

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

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2008

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

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2008

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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, 2008 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. The prior year summarized comparative information has been derived from the 2007 consolidated financial statements of Starlight Starbright Children's Foundation and U.S. Chapters and in our report dated August 17, 2007, 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated 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, 2008 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.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a 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 a whole.

Green Hasson & Janks LLP

September 3, 2008
Los Angeles, California

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**STARLIGHT STARBRIGHT CHILDREN'S FOUNDATION
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31, 2008

With Summarized Totals at March 31, 2007

ASSETS	2008			Total	2007 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Cash and Cash Equivalents	\$ 5,756,880	\$ 4,512,355	\$ -	\$ 10,269,235	\$ 8,631,331
Investments	2,622,009	-	-	2,622,009	2,891,619
Accounts Receivable	75,584	-	-	75,584	61,420
Receivables from International Affiliates	422,110	-	-	422,110	1,340
Pledges Receivable	-	5,736,410	-	5,736,410	5,574,582
Inventory	4,644,808	-	-	4,644,808	2,876,824
Prepaid Expenses and Other Assets	257,125	-	-	257,125	158,695
Property and Equipment (Net)	96,051	-	-	96,051	96,826
TOTAL ASSETS	\$ 13,874,567	\$ 10,248,765	\$ -	\$ 24,123,332	\$ 20,292,637
LIABILITIES AND NET ASSETS					
LIABILITIES:					
Accounts Payable and Accrued Liabilities	\$ 1,793,902	\$ -	\$ -	\$ 1,793,902	\$ 1,114,609
Payable to International Affiliates	13,443	-	-	13,443	-
TOTAL LIABILITIES	1,807,345	-	-	1,807,345	1,114,609
NET ASSETS:					
Unrestricted:					
Unrestricted Undesignated	10,700,376	-	-	10,700,376	9,276,033
Unrestricted Board Designated	1,366,846	-	-	1,366,846	1,069,135
TOTAL UNRESTRICTED NET ASSETS	12,067,222	-	-	12,067,222	10,345,168
Temporarily Restricted	-	10,248,765	-	10,248,765	8,828,860
Permanently Restricted	-	-	-	-	4,000
TOTAL NET ASSETS	12,067,222	10,248,765	-	22,315,987	19,178,028
TOTAL LIABILITIES AND NET ASSETS	\$ 13,874,567	\$ 10,248,765	\$ -	\$ 24,123,332	\$ 20,292,637

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, 2008**

With Summarized Totals for the Year Ended March 31, 2007

	2008			Total 2007	
	Unrestricted	Temporarily Restricted	Permanently Restricted		
REVENUE AND SUPPORT:					
Special Events:					
Gross Receipts	\$ 5,369,506	\$ -	\$ -	\$ 5,369,506	\$ 5,817,083
Less: Direct Benefit to Donors	(1,180,411)	-	-	(1,180,411)	(1,230,232)
NET SPECIAL EVENTS REVENUE	4,189,095	-	-	4,189,095	4,586,851
Contributions	4,196,035	6,832,136	-	11,028,171	10,085,274
Contributed Goods, Services and Use of Facilities	9,771,575	-	-	9,771,575	5,548,890
Interest and Dividend Income	303,790	-	-	303,790	473,195
Realized and Unrealized Gains on Investments	15,618	-	-	15,618	129,029
Assessments and Sales to International Affiliates	731,750	-	-	731,750	100,478
Miscellaneous	80,511	-	-	80,511	39,055
Net Assets Released from Program and Time Restrictions	5,416,231	(5,412,231)	(4,000)	-	-
TOTAL REVENUE AND SUPPORT	24,704,605	1,419,905	(4,000)	26,120,510	20,962,772
EXPENSES:					
Program Services:					
Asthma	10,800	-	-	10,800	163,917
Fun Centers	1,393,377	-	-	1,393,377	1,088,983
Get Fit Get Right	221,718	-	-	221,718	494,862
Great Escapes	3,975,024	-	-	3,975,024	2,431,227
Hospital Happenings	6,381,244	-	-	6,381,244	4,550,645
PC Pals	1,041,112	-	-	1,041,112	1,270,375
Starbright World	429,588	-	-	429,588	756,160
Starlight Sites	1,354,514	-	-	1,354,514	2,949,777
Other Programs	3,272,891	-	-	3,272,891	2,167,626
TOTAL PROGRAM SERVICES	18,080,268	-	-	18,080,268	15,873,572
Management and General	1,478,192	-	-	1,478,192	1,419,042
Fundraising	3,424,091	-	-	3,424,091	3,341,951
TOTAL EXPENSES	22,982,551	-	-	22,982,551	20,634,565
CHANGE IN NET ASSETS	1,722,054	1,419,905	(4,000)	3,137,959	328,207
Net Assets - Beginning of Year	10,345,168	8,828,860	4,000	19,178,028	18,849,821
NET ASSETS - END OF YEAR	\$ 12,067,222	\$ 10,248,765	\$ -	\$ 22,315,987	\$ 19,178,028

