

**CONSOLIDATED ANNUAL AUDIT**  
**April 1, 2009 to March 31, 2010 (FY2010)**

**FREQUENTLY ASKED QUESTIONS**

**Why is the financial data on the annual audit so much higher than on the tax return 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 audit for the last two fiscal years?** The expense ratios for the last two fiscal years were as follows:

Category	FY2010	FY2009
Program Expenses	75%	78%
Fundraising Expenses	17%	15%
Management & General Expenses	8%	7%

**Why did Total Revenue decrease by \$2.9M between FY2010 and the prior year, FY2009?** 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 and/or time available from corporate sponsors and partners. Starlight works very hard to secure new in-kind donations each year in order to mitigate costs and to subsidize its program activities. In FY2010, Starlight received \$1.6M less in donated goods, services, and use of facilities than in the prior year.

In addition, there was a decrease of \$1.8M in Contributions between FY2010 and FY2009. The majority of this fluctuation was caused by the following key changes:

1. \$500k in one-time donations received for online programs and Starlight Sites in FY2009
2. \$325k from a one-time bequest received in FY2009
3. A \$500k one-time donation received by the New York Chapter in FY2009 that was not repeated in FY2010.
4. A \$315k multi-year pledge that was booked for the Washington Chapter in FY2009 for office space donated by Nintendo

These revenue variances are offset by the swing of \$500k in Investment Income with a gain of \$280k in FY2010 as compared to a loss of \$220k in FY2009.

**Why did Total Expenses decrease by \$6M between FY2010 and FY2009?**

The most significant reason for this change has to do with the \$1.6M decrease in donated goods, services, and use of facilities received in FY2010 as compared to FY2009, as noted previously.

In addition, The New York Chapter gave \$1M less in grants for the Pediatric Hospital Support Program and received \$550k less in in-kind donations for its Visibility Campaign in FY2010 as compared to FY2009.

In FY2009, the Washington Chapter made a one-time distribution of \$1.2M of its program inventory to seriously ill children and their families through Starlight programs.

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 includes the annualized savings from expense reductions that occurred at HQ 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 \$2.0M in FY2010?** There are several factors that caused the loss in FY2010, referred to as a "decrease in net assets."

One of the factors contributing to the decrease is the spending of program-restricted funds received in prior periods. As per accounting requirements, Starlight 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 \$1M.

In FY2010, the New York Chapter made a targeted decision to continue making grants through its Pediatric Hospital Support Program using funds raised in prior fiscal years. The impact of this decision was a decrease in net assets of \$1.3M in FY2010.

These decreases in net assets were offset by surpluses in the MidAtlantic and Midwest Chapters in FY2010.

**Why did Cash and Investments decrease by \$1.75M between FY2009 and FY2010?** Cash and Investments decreased because of the \$1M of program-restricted revenue received in prior periods that was spent in FY2010 and because the New York Chapter gave \$1.3M in grants for the Pediatric Hospital Support Program using funds raised in prior fiscal years. These decreases were offset by surpluses in the MidAtlantic and Midwest Chapters in FY2010.

**Why did Receivables decrease by \$1.6M between FY2009 and FY2010?** The most significant difference 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 were payments of \$525k received in FY2010 for two one-time bequests that were booked in prior fiscal years.

**Why did Inventory decrease by \$1.7M in FY2010 as compared to 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 \$250k in inventory of contributed program supplies and approximately \$100k for the shipment of new PC Pal units.

**Why did Prepaid Expenses and Other Assets increase by \$1.1M in FY2010 as compared to FY2009?** This increase is tied directly to the change in the way Fun Center inventory was tracked, as noted above in the explanation for the decrease in inventory. Approximately \$1.15M of the Fun Center inventory balance shifted to prepaid expenses during FY2010.

**Why did Accounts Payable and Accrued Liabilities decrease by \$1.9M in FY2010 as compared to FY2009?** 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 the difference.

**Why did Net Assets decrease by \$2M between FY2010 and FY2009?** Net Assets decreased largely because of the spending of prior year program-restricted funds and because the New York Chapter gave \$1.3M in grants for the Pediatric Hospital Support Program using funds raised in prior fiscal years, as detailed previously.