

**STARLIGHT CHILDREN'S
FOUNDATION MIDWEST**

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2011

**STARLIGHT CHILDREN'S FOUNDATION
MIDWEST**

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Starlight Children's Foundation Midwest

We have audited the accompanying statement of financial position of Starlight Children's Foundation Midwest (the Chapter) as of March 31, 2011 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Chapter's management. 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, 2010 financial statements of the Chapter and, in our report dated September 20, 2010, 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 the Chapter as of March 31, 2011 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

October 24, 2011
Los Angeles, California

**STARLIGHT CHILDREN'S FOUNDATION
MIDWEST**

STATEMENT OF FINANCIAL POSITION
March 31, 2011
With Summarized Totals at March 31, 2010

ASSETS	2011			2010 Total
	Unrestricted	Temporarily Restricted	Total	
Cash	\$ 255,900	\$ 37,608	\$ 293,508	\$ 568,067
Investments	348,382	-	348,382	313,068
Related Party Receivables	1,381	-	1,381	1,096
Pledges Receivable	-	-	-	6,480
Inventory	34,780	-	34,780	69,288
Prepaid Expenses and Other Assets	16,904	-	16,904	29,214
<i>TOTAL ASSETS</i>	\$ 657,347	\$ 37,608	\$ 694,955	\$ 987,213
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Accounts Payable and Accrued Liabilities	\$ 32,089	\$ -	\$ 32,089	\$ 36,478
Related Party Payables	7,200	-	7,200	86,400
<i>TOTAL LIABILITIES</i>	39,289	-	39,289	122,878
NET ASSETS:				
Unrestricted	618,058	-	618,058	766,962
Temporarily Restricted	-	37,608	37,608	97,373
<i>TOTAL NET ASSETS</i>	618,058	37,608	655,666	864,335
<i>TOTAL LIABILITIES AND NET ASSETS</i>	\$ 657,347	\$ 37,608	\$ 694,955	\$ 987,213

The Accompanying Notes are an Integral Part of These Financial Statements

**STARLIGHT CHILDREN'S FOUNDATION
MIDWEST**

STATEMENT OF ACTIVITIES
Year Ended March 31, 2011
With Summarized Totals for the Year Ended March 31, 2010

	2011			2010 Total
	Unrestricted	Temporarily Restricted	Total	
REVENUE AND SUPPORT:				
Special Events:				
Gross Receipts	\$ 367,539	\$ -	\$ 367,539	\$ 396,264
Less: Direct Benefit to Donors	(200,238)	-	(200,238)	(111,586)
NET SPECIAL EVENTS REVENUE	167,301	-	167,301	284,678
Contributed Goods and Services	170,887	-	170,887	261,942
Contributions	103,980	55,915	159,895	491,455
Revenue from Related Parties	25,040	-	25,040	33,927
Investment Income	35,314	-	35,314	62,529
Net Assets Released from Purpose Restrictions	115,680	(115,680)	-	-
TOTAL REVENUE AND SUPPORT	618,202	(59,765)	558,437	1,134,531
EXPENSES:				
Program Services	590,574	-	590,574	735,774
Management and General	70,174	-	70,174	62,706
Fundraising	106,358	-	106,358	126,394
TOTAL EXPENSES	767,106	-	767,106	924,874
CHANGE IN NET ASSETS	(148,904)	(59,765)	(208,669)	209,657
Net Assets - Beginning of Year	766,962	97,373	864,335	654,678
NET ASSETS - END OF YEAR	\$ 618,058	\$ 37,608	\$ 655,666	\$ 864,335

The Accompanying Notes are an Integral Part of These Financial Statements

**STARLIGHT CHILDREN'S FOUNDATION
MIDWEST**

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended March 31, 2011
With Summarized Totals for the Year Ended March 31, 2010

