

**TAX RETURN – FORM 990**  
**April 1, 2009 to March 31, 2010 (FY2010)**

**FREQUENTLY ASKED QUESTIONS**

**Why is the financial data on the Form 990 so much lower than on the annual audit for the same period?** The annual audit includes the consolidated financial information for Starlight Headquarters (HQ) along with all of the U.S. Chapters, as per accounting guidelines. Since HQ and each of the U.S. Chapters are separate corporations, each entity is required to file a separate tax return showing only its own financial activities for the fiscal year.

**How is Starlight's rating determined on Charity Navigator?** Charity Navigator uses just the tax return for HQ in order to determine the organization's rating. Some of the other Starlight Chapters are rated separately on Charity Navigator using their own respective tax returns.

**What were the expense ratios on the tax return for the last two fiscal years?** The expense ratios for the last two fiscal years were as follows:

Category	FY2010	FY2009
Program Expenses	82%	80%
Fundraising Expenses	12%	14%
Management & General Expenses	6%	6%

**Why did Total Revenue decrease by \$1.1M for HQ between FY2010 and the prior year, FY2009 (see 990, Line 12)?** The most volatile revenue line-item for the organization is in-kind donations. This is because many of the gifts are only received one time, based on the inventories available from corporate sponsors. HQ works very hard to secure new in-kind donations each year in order to mitigate costs and to subsidize its program activities. In FY2010, HQ received \$700k less in donated goods than in the prior year. The rest of the difference in revenue between FY2010 and FY2009 was a one-time bequest of \$325k received in FY2009.

**Why did Total Expenses decrease by \$2.4M between FY2010 and FY2009 (see 990, Line 18)?** The majority of this change has to do with the \$700k decrease in donated goods received in FY2010 as compared to FY2009, as noted above.

During FY2009 an additional 250 Fun Center units were shipped than in FY2010, resulting in a decreased manufacturing expense of \$550k. The shipment of Fun Center units is subject to the timing of sponsorship and, as such, can cause the revenue and expenses to fluctuate.

FY2010 also includes the annualized savings from expense reductions that occurred at the end of FY2009 including \$570k in employment reductions, \$350k in decreased program activities, and \$200k in other expense cuts.

**Why was there a loss of \$0.9M in FY2010 (see 990, Line 19)?** The cause of the loss in FY2010, referred to as a “decrease in net assets,” is the spending of program-restricted funds received in prior periods. As per accounting requirements, HQ booked certain program-restricted funds in prior fiscal years and did not spend the money until FY2010. Since the revenue is recognized in one year and the expense occurs in another, it creates a decrease or “loss.” The impact of this decrease in FY2010 was \$850k.

**Why did Total Assets decrease by \$2.9M in FY2010 as compared to FY2009 (see 990, Line 20)?** There were several factors that impacted the decrease in Total Assets between FY2009 and FY2010:

Cash and Investments decreased by \$1M largely because of the \$850k of program-restricted revenue received in prior periods that was spent in FY2010.

The most significant difference in Receivables was from \$1M in recurring annual corporate sponsorships that were booked as receivables at the end FY2009 but were fully paid by the corporate sponsors by the end of FY2010. In addition, there was a payment of \$325k received in FY2010 from a one-time bequest that was booked in FY2009.

The Fun Center inventory decreased from \$1.45M at the end of FY2009 to \$100k at the end of FY2010. In addition, during FY2010, there was a change in the way Fun Center inventory was tracked with Starlight’s corporate partner in the program, Nintendo, and about \$1.15M of the Fun Center inventory balance shifted to prepaid expenses. Additional factors that affected the change in inventory between FY2010 and FY2009 included the depletion of \$200k in inventory of contributed program supplies and approximately \$100k for the shipment of new PC Pal units.

**Why did Total Liabilities decrease by \$2.0M in FY2010 as compared to FY2009 (see 990, Line 21)?** This increase is tied directly to the liability associated with the purchase and manufacturing of nearly 800 Fun Center units that were unpaid at the end of FY2009 as compared to 20 unpaid units at the end of FY2010. The change in unpaid inventory, along with \$75k in additional Fun Center shipping and parts expenses accrued to FY2010, accounted for approximately \$1.90M of the difference. The rest of the variance was a \$100k donation that was coded as deferred revenue at the end of FY2010.

**Why did Net Assets decrease by \$0.9M between FY2010 and FY2009 (see 990, Line 22)?** Net Assets decreased largely because of the spending of prior year program-restricted funds in FY2010, as detailed previously.