assets - April 1, 2005	\$ 8,178,131	\$ 9,868,356	\$ 18,046,487
Consolidated Changes in Net Assets - Year Ended March 31, 2006	2,905,173	(2,260,779)	644,394
<b><i>CONSOLIDATED NET ASSETS - MARCH 31, 2006</i></b>	<b>\$ 11,083,304</b>	<b>\$ 7,607,577</b>	<b>\$ 18,690,881</b>

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

**STARLIGHT STARBRIGHT CHILDREN'S FOUNDATION**  
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**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended March 31, 2006

	Asthma	Explorer Series	Fun Centers	Get Fit Get Right	Great Escapes	Hospital Happenings	PC Pals	Starbright World	Starlight Sites	Other Programs	Total Program Services	Management and General	Fundraising	Total
Direct Program Goods, Services and Use of Facilities	\$ 491,239	\$ 89,484	\$ 1,157,162	\$ 78,422	\$ 1,171,928	\$ 12,514,061	\$ 137,593	\$ 779,912	\$ 1,287,202	\$ 1,680,712	\$ 19,387,715	\$ -	\$ 100	\$ 19,387,815
Direct Program Salaries, Taxes and Benefits	69,222	18,727	42,687	28,346	-	-	-	144,511	156,000	48,507	508,000	-	-	508,000
<b>TOTAL DIRECT PROGRAM</b>	560,461	108,211	1,199,849	106,768	1,171,928	12,514,061	137,593	924,423	1,443,202	1,729,219	19,895,715	-	100	19,895,815
Advertising	419	76	990	67	3,831	39,896	117	666	1,262	9,369	56,693	17,038	34,231	107,962
Bad Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank Charges	-	-	-	-	5	30	-	-	-	-	35	83,114	10,115	93,264
Depreciation and Amortization	139	25	329	22	1,279	10,980	39	221	365	242	13,641	3,230	6,667	23,538
Equipment Rental and Repair	870	158	2,049	139	1,824	18,241	244	1,381	2,233	305	27,444	7,659	16,664	51,767
Events	-	-	-	-	-	-	-	-	-	-	-	-	768,470	768,470
Fundraising	-	-	-	-	14	89	-	-	-	-	103	-	244,391	244,494
Insurance	1,016	185	2,395	162	3,345	32,029	285	1,613	2,624	1,043	44,697	11,853	21,919	78,469
Miscellaneous	1,499	275	3,532	239	4,530	49,760	420	2,379	4,004	8,894	75,532	43,165	69,312	188,009
Office Supplies	417	76	983	67	2,790	23,762	117	662	1,120	3,031	33,025	7,884	19,331	60,240
Postage	391	71	922	62	2,329	27,579	109	620	1,117	6,595	39,795	9,072	65,746	114,613
Printing and Publications	758	138	1,790	121	4,216	76,459	213	1,203	2,531	34,451	121,880	41,218	139,350	302,448
Professional Services	12,579	2,291	29,606	2,008	16,470	134,494	3,523	19,971	32,169	4,660	257,771	539,874	284,144	1,081,789
Rent	4,898	892	11,557	782	17,983	215,419	1,372	7,777	12,974	19,683	293,337	80,611	141,718	515,666
Salaries and Employee Benefits	63,329	11,536	149,171	10,110	190,403	1,234,234	17,738	100,543	165,724	195,731	2,138,519	779,863	1,481,982	4,400,364
Telephone	1,510	275	3,556	241	4,988	39,684	423	2,397	3,909	2,194	59,177	15,734	33,192	108,103
Travel and Automobile	1,633	297	3,844	261	3,385	27,533	456	2,593	4,206	2,187	46,395	11,520	39,411	97,326
<b>TOTAL FUNCTIONAL EXPENSES</b>	\$ 649,919	\$ 124,506	\$ 1,410,573	\$ 121,049	\$ 1,429,320	\$ 14,444,250	\$ 162,649	\$ 1,066,449	\$ 1,677,440	\$ 2,017,604	\$ 23,103,759	\$ 1,651,835	\$ 3,376,743	\$ 28,132,337

