KPMG

# STARLIGHT CHILDREN'S FOUNDATION NY*NJ*CT

Financial Statements

December 31, 2014

(With Independent Auditors' Report Thereon)

**STARLIGHT CHILDREN'S FOUNDATION NY*NJ*CT**

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# Independent Auditors' Report

The Board of Directors
Starlight Children's Foundation NY*NJ*CT:

We have audited the accompanying financial statements of Starlight Children's Foundation NY*NJ*CT, which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Starlight Children's Foundation NY*NJ*CT as of December 31, 2014, and the results of its operations and its cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.

***Emphasis of Matter***

As discussed in Note 10 to the financial statements, the Chapter and the Starlight Children's Foundation (Foundation) entered into a Separation Agreement effective October 30, 2015 providing for a separation between the Chapter and the Foundation. Our opinion is not modified with respect to this matter.

KPMG LLP

Irvine, California
December 22, 2015

**STARLIGHT CHILDREN'S FOUNDATION NY*NJ*CT**

Statement of Financial Position

December 31, 2014

| | | |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ | 1,026,560 |
| Investments | | 2,272,966 |
| Accounts receivable | | 51,928 |
| Contributions and pledges receivable (net) | | 43,424 |
| Inventory | | 11,488 |
| Prepaid expenses and other assets | | 10,000 |
| Property and equipment (net) | | — |
| Total assets | $ | 3,416,366 |
| **Liabilities and Net Assets** | | |
| Liabilities: | | |
| Accounts payable and accrued liabilities | $ | 105,783 |
| Net assets: | | |
| Unrestricted | | 2,768,658 |
| Temporarily restricted | | 541,925 |
| Total net assets | | 3,310,583 |
| Total liabilities and net assets | $ | 3,416,366 |

See accompanying notes to financial statements.

**STARLIGHT CHILDREN'S FOUNDATION NY*NJ*CT**

Statement of Activities

Year ended December 31, 2014

| | | Unrestricted | Temporarily restricted | Total |
|---|---|---|---|---|
| Revenue and support: | | | | |
| Special events: | | | | |
| Gross receipts | $ | 2,483,622 | 93,500 | 2,577,122 |
| Less direct benefit to donors | | (477,267) | — | (477,267) |
| Net special events revenue | | 2,006,355 | 93,500 | 2,099,855 |
| Contributed goods, services, and use of facilities | | 1,453,449 | — | 1,453,449 |
| Contributions | | 171,955 | 1,037,113 | 1,209,068 |
| Investment income, net | | 127,188 | — | 127,188 |
| Revenue from related party | | 12,257 | — | 12,257 |
| Miscellaneous | | 44,772 | — | 44,772 |
| Net assets released from: | | | | |
| Purpose restrictions | | 869,553 | (869,553) | — |
| Time restrictions | | 13,500 | (13,500) | — |
| Total revenue and support | | 4,699,029 | 247,560 | 4,946,589 |
| Expenses: | | | | |
| Program services | | 2,846,413 | — | 2,846,413 |
| Management and general | | 525,128 | — | 525,128 |
| Fundraising | | 1,465,552 | — | 1,465,552 |
| Total expenses | | 4,837,093 | — | 4,837,093 |
| Change in net assets | | (138,064) | 247,560 | 109,496 |
| Net assets – beginning of year | | 2,906,722 | 294,365 | 3,201,087 |
| Net assets – end of year | $ | 2,768,658 | 541,925 | 3,310,583 |

See accompanying notes to financial statements.