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, 2008
With Summarized Totals for the Year Ended March 31, 2007

	2008												Total 2007	
	Asthma	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	\$ 8,408	\$ 1,084,108	\$ 172,593	\$ 3,031,061	\$ 5,176,725	\$ 810,435	\$ 334,406	\$ 1,052,928	2,613,115	\$ 14,283,779	\$ -	\$ -	\$ 14,283,779	\$ 12,166,842
TOTAL DIRECT PROGRAM	8,408	1,084,108	172,593	3,031,061	5,176,725	810,435	334,406	1,052,928	2,613,115	14,283,779	-	-	14,283,779	12,166,842
Advertising	4	530	84	2,086	4,541	394	163	494	3,658	11,954	4,654	11,932	28,540	19,987
Bad Debt Expense	-	-	-	-	-	-	-	-	-	-	50,536	-	50,536	-
Bank Charges	-	-	-	-	-	-	-	-	-	-	57,482	-	57,482	61,739
Depreciation (*)	9	1,166	186	3,940	7,000	872	360	1,140	2,051	16,724	3,779	8,544	29,047	30,437
Equipment Rental and Repair	14	1,819	290	5,572	8,501	1,363	562	1,711	4,835	24,667	6,718	15,184	46,569	55,562
Events	-	-	-	-	-	-	-	-	-	-	-	589,616	589,616	555,416
Fundraising	-	-	-	-	-	-	-	-	-	-	-	124,336	124,336	103,417
Insurance	32	4,222	665	15,930	15,707	3,123	1,289	4,131	4,010	49,109	11,056	24,469	84,634	70,948
Miscellaneous	68	8,784	1,403	18,672	26,375	6,587	2,718	8,381	13,620	86,608	72,478	131,176	290,262	285,112
Office Supplies	16	2,147	337	10,411	16,355	1,583	653	2,325	9,151	42,978	14,192	37,814	94,984	147,785
Postage	7	888	138	4,437	6,723	650	268	996	3,750	17,857	5,059	75,377	98,293	169,234
Printing and Publications	15	1,881	300	4,555	7,329	1,407	580	1,918	1,471	19,456	5,090	78,605	103,151	272,015
Professional Services	109	14,059	2,243	30,449	37,910	10,534	4,346	13,258	18,105	131,013	366,609	497,203	994,825	1,406,516
Rent	141	18,248	2,890	71,389	109,357	13,572	5,600	18,124	71,808	311,129	88,128	164,728	563,985	658,008
Salaries and Employee Benefits	1,949	251,870	40,012	756,509	940,346	187,884	77,525	245,238	520,525	3,021,858	776,717	1,573,357	5,371,932	4,457,381
Telephone	19	2,494	392	14,840	16,642	1,838	759	2,586	3,958	43,528	10,623	26,050	80,201	87,531
Travel and Automobile	9	1,161	185	5,173	7,733	870	359	1,284	2,834	19,608	5,071	65,700	90,379	86,635
TOTAL 2008 FUNCTIONAL EXPENSES	\$ 10,800	\$ 1,393,377	\$ 221,718	\$ 3,975,024	\$ 6,381,244	\$ 1,041,112	\$ 429,588	\$ 1,354,514	\$ 3,272,891	\$ 18,080,268	\$ 1,478,192	\$ 3,424,091	\$ 22,982,551	
TOTAL 2007 FUNCTIONAL EXPENSES	\$ 163,917	\$ 1,088,983	\$ 494,862	\$ 2,431,227	\$ 4,550,645	\$ 1,270,375	\$ 756,160	\$ 2,949,777	\$ 2,167,626	\$ 15,873,572	\$ 1,419,042	\$ 3,341,951	\$ 20,634,565	