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

**STARLIGHT STARBRIGHT CHILDREN'S FOUNDATION  
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**CONSOLIDATED STATEMENT OF CASH FLOWS  
Year Ended March 31, 2006**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in Net Assets	\$	644,394
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization		23,538
Unrealized Gains on Investments		(68,099)
(Increase) Decrease in:		
Pledges Receivable		877,408
Accounts Receivable		(278,929)
Receivables from International Affiliates		(77,126)
Inventory		(1,147,230)
Prepaid Expenses and Other Assets		(165,728)
Increase (Decrease) in:		
Accounts Payable and Accrued Liabilities		798,999
Deferred Revenue		(122,638)
		484,589
<b><i>NET CASH PROVIDED BY OPERATING ACTIVITIES</i></b>	\$	<b>484,589</b>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Proceeds from Sales of Investments		9,298,403
Purchase of Investments		(7,099,063)
Reinvestment of Dividends and Interest		(52,046)
Purchase of Property and Equipment		(62,468)
		2,084,826
<b><i>NET CASH PROVIDED BY INVESTING ACTIVITIES</i></b>		<b>2,084,826</b>
<b><i>NET INCREASE IN CASH AND CASH EQUIVALENTS</i></b>		<b>2,569,415</b>
Cash and Cash Equivalents - Beginning of Year		9,816,689
<b><i>CASH AND CASH EQUIVALENTS - END OF YEAR</i></b>	\$	<b>12,386,104</b>

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

**STARLIGHT STARBRIGHT CHILDREN'S FOUNDATION  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2006**

**NOTE 1 - ORGANIZATION**

**(a) ORGANIZATION AND OPERATIONS**

Starlight Starbright Children's Foundation (the Foundation) is an international non-profit organization that transforms the lives of seriously ill children and their families through imaginative programs that educate, uplift their spirits, foster a sense of community, and help alleviate the pain and fear of prolonged illness. The Foundation's programs and services help kids address the social, emotional, and medical aspects of living with serious illness. Further, they are designed to restore the laughter and happiness that illness takes away from kids.

Children and teenagers served by Starlight Starbright suffer from chronic, serious, or life threatening illnesses and injuries. The population served includes children living with diseases such as cancer, cystic fibrosis, diabetes, heart disease, asthma and kidney disease, as well as those impacted by severe injuries such as traumatic burn or spinal cord injuries.

The headquarters of the Foundation is located in Los Angeles, California. At March 31, 2006, there were seven U.S. chartered chapters (the U.S. Chapters): Atlanta, Colorado, New England, Midwest, Washington State, Mid-Atlantic, and New York/New Jersey/Connecticut. Each chapter is independently governed by a Board of Directors operating under the Foundation's guidelines and is responsible for its own fundraising, financial reporting, and related tax filing obligations. Additional outreach efforts have resulted in a Foundation office in Florida; expansion efforts in Texas are also underway as well as several other satellite offices across the United States.

Internationally, the Foundation has affiliation agreements with four chartered affiliates (the international affiliates) located in Australia, the United Kingdom, Canada, and Japan.

**(b) HEADQUARTERS' ASSET PURCHASE AGREEMENT  
WITH THE CALIFORNIA/ARIZONA/NEVADA CHAPTER**

On December 31, 2005, an asset purchase agreement was completed between the California/Arizona/Nevada chapter and the headquarters of the Foundation. Going forward, services in the chapter's territory will be operated out of the headquarters office. As a result, financial data for the chapter for the period ending March 31, 2006 is reflected in the headquarters financial statements.

**STARLIGHT STARBRIGHT CHILDREN'S FOUNDATION  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2006**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) BASIS OF CONSOLIDATION**

The accompanying consolidated financial statements include the accounts of Starlight Starbright Children's Foundation (headquarters) and its eight U.S. Chapters. All significant inter-chapter transactions and balances have been eliminated in consolidation. International affiliates are not included in the accompanying consolidated financial statements as such inclusion would not be meaningful to the U.S. operations of the Foundation.

**(b) FINANCIAL STATEMENT PRESENTATION**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

- **Unrestricted Undesignated.** Unrestricted net assets generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions. The Foundation has \$10,563,567 of unrestricted undesignated net assets at March 31, 2006.
- **Unrestricted Board Designated.** These are comprised of resources which the Board of Directors has designated for particular purposes. For purposes of complying with net assets accounting, these funds are included in unrestricted net assets at March 31, 2006 with a balance of \$519,737.
- **Temporarily Restricted Net Assets.** The Foundation reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from program or capital restrictions. The Foundation has \$7,607,577 of temporarily restricted net assets at March 31, 2006.
- **Permanently Restricted Net Assets.** Permanently restricted net assets are received from donors who stipulate that resources are to be maintained permanently, but permit the Foundation to expend all of the income (or other economic benefits) derived from the donated assets. The Foundation has no permanently restricted net assets at March 31, 2006.