**STARLIGHT CHILDREN'S FOUNDATION NY*NJ*CT**

Statement of Functional Expenses

Year ended December 31, 2014

| | Pediatric Hospital Support Program | Starlight Fun Center Mobile Entertainment Units | Hospital Happenings | Starlight Sites | Starlight Escapes | Starlight Tablets | Total program services | Management and general | Fundraising | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Advertising (in-kind) | $ — | — | — | — | — | — | — | — | 952,555 | 952,555 |
| Advertising and recruitment | — | — | — | — | — | — | — | 35,721 | 25 | 35,746 |
| Contractors | — | — | 421,900 | 47,250 | 6,705 | 16,361 | 492,216 | — | — | 492,216 |
| Donated goods | — | — | 250 | — | 156,056 | — | 156,306 | — | — | 156,306 |
| Donated storage space | 2,826 | 214 | 10,220 | 832 | 1,444 | 314 | 15,850 | 3,277 | 1,943 | 21,070 |
| Donated office space | 22,248 | 1,688 | 14,578 | 6,548 | 11,368 | 2,470 | 58,900 | 25,800 | 15,300 | 100,000 |
| Equipment rental and repair | 2,478 | 188 | 1,624 | 729 | 1,266 | 275 | 6,560 | 2,874 | 1,704 | 11,138 |
| Equipment – programs | — | 45,000 | — | 5,942 | — | 55,928 | 106,870 | — | — | 106,870 |
| Events (incl. in-kind) | — | — | — | — | — | — | — | — | 156,728 | 156,728 |
| Family outings and activities | — | — | 5,289 | — | 215,669 | — | 220,958 | — | — | 220,958 |
| Grants to other organizations | 724,897 | — | — | — | — | — | 724,897 | — | — | 724,897 |
| Insurance | 1,787 | 136 | 1,171 | 526 | 913 | 198 | 4,731 | 2,072 | 1,229 | 8,032 |
| Materials and supplies | — | — | 34,581 | 160,021 | 12,567 | 7,592 | 214,761 | — | — | 214,761 |
| Meetings and conferences | 393 | 30 | 1,080 | 116 | 1,294 | 44 | 2,957 | 6,497 | 238 | 9,692 |
| Membership dues and staff development | 363 | 28 | 915 | 107 | 185 | 40 | 1,638 | 232 | 138 | 2,008 |
| Miscellaneous | 2,046 | 155 | 1,341 | 627 | 1,109 | 227 | 5,505 | 34,934 | 1,407 | 41,846 |
| Occupancy | 18,915 | 1,435 | 12,394 | 5,567 | 10,558 | 2,100 | 50,969 | 21,934 | 13,007 | 85,910 |
| Office supplies | 3,363 | 255 | 2,204 | 990 | 2,297 | 373 | 9,482 | 4,767 | 2,857 | 17,106 |
| Outside computer expenses | 3,685 | 280 | 2,414 | 1,084 | 1,883 | 409 | 9,755 | 4,273 | 2,884 | 16,912 |
| Postage and delivery | 1,269 | 93 | 4,248 | 500 | 3,898 | 483 | 10,491 | 1,377 | 8,547 | 20,415 |
| Printing and publications (incl. in-kind) | 369 | 19 | 164 | 73 | 128 | 277 | 1,030 | 340 | 116,242 | 117,612 |
| Professional services (incl. in-kind) | — | 9,995 | — | — | — | — | 9,995 | 56,828 | — | 66,823 |
| Salaries and employee benefits | 274,562 | 20,831 | 179,908 | 80,807 | 140,282 | 30,481 | 726,871 | 320,801 | 188,814 | 1,236,486 |
| Telephone and communications | 1,353 | 103 | 887 | 398 | 2,918 | 150 | 5,809 | 1,569 | 930 | 8,308 |
| Travel and automobile | 1,468 | 125 | 1,223 | 448 | 6,419 | 179 | 9,862 | 1,832 | 1,004 | 12,698 |
| Total functional expenses | $ 1,062,022 | 80,575 | 696,391 | 312,565 | 576,959 | 117,901 | 2,846,413 | 525,128 | 1,465,552 | 4,837,093 |

See accompanying notes to financial statements.

**STARLIGHT CHILDREN'S FOUNDATION NY*NJ*CT**

Statement of Cash Flows

Year ended December 31, 2014

| | | |
|---|---|---|
| Cash flows from operating activities: | | |
| Change in net assets | $ | 109,496 |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Unrealized gain on investments | | (15,956) |
| Realized gain on investments | | (96,603) |
| (Increase) decrease in: | | |
| Accounts and related-party receivable | | 9,901 |
| Contributions and pledges receivable | | (28,424) |
| Inventory | | 22,746 |
| Prepaid expenses and other assets | | 600 |
| Decrease in: | | |
| Accounts payable and accrued liabilities | | (96,236) |
| Net cash used in operating activities | | (94,476) |
| Cash flows from investing activities: | | |
| Proceeds from investment redemption | | 301,507 |
| Purchases of investments | | (11,570) |
| Net cash provided by investing activities | | 289,937 |
| Net increase in cash and cash equivalents | | 195,461 |
| Cash and cash equivalents – beginning of year | | 831,099 |
| Cash and cash equivalents – end of year | $ | 1,026,560 |

See accompanying notes to financial statements.