(*) \$2,596 of depreciation expense is included in the line item "Direct Program Goods, Services and Use of Facilities" above

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, 2008
With Summarized Totals for the Year Ended March 31, 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 3,137,959	\$ 328,207
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Contributed Inventory (Non-Cash)	(8,312,181)	(4,481,434)
Contributed Inventory Expense (Non-Cash)	7,000,405	4,747,412
<i>Net Contributed Inventory (Non-Cash)</i>	(1,311,776)	265,978
Depreciation	31,643	30,437
Realized and Unrealized Gains on Investments	(15,618)	(129,029)
Loss on Disposal of Property and Equipment	-	2,516
Bad Debt Expense	50,536	-
Contributions Restricted for Long-Term Purposes	-	(4,000)
(Increase) Decrease in:		
Pledges Receivable	(161,828)	(2,813,227)
Accounts Receivable	(64,700)	462,854
Receivables from International Affiliates	(420,770)	89,844
Inventory (other than contributed)	(456,208)	609,973
Prepaid Expenses and Other Assets	(98,430)	147,746
Increase (Decrease) in:		
Accounts Payable and Accrued Liabilities	679,293	(1,011,705)
Deferred Revenue	-	(78,874)
Payable to International Affiliates	13,443	-
<i>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</i>	1,383,544	(2,099,280)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sales of Investments	976,352	35,637
Purchase of Investments	(682,225)	(1,189,856)
Reinvestment of Dividends and Interest	(8,899)	(473,195)
Purchase of Property and Equipment	(30,868)	(32,079)
<i>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</i>	254,360	(1,659,493)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Collections of Contributions Restricted for Long-Term Purposes	-	4,000
<i>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</i>	1,637,904	(3,754,773)
Cash and Cash Equivalents - Beginning of Year	8,631,331	12,386,104
<i>CASH AND CASH EQUIVALENTS - END OF YEAR</i>	\$ 10,269,235	\$ 8,631,331

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, 2008**

NOTE 1 - ORGANIZATION

For more than 25 years, Starlight Starbright Children's Foundation (the Foundation) 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 Foundation understands what families go through when a child is sick, and how important it is to find relief from worry and isolation. The Foundation'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 Foundation 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 Foundation'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 Foundation has built more than 100 Starlight Site™ children's playrooms, teen lounges, care rooms, waiting rooms and playgrounds in hospitals nationwide 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 Foundation'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 STARBRIGHT CHILDREN'S FOUNDATION
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2008**

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) 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) is dedicated to helping teens with ulcerative colitis and Crohn's Disease cope. Get Fit, Get Right™ (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.

The Foundation provides ongoing support to children, parents and siblings in all U.S. states and Canadian provinces, as well as internationally through affiliates in Australia, Japan and the United Kingdom. The headquarters office is located in Los Angeles, California. As of March 31, 2008, Headquarters had field operations in Arizona, California, Texas, Florida, Minnesota, Nevada, Oregon, South Carolina, and Massachusetts. At March 31, 2008, there were also seven US chartered chapters (the U.S. chapters): Atlanta, Colorado, Mid-Atlantic, Midwest, New England, New York/New Jersey/Connecticut and Washington. 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.