	2011									2010
	Fun Centers	Great Escapes	Hospital Happenings	Starlight Sites	Other Programs	Total Program Services	Management and General	Fundraising	Total	Total
Direct Program Goods and Services	\$ 32,400	\$ 177,784	\$ 127,928	\$ 2,198	\$ 2,803	\$ 343,113	\$ -	\$ -	\$ 343,113	\$ 547,082
TOTAL DIRECT PROGRAM	32,400	177,784	127,928	2,198	2,803	343,113	-	-	343,113	547,082
Advertising	211	1,040	748	13	16	2,028	290	901	3,219	3,545
Bank Charges	-	-	-	-	-	-	8,213	-	8,213	9,874
Contract Help	2,379	11,749	8,455	146	185	22,914	29,884	3,274	56,072	-
Depreciation	-	-	-	-	-	-	-	-	-	201
Equipment Rental and Repair	269	1,328	956	16	21	2,590	370	1,151	4,111	3,006
Events	-	-	-	-	-	-	-	-	-	43,859
Fundraising	-	-	-	-	-	-	-	3,286	3,286	-
Insurance	105	520	374	6	8	1,013	145	450	1,608	3,009
Miscellaneous	641	5,003	2,276	39	50	8,009	1,143	3,560	12,712	6,772
Office Supplies	220	1,089	784	13	17	2,123	303	944	3,370	2,206
Postage	449	2,219	1,597	27	35	4,327	618	1,923	6,868	2,569
Printing and Publications	919	4,540	3,267	56	72	8,854	1,265	3,935	14,054	7,859
Professional Services	909	4,489	3,230	55	71	8,754	1,251	3,891	13,896	23,208
Rent	2,420	11,951	8,599	148	188	23,306	3,329	10,358	36,993	36,278
Salaries and Employee Benefits	16,418	81,078	58,342	1,003	1,278	158,119	22,589	70,275	250,983	227,090
Telephone	434	2,144	1,543	27	34	4,182	597	1,858	6,637	6,640
Travel and Automobile	129	637	458	8	10	1,242	177	552	1,971	1,676
TOTAL 2011 FUNCTIONAL EXPENSES	<u>\$ 57,903</u>	<u>\$ 305,571</u>	<u>\$ 218,557</u>	<u>\$ 3,755</u>	<u>\$ 4,788</u>	<u>\$ 590,574</u>	<u>\$ 70,174</u>	<u>\$ 106,358</u>	<u>\$ 767,106</u>	
						77%	9%	14%	100%	
TOTAL 2010 FUNCTIONAL EXPENSES	<u>\$ 179,142</u>	<u>\$ 340,236</u>	<u>\$ 203,433</u>	<u>\$ 2,821</u>	<u>\$ 10,142</u>	<u>\$ 735,774</u>	<u>\$ 62,706</u>	<u>\$ 126,394</u>		<u>\$ 924,874</u>
						80%	7%	13%		100%

The Accompanying Notes are an Integral Part of These Financial Statements

**STARLIGHT CHILDREN'S FOUNDATION
MIDWEST**

STATEMENT OF CASH FLOWS
Year Ended March 31, 2011
With Summarized Totals for the Year Ended March 31, 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (208,669)	\$ 209,657
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Contributed Inventory (Non-Cash)	(21,669)	(73,575)
Contributed Inventory Expense (Non-Cash)	56,177	74,928
<i>Net Contributed Inventory (Non-Cash)</i>	34,508	1,353
Depreciation	-	201
Unrealized Gains on Investments	(19,369)	(50,319)
(Increase) Decrease in:		
Related Party Receivables	(285)	2,113
Pledges Receivable	6,480	14,455
Prepaid Expenses and Other Assets	12,310	(12,216)
Increase (Decrease) in:		
Accounts Payable and Accrued Liabilities	(4,389)	14,921
Related Party Payables	(79,200)	(850)
<i>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</i>	(258,614)	179,315
CASH FLOWS USED IN INVESTING ACTIVITY:		
Reinvestment of Interest and Dividends	(15,945)	(12,210)
<i>NET INCREASE (DECREASE) IN CASH</i>	(274,559)	167,105
Cash - Beginning of Year	568,067	400,962
<i>CASH - END OF YEAR</i>	\$ 293,508	\$ 568,067

The Accompanying Notes are an Integral Part of These Financial Statements

**STARLIGHT CHILDREN'S FOUNDATION
MIDWEST**

**NOTES TO FINANCIAL STATEMENTS
March 31, 2011**

NOTE 1 - ORGANIZATION

For more than 20 years, Starlight Children's Foundation Midwest (the Chapter) has been dedicated to helping seriously ill children and their families cope with their pain, fear and isolation through entertainment, education and family activities in Illinois, Indiana, Michigan and Wisconsin. The Chapter serves over 300,000 seriously ill children and their families each year with programs in over 175 Midwest hospitals.

