

**STARLIGHT CHILDREN'S FOUNDATION  
OF WASHINGTON**

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2010

**STARLIGHT CHILDREN'S FOUNDATION  
OF WASHINGTON**

**FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2010**

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

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Starlight Children's Foundation  
of Washington

We have audited the accompanying statement of financial position of Starlight Children's Foundation of Washington as of March 31, 2010 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the management of Starlight Children's Foundation of Washington. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the March 31, 2009 financial statements of Starlight Children's Foundation of Washington and, in our report dated July 21, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Starlight Children's Foundation of Washington as of March 31, 2010 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Green Hasson & Janks LLP*

July 23, 2010  
Los Angeles, California

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**STARLIGHT CHILDREN'S FOUNDATION  
OF WASHINGTON**

STATEMENT OF FINANCIAL POSITION  
March 31, 2010  
With Summarized Totals at March 31, 2009

<b>ASSETS</b>	2010			2009 Total
	Unrestricted	Temporarily Restricted	Total	
Cash and Cash Equivalents	\$ 279,375	\$ -	\$ 279,375	\$ 221,343
Pledge Receivable	-	241,200	241,200	313,560
Related Party Receivables	1,286	-	1,286	1,892
Inventory	695,232	-	695,232	684,306
Prepaid Expenses and Other Assets	1,805	-	1,805	1,732
Property and Equipment (Net)	2,878	-	2,878	9,419
<b>TOTAL ASSETS</b>	<b>\$ 980,576</b>	<b>\$ 241,200</b>	<b>\$ 1,221,776</b>	<b>\$ 1,232,252</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES:</b>				
Accounts Payable	\$ 11,784	\$ -	\$ 11,784	\$ 14,645
Related Party Payables	2,129	-	2,129	-
Accrued Liabilities	34,146	-	34,146	23,218
<b>TOTAL LIABILITIES</b>	<b>48,059</b>	<b>-</b>	<b>48,059</b>	<b>37,863</b>
<b>NET ASSETS:</b>				
Unrestricted	932,517	-	932,517	880,829
Temporarily Restricted	-	241,200	241,200	313,560
<b>TOTAL NET ASSETS</b>	<b>932,517</b>	<b>241,200</b>	<b>1,173,717</b>	<b>1,194,389</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 980,576</b>	<b>\$ 241,200</b>	<b>\$ 1,221,776</b>	<b>\$ 1,232,252</b>

The Accompanying Notes are an Integral Part of These Financial Statements

**STARLIGHT CHILDREN'S FOUNDATION  
OF WASHINGTON**

STATEMENT OF ACTIVITIES  
Year Ended March 31, 2010  
With Summarized Totals at March 31, 2009

	2010			2009 Total
	Unrestricted	Temporarily Restricted	Total	
<b>REVENUE AND SUPPORT:</b>				
<b>Special Events:</b>				
Gross Receipts	\$ 360,496	\$ -	\$ 360,496	\$ 196,149
Less: Direct Benefit to Donors	(219,927)	-	(219,927)	(44,960)
<b>NET SPECIAL EVENTS REVENUE</b>	140,569	-	140,569	151,189
Contributed Goods, Services and Use of Facilities	355,341	-	355,341	623,976
Contributions	333,507	-	333,507	262,232
Revenue from Related Party	30,839	-	30,839	34,991
Other Income	350	-	350	739
Net Assets Released from Purpose Restrictions	72,360	(72,360)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	932,966	(72,360)	860,606	1,073,127
<b>EXPENSES:</b>				
Program Services	687,539		687,539	1,728,589
Management and General	66,979		66,979	59,088
Fundraising	126,760		126,760	270,912
<b>TOTAL EXPENSES</b>	881,278	-	881,278	2,058,589
<b>TOTAL CHANGE IN NET ASSETS</b>	51,688	(72,360)	(20,672)	(985,462)
Net Assets - Beginning of Year	880,829	313,560	1,194,389	2,179,851
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 932,517</u>	<u>\$ 241,200</u>	<u>\$ 1,173,717</u>	<u>\$ 1,194,389</u>

The Accompanying Notes are an Integral Part of These Financial Statements

**STARLIGHT CHILDREN'S FOUNDATION  
OF WASHINGTON**

STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended March 31, 2010  
With Summarized Totals at March 31, 2009