Research studies have found that the Foundation's programs help reduce children's pain while helping them to better deal with, understand and manage their illnesses. In addition, the Foundation'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 Foundation works to restore the entire family's spirit.

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 seven 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.

**STARLIGHT STARBRIGHT CHILDREN'S FOUNDATION
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2008**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) FINANCIAL STATEMENT PRESENTATION

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the Foundation 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 Undesignated.** 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 Foundation has \$10,700,376 of unrestricted undesignated net assets at March 31, 2008.
- **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, 2008 with a balance of \$1,366,846.
- **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 \$10,248,765 of temporarily restricted net assets at March 31, 2008.
- **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, 2008.

(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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2008**

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 consolidated statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily restricted by donor stipulations or by law.

The New York/New Jersey/Connecticut Chapter also has an interest in a limited partnership. The interest in the limited partnership is recorded using the equity method.

(e) ACCOUNTS RECEIVABLE

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. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. As of March 31, 2008, all receivables are deemed fully collectible; therefore, no allowance for doubtful accounts has been established.

(f) CONTRIBUTIONS AND PLEDGES RECEIVABLE

Unconditional contributions, including pledges, are recorded at estimated net realizable value, and recognized as revenues in the period received. The Foundation reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. As of March 31, 2008, the Foundation evaluated the collectibility of pledges receivable. No allowance for uncollectible pledges is deemed necessary and pledges receivable at March 31, 2008 are expected to be collected in their entirety within one year.

(g) CONCENTRATION OF RISKS

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, 2008**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) CONCENTRATION OF RISKS (continued)

One source of donated goods, the Starbucks Joy Drive, provided 11.4% of the total revenue for the period ended March 31, 2008. This source provided for the donation of toys which were given away to children. This source is uncertain of the continuance of the program. Management does not anticipate an immediate effect on other program activities nor on-going operations as a result of the discontinuation of the Starbucks Joy Drive.

Another source of donated goods, Swarovski, provided 11.7% of the total revenue for the period ended March 31, 2008. This source provided a donation of crystal ornaments which were distributed primarily to families and children through the Foundation's program services. This source is uncertain of the continuance of the program. Management does not anticipate an immediate effect on other program activities nor on-going operations as a result of the discontinuation of the donated goods from Swarovski.

(h) INVENTORY

Inventory is comprised of the personal computers, videogame players, monitors and other electronics that make-up the "Fun Centers," "PC Pals," and toys 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.

(i) 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 Computers	5 Years
Furniture and Equipment	7 Years
Office Equipment	5 Years

(j) LONG-LIVED ASSETS

The Foundation reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. No impairment losses were recognized on long-lived assets during the year ended March 31, 2008.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2008**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) 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, airline tickets, hotel accommodations, theme park admissions, and other tangible goods. The Foundation received \$9,771,574 of contributed goods, services and use of facilities (See Note 6).

For the year ended March 31, 2008, Starbucks supported local toy drives on behalf of the Washington State Chapter and the Colorado Chapter. These local drives brought in 132,565 units valued at \$2,775,911 for the Washington State Chapter and 10,000 units valued at \$213,500 for the Colorado Chapter, which are included in direct program goods, services and use of facilities (See Note 6).

For the year ended March 31, 2008, the Foundation received \$3,064,000 in Swarovski Crystal Ornaments.

(l) ADVERTISING COSTS

Advertising costs are expensed as incurred. Advertising costs for the year ended March 31, 2008 were \$28,540.

(m) INCOME TAXES

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

(n) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the Foundation's programs and other activities have been presented in the consolidated 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.

**STARLIGHT STARBRIGHT CHILDREN'S FOUNDATION
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2008**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) COMPARATIVE TOTALS

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net assets 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 Foundation's consolidated financial statements for the year ended March 31, 2007 from which the summarized information was derived.