## (1) Organization

Formed in 1985, the New York Chapter of Starlight Children's Foundation (the Chapter) has partnered with experts to improve the life and health of kids and families. The Chapter is an independently governed chapter, of Starlight Children's Foundation (the Foundation), a global organization with one chapter in North America and three (3) international affiliates in Australia, Canada, and the United Kingdom.

The Chapter's programs serve hospitalized kids and families. Programs include:

- **Pediatric Hospital Support:** This unique hospital program, now in its 18th year, supports Music and Dance Therapy, Karate Classes for kids fighting cancer, adapted Yoga sessions for profoundly disabled children, sensory therapy, a wheelchair accessible van, recreational rooms, horticulture therapy, a video artist-in-residence project, and many other creative projects that enhance the lives of hospitalized children. During the year ended December 31, 2014, the Chapter provided $724,897 in support to area hospitals.
- **Starlight Fun Center®:** Mobile entertainment units equipped with the latest gaming system that provides bedside entertainment and brings the healing power of play to pediatric patients. For children facing surgery, enduring long outpatient treatments, or fighting loneliness after hospital visiting hours have ended, Starlight Fun Center units provide a comforting break and fun distraction.
- **Hospital Happenings**: Working in concert with hospital staff, the Chapter offers a unique hospital program that provides psychosocial support for patients in area hospitals. Hospital Happenings help ease the loneliness, fear, and boredom that accompany hospital stays. Specialized Hospital Happenings include:
  - **Clown Program** – Children suffering from a wide range of illnesses have come to rely on weekly visits from clowns for large doses of happiness. For many years, medical professionals have recognized that those patients who maintained a positive mental attitude and shared laughter responded better to treatment.
  - **Music Program** – Children benefit from the power of music as a result of sessions with music therapists who not only encourage their creativity and personal expression but also help them develop coping skills and techniques for pain management.
  - **Starworks** – Graduate writing students teach creative expression to pediatric patients in several area hospitals. As a result, these children have composed pictures of their hopes, dreams, and lives in poems, stories, and essays. Creativity has a powerful impact – it heightens spirits, generates pride, and builds self-esteem.
  - **Starlight Bears –** Teddy bears are given to hospitalized children throughout the year. A teddy bear can provide the support and comfort a child needs during a scary medical procedure, and ease his or her nervousness before a surgery.
- **Starlight Sites®** – A Starlight Site is a beautifully designed, inviting hospital environment created to support the healing of pediatric patients during their hospital stay.

  Starlight transforms designated areas of sterile hospital environments into colorful, entertaining oases that can be enjoyed by young patients and their families. These playrooms, teen lounges, and



(Continued)

playgrounds offer a variety of diversions, including video games, computers, toys, crafts, music, and best of all, the company of other children. Starlight Sites help ease young patients' stress by stimulating the senses, providing an antidote to loneliness and an escape from the isolation of a hospital room. Every unique Starlight Site offers respite from the tedious routine most pediatric patients face. For young patients confined to a hospital, the opportunity to have fun in a well equipped, welcoming atmosphere assists in the healing process.

- **Starlight Escapes:** Escapes are family activities and outings that are offered regularly 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.
- **Starlight Tablets:** Tablets are a critical resource for healthcare professionals to support the ongoing needs of kids while in the hospital. Starlight Tablets are iPads with six of Starlight's award-winning online educational programs preloaded on the devices and a connection to Starlight World. Feedback from Child Life Specialists and other healthcare experts indicates that having a Starlight Tablet allows them to deliver superior patient care.

## (2) Summary of Significant Accounting Policies

### *(a) Basis of Presentation*

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

### *(b) Net Assets*

The Chapter's net assets and changes therein are classified and reported as follows:

- **Unrestricted.** Net assets that are not subject to donor-imposed restrictions or law.
- **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 $541,925 of temporarily restricted net assets at December 31, 2014 (note 7).
- **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 derived from the donated assets. The Chapter has no permanently restricted net assets at December 31, 2014.

### *(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 Chapter maintains its cash and cash equivalents 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. The carrying value of cash and cash equivalents at December 31, 2014 approximates its fair value.