**STARLIGHT STARBRIGHT CHILDREN'S FOUNDATION  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2006**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(c) CASH AND CASH EQUIVALENTS**

The Foundation considers all highly liquid debt instruments purchased with maturities of three months or less to be cash and cash equivalents.

The Foundation maintains its cash, cash equivalents and investments in bank deposit accounts and other investment accounts, which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash, cash equivalents and investments.

**(d) INVESTMENTS**

The Foundation values its investments at fair value. Unrealized gains or losses (including investments bought, sold and held during the year) are reflected in the Statement of Activities as gain or loss on investments.

**(e) RECEIVABLES**

Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, represents its estimated net realizable value. The allowance for doubtful accounts is estimated based on historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectibility of those balances and the allowance is adjusted accordingly. An allowance of \$29,042 is provided against receivables from hospitals and an allowance of \$24,252 against receivables from international affiliates. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due.

Pledges receivable of \$2,761,355 at March 31, 2006 are deemed fully collectible within one year.

**(f) CONCENTRATION OF RISKS**

The Foundation places its temporary cash investments with high-credit, quality financial institutions. Occasionally, the Foundation's cash balances exceed the Federal Deposit Insurance Corporation's insurance limit. The Foundation has not incurred losses related to these investments.

The Foundation holds investments in the form of certificates of deposit, mutual funds and U.S. Treasury securities. Market values of such investments and credit ratings of bond issuers are routinely reviewed by the Finance Committee.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2006**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(f) CONCENTRATION OF RISKS** (continued)

One source of donated goods, the Starbucks Joy Drive, provided 40% of total revenue during the year. This source provided for the donation of toys which were given away to children. This source discontinued its donated toy contributions during the year ended March 31, 2006 [See Note 2(j)]. Management does not anticipate an immediate effect on other program activities nor on on-going operations.

**(g) INVENTORY**

Inventory is comprised of the personal computers, videogame players, monitors and other electronics that make-up the "Fun Centers," "PC Pals," and toys collected for distribution. Purchased inventory is stated at the lower of cost (specific identification) or market. Donated inventory is stated at the lower of fair market value at the time of donation or at the time of reporting.

**(h) PROPERTY AND EQUIPMENT**

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expenses as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$5,000 and the useful life is greater than one year. The estimated useful lives of property and equipment are as follows:

Software and Equipment	3 - 5 Years
Furniture and Fixtures	5 Years
Office Equipment	5 Years

**(i) DEFERRED REVENUE**

Deferred Revenue consists of hospital fees that are paid in advance by various hospitals towards their annual contract. These fees are earned on a monthly basis.

**(j) CONTRIBUTED GOODS, SERVICES, AND USE OF FACILITIES**

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. Contributed goods consist primarily of toys, videos, DVD's, airline tickets, hotel accommodations, theme park admissions, and other tangible goods. The Foundation received \$15,871,345 of contributed goods, services and use of facilities (See Note 7).

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2006**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(k) CONTRIBUTED GOODS, SERVICES, AND USE OF FACILITIES** (continued)

March 31, 2006 marked the final year of the national Starbucks Joy Drive. During the year ended March 31, 2006, the toy drive brought in 867,967 units valued at \$11,891,148. Efforts are underway by several of the U.S. Chapters to continue the toy drive with Starbucks on a local level.

**(l) INCOME TAXES**

The Foundation and each of its eight U.S. Chapters are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Service Code and corresponding state provisions.

**(m) FUNCTIONAL EXPENSES**

Costs of providing the Foundation's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. The Foundation allocates indirect costs by full time equivalents under each activity.