(p) RECLASSIFICATION

For comparability, the March 31, 2007 amounts have been reclassified, where appropriate, to conform with the consolidated financial statement presentation used at March 31, 2008.

(q) NEW ACCOUNTING PRONOUNCEMENT

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 (FIN 48), "Accounting for Uncertainty in Income Taxes - An Interpretation of FASB Statement 109." FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes." FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken, or expected to be taken, on a tax return. FIN 48 was initially effective for fiscal years beginning after December 15, 2006. The implementation date for non-public corporations for FIN 48 has been delayed and is now effective for fiscal years beginning after December 15, 2007. If there are changes in net assets as a result of the application of FIN 48, these will be accounted for as an adjustment to net assets. SLSB expects to adopt FIN 48 effective April 1, 2008 and has not currently determined the impact of FIN 48 on the accompanying consolidated financial statements.

**STARLIGHT STARBRIGHT CHILDREN'S FOUNDATION
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2008**

NOTE 3 - INVESTMENTS

Investments at fair value at March 31, 2008 consist of the following:

Fixed Income	\$ 561,739
Equity Funds	173,893
Mutual Funds	292,955
Value Fund International (NY*NJ*CT Chapter)	387,593
Limited Partnership (NY*NJ*CT Chapter)	710,445
Lanx Offshore Partners Ltd (NY*NJ*CT Chapter)	<u>495,384</u>
TOTAL INVESTMENTS	<u>\$ 2,622,009</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at March 31, 2008 consist of the following:

Software and Computers	\$ 199,641
Furniture and Equipment	129,941
Office Equipment	<u>69,695</u>
TOTAL	399,277
Less: Accumulated Depreciation	<u>(303,226)</u>
PROPERTY AND EQUIPMENT (NET)	<u>\$ 96,051</u>

Depreciation expense was \$31,643 for the year ended March 31, 2008.

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at March 31, 2008 consist of the following:

Accounts Payable	\$ 1,278,985
Accrued Vacation	332,000
Accrued Expenses	161,204
Accrued Payroll	19,237
Accrued Taxes	<u>2,476</u>
TOTAL ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	<u>\$ 1,793,902</u>

**STARLIGHT STARBRIGHT CHILDREN'S FOUNDATION
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2008**

NOTE 6 - CONTRIBUTED GOODS, SERVICES, AND USE OF FACILITIES

Contributed goods, services, and use of facilities during the year ended March 31, 2008 are as follows:

Direct Program Goods	\$ 8,309,954
Direct Program Services	753,035
General and Administrative	308,419
Direct Program Use of Facilities	184,142
Rent	126,077
Fundraising	<u>89,947</u>
TOTAL	<u>\$ 9,771,574</u>

Gross receipts from special events included an additional \$451,827 in contributed goods, services and use of facilities which are shown separately as special events income and expense and are not included above.

NOTE 7 - COMMITMENTS

The Foundation leases certain facilities and equipment under long-term operating lease agreements that expire through February 2013. Future minimum lease payments for leases that have a remaining non-cancelable term in excess of one year as of March 31, 2008 are as follows:

Years Ending March 31	
2009	\$ 389,744
2010	327,141
2011	260,167
2012	106,723
2013	<u>70,216</u>
TOTAL	<u>\$ 1,153,991</u>

Rent expense for the year ended March 31, 2008 was \$563,985.

**STARLIGHT STARBRIGHT CHILDREN'S FOUNDATION
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2008**

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at March 31, 2008 were available for the following purposes:

Starlight Sites	\$ 1,083,440
Fun Centers	3,046,702
PC Pals	1,186,408
Great Escapes	298,173
Other	228,397
Coping with Chemotherapy	15,807
My Life	<u>1,704</u>
TOTAL	5,860,631
Time Restrictions	<u>4,388,134</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u><u>\$10,248,765</u></u>

NOTE 9 - DEFINED CONTRIBUTION PENSION PLANS

Headquarters and several of its U.S. Chapters maintain 403(b) defined contribution pension plans with matching contributions ranging up to 5% of participant's salaries. Matching contributions totaled \$90,940 for the year ended March 31, 2008.