	2010								2009 Total
	Program Services					Management and General	Fundraising	Total	
	Great Escapes	Hospital Happenings	Fun Centers	Other Programs	Total Program Services				
Direct Program Goods, Services and Use of Facilities	\$ 119,480	\$ 184,428	\$ 43,433	\$ 33,901	\$ 381,242	\$ 453	\$ -	\$ 381,695	\$ 1,431,103
<b>TOTAL DIRECT PROGRAM</b>	119,480	184,428	43,433	33,901	381,242	453	-	381,695	1,431,103
Advertising	-	-	-	-	-	-	-	-	7,315
Bank Charges	-	-	-	-	-	659	7,181	7,840	6,232
Depreciation	1,265	1,955	461	360	4,041	452	1,368	5,861	6,822
Equipment Rental and Repair	1,370	2,118	499	390	4,377	491	1,482	6,350	7,463
Events	-	-	-	-	-	-	-	-	85,148
Fundraising	-	-	-	-	-	-	13,295	13,295	16,416
Insurance	956	1,478	348	272	3,054	342	1,034	4,430	4,078
Miscellaneous	83	128	30	23	264	6,750	2,053	9,067	10,893
Office Supplies	625	967	228	178	1,998	1,536	687	4,221	6,655
Postage	791	1,224	288	225	2,528	221	1,026	3,775	4,046
Printing and Publications	43	66	16	12	137	1,641	34	1,812	5,601
Professional Services	-	-	-	-	-	21,940	-	21,940	10,636
Rent	15,612	24,141	5,686	4,439	49,878	5,594	16,888	72,360	66,240
Salaries and Employee Benefits	73,527	113,697	26,780	20,907	234,911	25,614	79,542	340,067	379,741
Telephone	1,526	2,359	556	434	4,875	547	1,650	7,072	7,403
Travel and Automobile	73	113	27	21	234	739	520	1,493	2,797
<b>TOTAL 2010 FUNCTIONAL EXPENSES</b>	<b>\$ 215,351</b>	<b>\$ 332,674</b>	<b>\$ 78,352</b>	<b>\$ 61,162</b>	<b>\$ 687,539</b>	<b>\$ 66,979</b>	<b>\$ 126,760</b>	<b>\$ 881,278</b>	
					78%	8%	14%	100%	
<b>TOTAL 2009 FUNCTIONAL EXPENSES</b>	<b>\$ 215,720</b>	<b>\$ 1,470,199</b>	<b>\$ -</b>	<b>\$ 42,670</b>	<b>\$ 1,728,589</b>	<b>\$ 59,088</b>	<b>\$ 270,912</b>		<b>\$ 2,058,589</b>
					84%	3%	13%		100%

The Accompanying Notes are an Integral Part of These Financial Statements

**STARLIGHT CHILDREN'S FOUNDATION  
OF WASHINGTON**

STATEMENT OF CASH FLOWS  
Year Ended March 31, 2010  
With Summarized Totals at March 31, 2009

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ (20,672)	\$ (985,462)
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Loss on Disposal of Property and Equipment	680	-
Contributed Facilities (Non-Cash)	-	(379,800)
Contributed Facilities Expense (Non-Cash)	72,360	66,240
Contributed Inventory (Non-Cash)	(695,232)	(241,100)
Contributed Inventory Expense (Non-Cash)	684,306	1,435,845
Depreciation	5,861	6,822
(Increase) Decrease in:		
Related Party Receivables	606	10,971
Prepaid Expenses and Other Assets	(73)	125
Increase (Decrease) in:		
Accounts Payable	(2,861)	4,476
Related Party Payables	2,129	-
Accrued Liabilities	10,928	(8,701)
	<b>58,032</b>	<b>(90,584)</b>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
	58,032	(90,584)
Cash and Cash Equivalents - Beginning of Year	221,343	311,927
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 279,375</b>	<b>\$ 221,343</b>

The Accompanying Notes are an Integral Part of These Financial Statements

# STARLIGHT CHILDREN'S FOUNDATION OF WASHINGTON

## NOTES TO FINANCIAL STATEMENTS March 31, 2010

### NOTE 1 - ORGANIZATION

For more than eighteen years, Starlight Children's Foundation of Washington (the Chapter) has dedicated itself to improving the quality of life for children with serious medical conditions by providing entertainment, education and family activities that help them cope with the pain, fear and isolation of prolonged illness.

The Chapter is one of five chartered chapters of Starlight Children's Foundation (the Foundation). Each chapter is independently governed by a Board of Directors operating under the Foundation's standards and is responsible for its own fundraising, financial reporting and related tax filing obligations.

The Chapter understands what families go through when a child is sick, and how important it is to find relief from worry and isolation. The Chapter's programs have been proven to distract children from their pain, help them better understand and cope with their illnesses, and connect families with others facing similar challenges so that no one feels alone.