**NOTE 3 - INVESTMENTS**

Investments are carried at readily determined market values and consist of the following:

Equity Funds	\$ 625,263
Mutual Funds	2,316
Limited Partnership (NY*NJ*CT Chapter)	<u>507,597</u>
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 1,135,176</u></b>

**NOTE 4 - RECEIVABLES**

Receivables consist of the following at March 31, 2006:

	Pledges Receivable	Accounts Receivable	Receivables from International Affiliates
Receivables	\$ 2,761,355	\$ 553,316	\$ 115,436
Less: Allowance for Doubtful Accounts	--	(29,042)	(24,252)
<b>TOTAL RECEIVABLES</b>	<b><u>\$ 2,761,355</u></b>	<b><u>\$ 524,274</u></b>	<b><u>\$ 91,184</u></b>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 5 - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following, at March 31, 2006:

Software and Computers	\$ 525,472
Furniture and Equipment	127,999
Office Equipment	<u>106,345</u>
<b>TOTAL</b>	<b>759,816</b>
Less: Accumulated Depreciation	<u>(662,116)</u>
<b>PROPERTY AND EQUIPMENT (NET)</b>	<b><u>\$ 97,700</u></b>

Depreciation expense was \$23,538 for the year ended March 31, 2006.

**NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities at March 31, 2006 consist of the following:

Accounts Payable	\$ 810,190
Accrued Expenses	1,133,120
Accrued Vacation	161,352
Accrued Payroll	17,008
Accrued Taxes	<u>4,644</u>
<b>TOTAL ACCRUED LIABILITIES</b>	<b><u>\$ 2,126,314</u></b>

**NOTE 7 - CONTRIBUTED GOODS, SERVICES, AND USE OF FACILITIES**

Contributed goods, services, and use of facilities during the year were as follows:

Direct Program Goods	\$13,926,367
Professional Services	728,794
Direct Program Services	691,468
Rent	187,284
Printing and Publications	172,342
Direct Program Use of Facilities	66,209
Fundraising	50,390
Advertising	31,290
Travel and Automobiles	9,534
Office Supplies	7,022
Miscellaneous	<u>645</u>
<b>TOTAL</b>	<b><u>\$15,871,345</u></b>

Gross receipts from special events included an additional \$384,395 in contributed goods, services, and use of facilities which are shown separately as special events income and expense, and are not included above.

**STARLIGHT STARBRIGHT CHILDREN'S FOUNDATION  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2006**

**NOTE 8 - COMMITMENTS**

The Foundation leases certain facilities and equipment under long-term operating lease agreements. Future minimum lease payments for leases that have a remaining non-cancelable term in excess of one year as of March 31, 2006 are as follows:

**Year Ending March 31**

2007	\$	334,107
2008		304,782
2009		291,893
2010		236,110
2011		184,880
Thereafter		30,994
<b>TOTAL</b>	<b>\$</b>	<b>1,382,766</b>

Rent expense for the year ended March 31, 2006 was \$515,666.

**NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at March 31, 2006 were available for the following:

Starlight Sites	\$	3,995,968
Fun Centers		2,029,022
PC Pals		446,255
Starbright World		149,811
Great Escapes		127,658
Other		95,349
Get Fit Get Right		74,388
End of Life		73,377
Hospital Happenings		37,869
Wishes		36,129
Coping with Chemotherapy		11,839
Explorer Series		6,790
<b>TOTAL</b>		<b>7,084,455</b>
Time Restrictions		523,122
<b>TOTAL RESTRICTED NET ASSETS</b>	<b>\$</b>	<b>7,607,577</b>

**STARLIGHT STARBRIGHT CHILDREN'S FOUNDATION  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2006**

**NOTE 10 - DEFINED CONTRIBUTIONS PENSION PLANS**

Headquarters and several of its U.S. Chapters maintain 403(b) defined contributions pension plans with matching contributions ranging up to 5% of participant's salaries. Matching contributions totaled \$66,506 for the year ended March 31, 2006.

**NOTE 11 - FUNCTIONAL EXPENSES**

The Other Programs on the statement of functional expenses consist of the following:

NY*NJ*CT Chapter Hospital Grant Program	\$ 1,257,503
Wishes	452,755
Miscellaneous	168,128
Crohns & Colitis Website	43,738
Coping with Chemotherapy	29,099
Videos with Attitude	28,655
End of Life Program	28,152
Life Lessons	9,574
	<hr/>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 2,017,604</b>

**NOTE 12 - RELATED PARTIES**

As discussed in Note 2, the accounts of the international affiliates are not included in the accompanying consolidated financial statements as inclusion of such amounts would not be meaningful to the U.S. operations of the Foundation. The following table summarizes certain financial information from the most recent audited (by other auditors) financial statements of the international affiliates.