NOTE 10 - FUNCTIONAL EXPENSES

Other programs on the statement of functional expenses consist of the following at March 31, 2008:

NY*NJ*CT Pediatric Hospital Support Program	\$ 2,153,899
Miscellaneous	724,572
Wishes	232,417
My Life	69,178
Other Online	48,329
Chapter Support	<u>44,496</u>
TOTAL FUNCTIONAL EXPENSES	<u><u>\$ 3,272,891</u></u>

**STARLIGHT STARBRIGHT CHILDREN'S FOUNDATION
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2008**

NOTE 11 - RELATED PARTIES

As discussed in Note 2(a), 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 18 Month Period Ended December 31, 2007 (AUS)	United Kingdom Affiliate as of and for the Year Ended March 31, 2008 (GBR)	Canada Affiliate as of and for the Year Ended March 31, 2008 (CAD)
Total Assets	\$ 9,093,395	£ 7,588,122	\$ 2,410,562
Total Liabilities	\$ 1,520,294	£ 120,333	\$ 413,568
Net Assets	\$ 7,573,101	£ 7,467,789	\$ 1,996,994
Total Revenue	\$21,313,098	£ 6,389,493	\$ 4,862,990
Total Expenses	\$21,526,436	£ 4,117,666	\$ 4,937,923

The U.S. dollar equivalent of total revenue was approximately \$18,685,832 for the Australia affiliate for the 12 month period ended December 31, 2007, \$12,747,741 for the United Kingdom affiliate for the year ended March 31, 2008, and \$4,757,609 for the Canada affiliate for the year ended March 31, 2008. 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 one of the international affiliates and also provides Fun Center components to another. These amounts totaled \$731,750 for the year ended March 31, 2008.

The Japan Affiliate provided an unaudited financial report for the year ended April 30, 2008. The U.S. dollar equivalent was \$517,809 for total revenue and \$374,113 for total expenses during the twelve month period.

**STARLIGHT STARBRIGHT CHILDREN'S FOUNDATION
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2008**

NOTE 11 - RELATED PARTIES (continued)

The NY*NJ*CT Chapter receives in-kind donated facilities and utilities from a company owned by a Board member. The donated facilities and services amounted to \$126,077 for the year ended March 31, 2008. The Chapter also paid the company \$66,941 for rent.

The Mid-Atlantic Chapter leases office space from a Board member. Lease payments under this lease amounted to \$29,976 for the year ended March 31, 2008.

NOTE 12 - CURRENT YEAR EVENT

As of October 1, 2007, the New England Chapter operations were merged with Headquarters. However, the New England Chapter remains as a separate legal entity at year end.

NOTE 13 - SUBSEQUENT EVENTS

Effective June 30, 2008, the Atlanta Chapter Board of Directors approved the merger of the Atlanta Chapter with Headquarters. The dissolution date of the Atlanta Chapter non-profit corporate entity has not been determined.

At the Board of Directors meeting on July 25, 2008, it was agreed that the name of the Foundation would be changed from Starlight Starbright Children's Foundation to Starlight Children's Foundation.

**STARLIGHT STARBRIGHT CHILDREN'S
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CONSOLIDATING INFORMATION

YEAR ENDED MARCH 31, 2008

**STARLIGHT STARBRIGHT CHILDREN'S FOUNDATION
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CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
March 31, 2008