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 manage their illnesses, and connect families facing similar challenges so that no one feels alone.

Unlike any other charity, the Chapter offers a comprehensive array 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:

- **Great Escape™** The Great Escape program plans Family activities and outings which are offered monthly to give children and their 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 events also forge important connections between families struggling with similar issues to combat feelings of isolation and build a community of support.
- **Fun Center™** Mobile Entertainment Units provide In-hospital entertainment technology together with specially designed **PC Pal®** laptops which 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.
- **Hospital Happenings®** are craft parties, playrooms, kid-friendly treatment rooms, visits from entertainers and other special events help ease the loneliness, fear and boredom that accompany hospital stays. Specialized Hospital Happenings include:
 - **Magician Program** - Magic shows are one of the Hospital Happenings that consistently brings smiles to a child's face every month while in the hospital. The fun and interactive magic shows allow the children and their families to enjoy a time of laughter.
 - **Toy Shipments** - Toys are shipped to hospitals from the Chapter to help keep the playrooms stocked with fun new toys and to bring comfort and smiles to the faces of hospitalized children who are dealing with prolonged illness.

**STARLIGHT CHILDREN'S FOUNDATION
MIDWEST**

NOTES TO FINANCIAL STATEMENTS
March 31, 2011

NOTE 1 - ORGANIZATION (continued)

- **Hospital Parties** - The Chapter throws hospital parties at least four times a year. These parties include pizza parties and parties in a box, which are parties that can be done bedside for children who are in isolation. Both of these parties provide a morale boost and important social interaction.
- **Starlight Site™** - The Chapter has built 17 sites which include children's playrooms, teen lounges and waiting rooms in Midwest hospitals that provide children with inviting places to play, relax and connect.
- **Starlight Bears** - Starlight Bears are sent out by the Chapter every year to many of the Midwest hospitals.
- **Starbright World®** is an online social network for all seriously ill teens and their siblings that include 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. Online communities and interactive websites help seriously ill teens connect with each other and find tips and strategies for coping with their medical conditions.
- **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 Chapter offers hope for a brighter future, a chance to smile and laugh, and an opportunity to experience the simple joys of being a child.

The Chapter is an independently governed chapter, one of the five chartered chapters of Starlight Children's Foundation (the Foundation), an international organization with affiliates in Australia, Canada, Japan and the United Kingdom.

**STARLIGHT CHILDREN'S FOUNDATION
MIDWEST**

NOTES TO FINANCIAL STATEMENTS
March 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

The accompanying financial statements have 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 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 \$618,058 of unrestricted net assets at March 31, 2011.
- **Temporarily Restricted Net Assets.** 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 purpose or time restrictions. The Chapter reports restricted contributions whose restrictions are met in the same reporting period as unrestricted contributions. The Chapter has \$37,608 of temporarily restricted net assets at March 31, 2011.
- **Permanently Restricted Net Assets.** 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, 2011.

(c) CASH

The Chapter maintains its cash in bank deposit 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.

**STARLIGHT CHILDREN'S FOUNDATION
MIDWEST**

**NOTES TO FINANCIAL STATEMENTS
March 31, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) INVESTMENTS

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at fair value. Unrealized gains or losses (including investments bought, sold and held during the year), and interest and dividend income are reflected in the Chapter's statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily restricted by donor stipulations or by law.

The Chapter holds investments in the form of mutual funds invested in corporate bonds and common stocks of publicly held companies. Market values of such investments are routinely reviewed by the Board of Directors.

(e) CONTRIBUTIONS AND PLEDGES RECEIVABLE

Unconditional contributions, including pledges, are recorded at estimated fair value, and recognized as revenues 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.

(f) INVENTORY

Inventory is comprised of toys, books and other material 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.

(g) CONTRIBUTED GOODS AND SERVICES

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. The Chapter received \$170,887 of contributed goods and services during the year ended March 31, 2011 (See Note 5).

(h) ADVERTISING

The Chapter expenses advertising costs as they are incurred. For the year ended March 31, 2011, advertising expenses was \$3,219.

(i) INCOME TAXES

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

**STARLIGHT CHILDREN'S FOUNDATION
MIDWEST**

**NOTES TO FINANCIAL STATEMENTS
March 31, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) 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 reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Accordingly, actual results could differ from those estimates.