	Not Covered by Accompanying Independent Auditors' Report		
	Australia Affiliate as of and for the Year Ended June 30, 2005	United Kingdom Affiliate as of and for the Year Ended March 31, 2006	Canada Affiliate as of and for the Year Ended March 31, 2006
Total Assets	\$ 6,948,501	£ 4,271,944	\$ 1,845,065
Total Liabilities	\$ 985,398	£ 240,977	\$ 338,827
Net Assets	\$ 5,963,103	£ 4,030,967	\$ 1,506,238
Total Revenue	\$15,036,438	£ 4,458,811	\$ 4,081,122
Total Expenses	\$14,354,306	£ 3,387,861	\$ 3,846,816

**STARLIGHT STARBRIGHT CHILDREN'S FOUNDATION  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2006**

**NOTE 12 - RELATED PARTIES** (continued)

The U.S. dollar equivalent of total revenue was approximately \$11,500,000 for the Australia affiliate for the year ended June 30, 2005, \$7,800,000 for the United Kingdom affiliate for the year ended March 31, 2006, and \$3,500,000 for the Canada affiliate for the year ended March 31, 2006. The audited financial statements for the Australian and Canadian affiliates are qualified by their auditors. The audited financial statements for the United Kingdom affiliate are unqualified by its auditor. As these financial statements are not consolidated with the Foundation, there is no material effect on the financial statements of the Foundation.

The Foundation receives assessment fees from two of the international affiliates and also provides Fun Center components. These amounts totaled \$361,601 for the year ended March 31, 2006.

In October 2005, an agreement was executed to establish a new international affiliate in Japan. Financial data is not provided for Starlight Starbright Japan because this is the first year of their operation as an affiliate of the organization and the information was not available.