ASSETS	Headquarters	Atlanta	Colorado	Mid-Atlantic	Midwest	New England	NY *NJ*CT	Washington	Total Before Eliminations	Eliminations	Total
Cash and Cash Equivalents	\$ 5,397,999	\$ 92,864	\$ 69,297	\$ 511,394	\$ 274,672	\$ 109,386	\$ 3,501,696	\$ 311,927	\$ 10,269,235	\$ -	\$ 10,269,235
Investments	593,393	2,808	-	-	302,534	-	1,723,274	-	2,622,009	-	2,622,009
Accounts Receivable	70,226	-	395	800	420	-	3,743	-	75,584	-	75,584
Receivables from International Affiliates	422,110	-	-	-	-	-	-	-	422,110	-	422,110
Receivables from U.S. Chapters	543,172	-	-	-	-	-	-	-	543,172	543,172	-
Receivables from Headquarters	-	23,166	19,956	61,996	54,924	-	63,362	12,863	236,267	236,267	-
Pledges Receivable	2,565,262	5,515	5,336	17,608	1,489	-	3,141,200	-	5,736,410	-	5,736,410
Inventory	2,283,834	29,421	145,619	44,618	108,457	26,865	126,943	1,879,051	4,644,808	-	4,644,808
Prepaid Expenses and Other Assets	119,616	3,482	13,289	15,830	25,418	4,268	73,365	1,857	257,125	-	257,125
Property and Equipment (Net)	63,193	1,611	1,200	736	1,455	-	11,615	16,241	96,051	-	96,051
TOTAL ASSETS	\$ 12,058,805	\$ 158,867	\$ 255,092	\$ 652,982	\$ 769,369	\$ 140,519	\$ 8,645,198	\$ 2,221,939	\$ 24,902,771	\$ 779,439	\$ 24,123,332
LIABILITIES AND NET ASSETS											
Accounts Payable and Accrued Liabilities	\$ 1,591,576	\$ 438	\$ 7,266	\$ 56,211	\$ 13,706	\$ -	\$ 82,617	\$ 42,088	\$ 1,793,902	\$ -	\$ 1,793,902
Payable to International Affiliates	13,443	-	-	-	-	-	-	-	13,443	-	13,443
Payable to Headquarters or Other U.S. Chapters	249,710	3,600	1,800	233,800	63,900	729	225,900	-	779,439	779,439	-
TOTAL LIABILITIES	1,854,729	4,038	9,066	290,011	77,606	729	308,517	42,088	2,586,784	779,439	1,807,345
NET ASSETS:											
Unrestricted:											
Unrestricted Undesignated	1,998,812	134,754	237,463	339,971	549,578	95,256	5,164,691	2,179,851	10,700,376	-	10,700,376
Unrestricted Board Designated	1,366,846	-	-	-	-	-	-	-	1,366,846	-	1,366,846
TOTAL UNRESTRICTED NET ASSETS	3,365,658	134,754	237,463	339,971	549,578	95,256	5,164,691	2,179,851	12,067,222	-	12,067,222
Temporarily Restricted	6,838,418	20,075	8,563	23,000	142,185	44,534	3,171,990	-	10,248,765	-	10,248,765
TOTAL NET ASSETS	10,204,076	154,829	246,026	362,971	691,763	139,790	8,336,681	2,179,851	22,315,987	-	22,315,987
TOTAL LIABILITIES AND NET ASSETS	\$ 12,058,805	\$ 158,867	\$ 255,092	\$ 652,982	\$ 769,369	\$ 140,519	\$ 8,645,198	\$ 2,221,939	\$ 24,902,771	\$ 779,439	\$ 24,123,332

See Independent Auditors' Report

**STARLIGHT STARBRIGHT CHILDREN'S FOUNDATION
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**CONSOLIDATING SCHEDULE OF ACTIVITIES
Year Ended March 31, 2008**