Unlike any other charity, the Chapter offers a comprehensive menu of outpatient, hospital-based and Web offerings that enable them to provide ongoing support for children and families - from diagnosis through the entire course of medical treatment. The Chapter's programs serve children and teens suffering from a wide-range of chronic and life-threatening illnesses and life-altering injuries such as cancer, cystic fibrosis, Type 1 and 2 diabetes, heart disease, asthma, kidney disease, sickle cell disease and burn injuries. Programs include:

- Playrooms, kid-friendly treatment rooms and special events help ease the loneliness, fear and boredom that accompany hospital stays. The Chapter has built more than four Starlight Site™ children's playrooms in hospitals in Washington State that provide children with inviting places to play, relax and connect, or to receive treatments in a warm, comforting environment. Additionally, we bring fun-filled Hospital Happenings® involving musicians, clowns and other entertainers to pediatric hospital patients - even those who are bedridden - to provide a morale boost and important social interaction.
- In-hospital entertainment technology like our Fun Center™ mobile entertainment units and specially designed PC Pal® laptops help kids fill hours in hospitals or treatment centers with therapeutic fun; find distraction during long or painful medical procedures; access the Chapter's online educational programs and communities; and stay connected with the outside world and keep up with school work during extended hospitalizations.
- Family activities and outings are offered monthly to give families a chance to have fun together away from the hospital so they can relax, regroup and return home with a renewed sense of strength and hope. These Great Escape™ events also forge important connections between families struggling with similar issues to combat feelings of isolation.

**STARLIGHT CHILDREN'S FOUNDATION  
OF WASHINGTON**

**NOTES TO FINANCIAL STATEMENTS  
March 31, 2010**

**NOTE 1 - ORGANIZATION** (continued)

- Online communities and interactive websites help seriously ill teens connect with each other and find tips and strategies for coping with their medical conditions. Starbright World® ([www.starbrightworld.org](http://www.starbrightworld.org)) is an online social network for all seriously ill teens and their siblings that includes a special My Life section that enables teens facing death to document their life story via photos and express their feelings by journaling their thoughts, dreams and fears. UC and Crohn's ([www.ucandcrohns.org](http://www.ucandcrohns.org)) is dedicated to helping teens with ulcerative colitis and Crohn's Disease cope. Get Fit, Get Right™ ([www.getfitgetright.org](http://www.getfitgetright.org)) focuses on helping overweight teens that are at risk for Type 2 diabetes and heart disease learn how to lead a healthier lifestyle.
- Educational programming - delivered via online interactive games, ezines, webisodes, a comic book and websites - helps sick children understand common hospital procedures and manage illnesses and injuries such as cancer, sickle cell, cystic fibrosis, asthma, Crohn's and colitis, severe burns and kidney disease. These programs combat feelings of fear and uncertainty that often accompany illness with fact-based knowledge presented in an engaging and age-appropriate format.

Research studies have found that the Chapter's programs help reduce children's pain while helping them to better deal with, understand and manage their illnesses. In addition, the Chapter's programs help the child, parents and siblings experience less depression, anxiety, pain and isolation and bond as a family.

While doctors work to restore a child's health, the Chapter works to restore the entire family's spirit.

The Washington Chapter fully integrates volunteers and interns into every level of the organization resulting in significant leverage of paid staff. Upwards of three hundred and fifty (350) volunteers engage in chapter activities, events, and projects throughout each year. Volunteers and interns are involved in programs, fundraising, marketing, administrative support, special projects, and in leadership roles. Volunteers are ethnically diverse and many come with advance professional degrees and experience.

The Chapter conducts annual surveys alternating between clients and hospital partners to determine satisfaction with services and to elicit ideas for improvements and new programs.

In 2008, a seven year toy and book drive partnership with Starbucks Coffee Company ended as they changed their philanthropic marketing focus to a different cause. The result was a significant drop in toy and book donations. Efforts are underway to form new partnerships with businesses to continue the annual toy and book drive.

**STARLIGHT CHILDREN'S FOUNDATION  
OF WASHINGTON**

**NOTES TO FINANCIAL STATEMENTS  
March 31, 2010**

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

**(a) BASIS OF PRESENTATION**

The accompanying financial statements have been prepared on the accrual basis of accounting.

**(b) ACCOUNTING**

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the Chapter are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as either unrestricted, temporarily restricted, or permanently restricted.

- **Unrestricted.** Unrestricted net assets generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving income from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions. The Chapter has \$932,517 of unrestricted net assets at March 31, 2010.
- **Temporarily Restricted.** The Chapter 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 Chapter reports restricted contributions whose restrictions are met in the same reporting period as unrestricted contributions. The Chapter has \$241,200 in temporarily restricted net assets at March 31, 2010, representing a pledge of donated facility use [See Note 2(d)].
- **Permanently Restricted.** Permanently restricted net assets are received from donors who stipulate that resources are to be maintained permanently, but permit the Chapter to expend all of the income (or other economic benefits) derived from the donated assets. The Chapter has no permanently restricted net assets at March 31, 2010.