**STARLIGHT STARBRIGHT CHILDREN'S  
FOUNDATION AND U.S. CHAPTERS**

CONSOLIDATING INFORMATION

YEAR ENDED MARCH 31, 2006

**STARLIGHT STARBRIGHT CHILDREN'S FOUNDATION  
AND U.S. CHAPTERS**

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION  
March 31, 2006

ASSETS	Headquarters	Atlanta	Colorado	Mid-Atlantic	Midwest	New England	NY*NJ*CT	Washington	Total Before Eliminations	Eliminations	Total
<b>CURRENT ASSETS:</b>											
Cash and Cash Equivalents	\$ 7,085,994	\$ 116,866	\$ 98,334	\$ 278,450	\$ 109,208	\$ 142,617	\$ 4,201,654	\$ 352,981	\$ 12,386,104	\$ -	\$ 12,386,104
Investments	-	2,315	-	-	250,524	-	882,337	-	1,135,176	-	1,135,176
Pledges Receivable	2,453,826	15,700	-	6,000	4,305	2,910	277,339	1,275	2,761,355	-	2,761,355
Accounts Receivable - Net	504,779	-	8,556	-	2,767	-	8,172	-	524,274	-	524,274
Receivable from International Affiliates	91,184	-	-	-	-	-	-	-	91,184	-	91,184
Receivable from U.S. Chapters	184,830	-	-	-	1,969	-	-	-	186,799	186,799	-
Receivable from Headquarters	-	204	649	200	6,194	11,673	15,248	5	34,173	34,173	-
Inventory	2,283,571	23,605	21,060	110,603	158,555	28,886	140,319	827,236	3,593,835	-	3,593,835
Prepaid and Other Assets	227,206	1,512	15,219	4,188	33,328	6,132	15,645	3,211	306,441	-	306,441
<b>TOTAL CURRENT ASSETS</b>	<b>12,831,390</b>	<b>160,202</b>	<b>143,818</b>	<b>399,441</b>	<b>566,850</b>	<b>192,218</b>	<b>5,540,714</b>	<b>1,184,708</b>	<b>21,019,341</b>	<b>220,972</b>	<b>20,798,369</b>
<b>PROPERTY AND EQUIPMENT (Net)</b>	<b>44,640</b>	<b>3,806</b>	<b>3,600</b>	<b>3,704</b>	<b>3,102</b>	<b>-</b>	<b>12,468</b>	<b>26,380</b>	<b>97,700</b>	<b>-</b>	<b>97,700</b>
<b>TOTAL ASSETS</b>	<b>\$ 12,876,030</b>	<b>\$ 164,008</b>	<b>\$ 147,418</b>	<b>\$ 403,145</b>	<b>\$ 569,952</b>	<b>\$ 192,218</b>	<b>\$ 5,553,182</b>	<b>\$ 1,211,088</b>	<b>\$ 21,117,041</b>	<b>\$ 220,972</b>	<b>\$ 20,896,069</b>
<b>LIABILITIES AND NET ASSETS</b>											
<b>CURRENT LIABILITIES:</b>											
Accounts Payable and Accrued Liabilities	\$ 1,795,830	\$ 35,796	\$ 4,855	\$ 7,156	\$ 16,525	\$ 1,135	\$ 229,251	\$ 35,766	\$ 2,126,314	\$ -	\$ 2,126,314
Deferred Revenue	78,874	-	-	-	-	-	-	-	78,874	-	78,874
Payable to Headquarters or Other U.S. Chapters	34,173	8,016	-	213	9,588	8,184	144,775	16,023	220,972	220,972	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,908,877</b>	<b>43,812</b>	<b>4,855</b>	<b>7,369</b>	<b>26,113</b>	<b>9,319</b>	<b>374,026</b>	<b>51,789</b>	<b>2,426,160</b>	<b>220,972</b>	<b>2,205,188</b>
<b>NET ASSETS:</b>											
Unrestricted	3,945,345	94,960	120,533	348,596	443,993	140,705	4,862,162	1,127,010	11,083,304	-	11,083,304
Temporarily Restricted	7,021,808	25,236	22,030	47,180	99,846	42,194	316,994	32,289	7,607,577	-	7,607,577
<b>TOTAL NET ASSETS</b>	<b>10,967,153</b>	<b>120,196</b>	<b>142,563</b>	<b>395,776</b>	<b>543,839</b>	<b>182,899</b>	<b>5,179,156</b>	<b>1,159,299</b>	<b>18,690,881</b>	<b>-</b>	<b>18,690,881</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 12,876,030</b>	<b>\$ 164,008</b>	<b>\$ 147,418</b>	<b>\$ 403,145</b>	<b>\$ 569,952</b>	<b>\$ 192,218</b>	<b>\$ 5,553,182</b>	<b>\$ 1,211,088</b>	<b>\$ 21,117,041</b>	<b>\$ 220,972</b>	<b>\$ 20,896,069</b>

See Independent Auditors' Report

**STARLIGHT STARBRIGHT CHILDREN'S FOUNDATION  
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**CONSOLIDATING SCHEDULE OF ACTIVITIES  
Year Ended March 31, 2006**