	Headquarters	Atlanta	Colorado	Mid-Atlantic	Midwest	New England	NY*NJ*CT	Washington	Total Before Eliminations	Eliminations	Total
REVENUE AND SUPPORT:											
Special Events											
Gross Receipts	\$ 1,150,434	\$ 137,035	\$ 273,620	\$ 668,390	\$ 428,292	\$ 18,971	\$ 2,484,192	\$ 208,572	\$ 5,369,506	\$ -	\$ 5,369,506
Less: Direct Benefit to Donors	(333,583)	(59,922)	(36,133)	(141,019)	(103,395)	(10,496)	(458,877)	(36,986)	(1,180,411)	-	(1,180,411)
NET SPECIAL EVENTS REVENUE	816,851	77,113	237,487	527,371	324,897	8,475	2,025,315	171,586	4,189,095	-	4,189,095
Contributed Goods, Services and Use of Facilities	5,516,876	42,383	545,463	124,784	625,918	33,524	533,669	3,133,445	10,556,062	784,487	9,771,575
Contributions	1,648,932	62,486	121,473	145,473	92,976	41,278	1,814,851	268,566	4,196,035	-	4,196,035
Revenue from Headquarters or Other U.S. Chapters	1,193,636	44,307	57,488	98,187	100,493	917	166,509	63,859	1,725,396	1,725,396	-
Assessments and Sales to International Affiliates	731,750	-	-	-	-	-	-	-	731,750	-	731,750
Interest and Dividend Income	210,718	1,666	2,557	5,937	16,968	905	63,881	1,158	303,790	-	303,790
Realized and Unrealized Gains on Investments	6,584	204	-	-	(15,245)	-	23,465	610	15,618	-	15,618
Miscellaneous	32,662	-	125	-	-	28	47,644	52	80,511	-	80,511
Net Assets Released from Program Restrictions	4,306,677	43,210	17,398	225,399	170,472	21,648	571,402	60,025	5,416,231	-	5,416,231
TOTAL UNRESTRICTED REVENUE AND SUPPORT	14,464,686	271,369	981,991	1,127,151	1,316,479	106,775	5,246,736	3,699,301	27,214,488	2,509,883	24,704,605
EXPENSES:											
Program Services	11,348,921	180,634	662,085	907,705	1,020,460	157,502	4,029,308	2,283,536	20,590,151	2,509,883	18,080,268
Management and General	826,249	23,715	72,623	72,844	96,489	10,340	340,946	34,986	1,478,192	-	1,478,192
Fundraising	1,809,737	60,792	197,885	198,314	190,879	25,899	691,498	249,087	3,424,091	-	3,424,091
TOTAL EXPENSES	13,984,907	265,141	932,593	1,178,863	1,307,828	193,741	5,061,752	2,567,609	25,492,434	2,509,883	22,982,551
CHANGE IN UNRESTRICTED NET ASSETS	479,779	6,228	49,398	(51,712)	8,651	(86,966)	184,984	1,131,692	1,722,054	-	1,722,054
Change in Restricted Net Assets:											
Pledged Contributions	1,264,919	5,515	2,688	18,000	1,812	-	1,595,200	-	2,888,134	-	2,888,134
Contributions	2,910,479	45,110	20,600	161,850	239,515	15,000	495,673	55,775	3,944,002	-	3,944,002
Net Assets Released from Program and Time Restrictions	(4,306,677)	(43,210)	(17,398)	(225,399)	(166,472)	(21,648)	(571,402)	(60,025)	(5,412,231)	-	(5,412,231)
CHANGE IN RESTRICTED NET ASSETS	(131,279)	7,415	5,890	(45,549)	74,855	(6,648)	1,519,471	(4,250)	1,419,905	-	1,419,905
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	-	-	-	-	(4,000)	-	-	-	(4,000)	-	(4,000)
TOTAL CHANGE IN NET ASSETS	348,500	13,643	55,288	(97,261)	79,506	(93,614)	1,704,455	1,127,442	3,137,959	-	3,137,959
Net Assets - Beginning of Year	9,855,576	141,186	190,738	460,232	612,257	233,404	6,632,226	1,052,409	19,178,028	-	19,178,028
NET ASSETS - END OF YEAR	\$ 10,204,076	\$ 154,829	\$ 246,026	\$ 362,971	\$ 691,763	\$ 139,790	\$ 8,336,681	\$ 2,179,851	\$ 22,315,987	\$ -	\$ 22,315,987

See Independent Auditors' Report