(k) 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.

(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, 2010, from which the summarized information was derived.

(m) RECLASSIFICATION

For comparability, the March 31, 2010 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used at March 31, 2011.

(n) SUBSEQUENT EVENTS

The Chapter has evaluated events and transactions occurring subsequent to the statement of financial position date of March 31, 2011 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through October 24, 2011, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

NOTE 3 - INVESTMENTS

The Chapter has implemented the fair value accounting standard for those assets that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements.

**STARLIGHT CHILDREN'S FOUNDATION
MIDWEST**

**NOTES TO FINANCIAL STATEMENTS
March 31, 2011**

NOTE 3 - INVESTMENTS (continued)

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset and include situations where there is little, if any, market activity for the asset.

The following table presents information about the Chapter's assets that are measured at fair value on a recurring basis at March 31, 2011 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Fair Value Measurements Using			
	Year Ended March 31, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds - Equity				
International Equity - Multi Cap	\$ 20,714	\$ 20,714	\$ -	\$ -
U.S. Equity - Multi Cap	34,482	34,482	-	-
U.S. Equity - Large Cap	66,588	66,588	-	-
Mutual Funds - Fixed Income				
Bond Funds	196,626	196,626	-	-
Multi Strategy	14,061	14,061	-	-
Mutual Funds - Money Market	15,911	15,911	-	-
<i>TOTAL</i>	\$ 348,382	\$ 348,382	\$ -	\$ -

The fair values of the mutual funds within Level 1 inputs were obtained based on quoted market prices at the closing of the last business day of the fiscal year.

Investment income for the year ended March 31, 2011 consists of the following:

Interest and Dividends	\$ 15,945
Unrealized Gains	19,369
<i>INVESTMENT INCOME</i>	\$ 35,314

NOTE 4 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at March 31, 2011 consist of the following:

Accounts Payable	\$ 13,779
Accrued Vacation	3,102
Other Accrued Liabilities	15,208
<i>TOTAL ACCOUNTS PAYABLE AND ACCRUED LIABILITIES</i>	\$ 32,089

**STARLIGHT CHILDREN'S FOUNDATION
MIDWEST**

**NOTES TO FINANCIAL STATEMENTS
March 31, 2011**

NOTE 5 - CONTRIBUTED GOODS AND SERVICES

Contributed goods and services revenue recognized during the year ended March 31, 2011 consists of the following:

Direct Program Goods	\$ 142,746
Direct Program Services	<u>28,141</u>
TOTAL CONTRIBUTED GOODS AND SERVICES	<u>\$ 170,887</u>

Gross receipts from special events included an additional \$74,544 in contributed goods, services and use of facilities which are shown separately as special events income and expense and are not included above.

NOTE 6 - COMMITMENTS

The Chapter leases certain facilities and equipment under long-term operating lease agreements that expire through June 2014. Future minimum lease payments for leases that have a remaining non-cancelable term in excess of one year as of March 31, 2011 are as follows:

Years Ending March 31

2012	\$ 38,416
2013	38,019
2014	<u>9,144</u>
TOTAL	<u>\$ 85,579</u>

Rent expense for the year ended March 31, 2011 was \$36,993.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at March 31, 2011 were available for Starlight sites amounting to \$37,608.

**STARLIGHT CHILDREN'S FOUNDATION
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**NOTES TO FINANCIAL STATEMENTS
March 31, 2011**

NOTE 8 - DEFINED CONTRIBUTION PENSION PLAN

The Chapter maintains a 401(k) Pension Plan for all employees for employees who have attained the age of twenty one and there is no service requirement. The Chapter does not match any portion of the employee contributions.

NOTE 9 - RELATED PARTIES

As discussed in Note 1, the Chapter is one of five chartered chapters of the Foundation. During the year ended March 31, 2011, the Chapter received a \$20,728 grant from the Foundation for general operating purposes. Additionally, the Chapter received allocated funds from the Foundation totaling \$4,312. Receivables from the Foundation were \$1,381 at March 31, 2011. The Chapter purchases Fun Centers from the Foundation. Purchases for the year ended March 31, 2011 were \$32,400. Payables to the Foundation at March 31, 2011 were \$7,200.