	Headquarters	Atlanta	Colorado	Mid-Atlantic	Midwest	New England	NY*NJ*CT	Washington	Total
<b>REVENUE AND SUPPORT:</b>									
Special Events									
Gross Receipts	\$ 1,173,927	\$ 246,601	\$ 114,068	\$ 367,428	\$ 700,528	\$ 75,526	\$ 3,854,118	\$ 114,103	\$ 6,646,299
Less: Direct Benefit to Donors	(346,741)	(83,774)	(25,820)	(70,315)	(198,815)	(40,158)	(739,309)	(38,898)	(1,543,830)
<b>TOTAL REVENUE</b>	<b>827,186</b>	<b>162,827</b>	<b>88,248</b>	<b>297,113</b>	<b>501,713</b>	<b>35,368</b>	<b>3,114,809</b>	<b>75,205</b>	<b>5,102,469</b>
Contributed Goods, Services, and Use of Facilities	8,765,227	297,721	350,677	1,098,493	1,135,201	511,962	2,400,496	1,311,568	15,871,345
Contributions	2,834,365	57,706	103,370	141,997	261,630	132,397	651,168	406,012	4,588,645
Hospital Fees	281,042	-	-	-	-	-	-	-	281,042
Government Grants	197,125	-	-	-	-	-	-	-	197,125
Assessments and Sales to International Affiliates	361,601	-	-	-	-	-	-	-	361,601
Interest and Dividend Income	233,598	990	2,169	922	16,460	112	86,753	1,420	342,424
Unrealized Gains on Investments	1,424	(108)	-	-	6,115	-	60,668	-	68,099
Miscellaneous	11,365	-	550	-	-	96	37,665	980	50,656
Net Assets Released from Restrictions	2,989,103	37,435	20,195	93,715	196,933	31,584	735,871	69,268	4,174,104
<b>TOTAL UNRESTRICTED REVENUE AND SUPPORT</b>	<b>16,502,036</b>	<b>556,571</b>	<b>565,209</b>	<b>1,632,240</b>	<b>2,118,052</b>	<b>711,519</b>	<b>7,087,430</b>	<b>1,864,453</b>	<b>31,037,510</b>
Quarterly Assessments	185,797	(14,470)	(11,111)	(16,148)	(40,395)	(8,184)	(75,000)	(20,489)	-
Allocation of Fun Center Proceeds	449,875	(8,250)	-	(71,500)	(55,000)	(9,500)	(275,000)	(30,625)	-
Allocation of PC Pals	234,000	-	-	-	-	-	(225,000)	(9,000)	-
Allocation of Online Giving	(7,397)	158	3,040	269	2,578	-	892	460	-
Allocation of Car Program	(16,350)	552	630	1,681	5,002	3,308	5,064	113	-
Allocation of Grant Money	(145,540)	16,000	-	15,000	23,811	45,000	-	45,729	-
Allocation of National Funding	(138,140)	21,593	9,273	22,672	37,332	11,732	25,958	9,580	-
<b>TOTAL UNRESTRICTED REVENUE AND SUPPORT</b>	<b>17,064,281</b>	<b>572,154</b>	<b>567,041</b>	<b>1,584,214</b>	<b>2,091,380</b>	<b>753,875</b>	<b>6,544,344</b>	<b>1,860,221</b>	<b>31,037,510</b>
<b>EXPENSES:</b>									
Program Services	12,901,825	489,550	469,501	1,194,715	1,456,402	645,591	4,902,332	1,043,843	23,103,759
Management and General	987,602	33,548	43,020	57,340	126,842	21,599	331,208	50,676	1,651,835
Fundraising	1,733,820	76,569	44,124	90,556	391,014	46,980	840,122	153,558	3,376,743
<b>TOTAL EXPENSES</b>	<b>15,623,247</b>	<b>599,667</b>	<b>556,645</b>	<b>1,342,611</b>	<b>1,974,258</b>	<b>714,170</b>	<b>6,073,662</b>	<b>1,248,077</b>	<b>28,132,337</b>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>	<b>1,441,034</b>	<b>(27,513)</b>	<b>10,396</b>	<b>241,603</b>	<b>117,122</b>	<b>39,705</b>	<b>470,682</b>	<b>612,144</b>	<b>2,905,173</b>
Changes in Temporarily Restricted Net Assets:									
Contributions	961,387	48,084	22,156	94,641	64,409	37,839	637,566	79,360	1,945,442
Restricted Assets Transferred to Chapters	(30,367)	-	(2,000)	-	1,969	-	(1,719)	-	(32,117)
Net Assets Released from Restrictions	(2,989,103)	(37,435)	(20,195)	(93,715)	(196,933)	(31,584)	(735,871)	(69,268)	(4,174,104)
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>	<b>(2,058,083)</b>	<b>10,649</b>	<b>(39)</b>	<b>926</b>	<b>(130,555)</b>	<b>6,255</b>	<b>(100,024)</b>	<b>10,092</b>	<b>(2,260,779)</b>
<b>TOTAL CHANGES IN NET ASSETS</b>	<b>(617,049)</b>	<b>(16,864)</b>	<b>10,357</b>	<b>242,529</b>	<b>(13,433)</b>	<b>45,960</b>	<b>370,658</b>	<b>622,236</b>	<b>644,394</b>
Net Assets - Beginning of Year	11,584,202	137,060	132,206	153,247	557,272	136,939	4,808,498	537,063	18,046,487
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 10,967,153</b>	<b>\$ 120,196</b>	<b>\$ 142,563</b>	<b>\$ 395,776</b>	<b>\$ 543,839</b>	<b>\$ 182,899</b>	<b>\$ 5,179,156</b>	<b>\$ 1,159,299</b>	<b>\$ 18,690,881</b>

See Independent Auditors' Report