**STARLIGHT CHILDREN'S FOUNDATION  
OF WASHINGTON**

**NOTES TO FINANCIAL STATEMENTS  
March 31, 2010**

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

**(c) CASH AND CASH EQUIVALENTS**

The Chapter considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash and cash equivalents. The carrying value of cash and cash equivalents at March 31, 2010 approximates its fair value.

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

**(d) CONTRIBUTIONS AND PLEDGES RECEIVABLE**

Unconditional contributions, including pledges, are recorded at estimated net realizable value, and recognized as revenue in the period received. The Chapter reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. At March 31, 2010 the pledge receivable consists of donated facility use through July 2013. The use of facilities is expected to be recognized as follows for the years ending March 31:

**Years Ending March 31**

2011	\$ 72,360
2012	72,360
2013	72,360
2014	<u>24,120</u>
<b>TOTAL</b>	<b><u>\$ 241,200</u></b>

In-kind rent expense for the year ended March 31, 2010 was \$72,360.

**(e) INVENTORY**

Inventory is comprised of toys, books and other materials collected for distribution. Purchased inventory is stated at the lower of cost (specific identification) or market. Donated inventory is recorded at fair market value at the time of donation.

**STARLIGHT CHILDREN'S FOUNDATION  
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**NOTES TO FINANCIAL STATEMENTS  
March 31, 2010**

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

**(f) 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 \$2,000 and the useful life is greater than one year. The estimated useful lives of property and equipment are as follows:

Software and Computers	5 Years
Furniture and Fixtures	7 Years
Office Equipment	5 Years

**(g) LONG-LIVED ASSETS**

The Chapter reviews the carrying values of its long-lived assets for possible impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related assets to its estimated fair value. No impairment losses were recognized during the year ended March 31, 2010.

**(h) 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 non-financial 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 generally consist of toys, videos, DVD's, and other tangible goods. For the year ended the Chapter received \$355,341 of contributed goods, services and use of facilities.

**(i) INCOME TAXES**

The Chapter is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Service Code.

**STARLIGHT CHILDREN'S FOUNDATION  
OF WASHINGTON**

**NOTES TO FINANCIAL STATEMENTS  
March 31, 2010**

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

**(j) FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the Chapter'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 Chapter allocates indirect costs by full time equivalents under each activity.

**(k) USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses as of the date and for the period presented. Accordingly, actual results could differ from those estimates.

**(l) COMPARATIVE TOTALS**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Chapter's financial statements for the year ended March 31, 2009, from which the summarized information was derived.

**(m) FASB ACCOUNTING STANDARDS CODIFICATION**

In June 2009, the Financial Accounting Standards Board (FASB) issued the FASB Accounting Standards Codification (the ASC). The ASC has become the single source of non-governmental accounting principles generally accepted in the United States (GAAP) recognized by the FASB in preparation of financial statements. The Chapter adopted the ASC as of March 31, 2010. The ASC does not change GAAP and did not have an effect on the Chapter's financial position, results of operations or cash flows.

**(n) SUBSEQUENT EVENTS**

The Chapter has evaluated events and transactions occurring subsequent to the statement of financial position date of March 31, 2010 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through July 23, 2010, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

**STARLIGHT CHILDREN'S FOUNDATION  
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**NOTES TO FINANCIAL STATEMENTS  
March 31, 2010**

**NOTE 3 - PROPERTY AND EQUIPMENT**

Property and equipment at March 31, 2010 consist of the following:

Software and Computers	\$ 15,222
Furniture and Fixtures	805
Office Equipment	<u>19,341</u>
<b>TOTAL</b>	<b>35,368</b>
Less: Accumulated Depreciation	<u>(32,490)</u>
<b>PROPERTY AND EQUIPMENT (NET)</b>	<b><u>\$ 2,878</u></b>

Depreciation expense was \$5,861 for the year ended March 31, 2010.

**NOTE 4 - ACCRUED LIABILITIES**

Accrued liabilities at March 31, 2010 consist of the following:

Accrued Payroll	\$ 20,573
Accrued Vacation	11,470
Other Accruals	<u>2,103</u>
<b>TOTAL ACCRUED LIABILITIES</b>	<b><u>\$ 34,146</u></b>

**NOTE 5 - DEFINED CONTRIBUTION PENSION PLAN**

The Chapter maintains a 403(b) defined contribution pension plan with matching contributions of 3% of participant's salaries. Matching contributions totaled \$6,199 for the year ended March 31, 2010.

**NOTE 6 - RELATED PARTY TRANSACTIONS**

As discussed in Note 1, the Chapter is one of five chartered chapters of the Foundation. During the year ended March 31, 2010, the Chapter received allocated funds from the Foundation totaling \$34,595. Receivables from and payables to the Foundation were \$723 and \$250, respectively, at March 31, 2010.