***(d) Investments***

Investments are reported at fair value. Changes in fair value and interest and dividend income are reflected in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily restricted by donor stipulations or by law.

As permitted by Accounting Standards Codification (ASC) 820, *Fair Value Measurements*, the Chapter uses net asset value (NAV) to determine the fair value of investments that (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

The Chapter's investments consist of mutual funds and an interest in a limited liability company.

***(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, if any, represents its estimated net realizable value. The allowance for doubtful accounts, if any, is estimated based on historical collection experience, 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. At December 31, 2014, all receivables are deemed fully collectible; therefore, no allowance for doubtful accounts has been established.

***(f) Contributions and Pledges Receivable***

Contributions, including pledges representing unconditional promises to give, are recorded at estimated fair 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 December 31, 2014, the Chapter evaluated the collectibility of contributions and pledges receivable and established an allowance for uncollectible pledges in the amount of $12,472. All contributions and pledges receivable are expected to be collected within one year.

***(g) Inventory***

Inventory comprises toys and other materials collected for distribution. Purchased inventory is stated at the lower of cost (specific identification) or estimated fair value. Donated inventory is recorded at estimated fair value at the time of donation. The Chapter reviews the carrying value of its inventory for possible impairment whenever events or changes in circumstances indicate that the fair value may have declined since it was originally acquired. An impairment loss is recognized when the fair value



(Continued)

of the inventory is lower than the carrying amount, in which case a write-down is recorded to reduce the related asset to its estimated fair value.

### *(h) Property and Equipment*

Property and equipment having a useful life of more than one year are recorded at cost when purchased. Donated assets are capitalized at the estimated fair value at the date of receipt and restrictions are released once the asset has been placed into service. 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. The estimated useful lives of property and equipment are as follows:

| | **Useful lives** |
|---|---|
| Furniture and equipment | 5 years |

All property and equipment are fully depreciated as of December 31, 2014.

### *(i) Long-Lived Assets*

The Chapter reviews the carrying value 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 asset to its estimated fair value. No impairment losses were recognized during the year ended December 31, 2014.

### *(j) Fair Value of Financial Instruments*

#### Fair Value Determination

The fair value of the Chapter's financial instruments as of December 31, 2014 represents management's best estimates of the amounts that would be received to sell those assets in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there are little, if any, observable inputs, management's own judgments about the assumptions of market participants were used in pricing the asset. Although the Chapter uses its best judgment in determining the fair value of financial instruments, there are inherent limitations in any methodology. Therefore, the values presented herein are not necessarily indicative of the amount the Chapter could realize in a current transaction. Future confirming events could affect the estimates of fair value and could be material to the financial statements. These events could also affect the amount realized upon liquidation of the financial instruments.

#### Fair Value Hierarchy

The Chapter's fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level I measurements) and the lowest priority measurements involving significant unobservable inputs (Level III measurements). The three levels of the fair value hierarchy are as follows:

- Level I inputs are quoted prices (unadjusted) in active markets for identical assets that the Chapter has the ability to access at the measurement date.
- Level II inputs are inputs other than quoted prices included within Level I that are observable for the asset, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other observable inputs that can be corroborated by observable market data. Level II includes government and corporate bonds due to variations in the pricing of such securities from various factors including current interest rates, spreads, and various trade activity that impact the quoted prices for such holdings.
- Level III are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety.

***(k) Contributed Goods, Services, and Use of Facilities***

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance nonfinancial 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, DVDs, airline tickets, hotel accommodations, theme park admissions, and other tangible goods. For the year ended December 31, 2014, the Chapter received $1,453,449 of contributed goods, services, and use of facilities (note 6).

***(l) Advertising***

The Chapter received in-kind contributions of advertising, which are included as revenue and expenses. This contribution has helped the Chapter to continue to be featured in a visibility campaign and received invaluable exposure through the donated advertising space. The campaign reached millions of people in the NY*NJ*CT area through outdoor coverage on billboards in NYC, buses, subways, transit shelters, phone kiosks, mall kiosks, and billboards along the interstate in New Jersey. Because of this exposure, the Chapter has been able to generate substantial brand awareness surrounding the Chapter both to the general public as well as to seriously ill children and their families in need of the Chapter's programs and services. Total advertising (in-kind) expense was $952,555 for the year ended December 31, 2014.

***(m) Income Taxes***

The Chapter is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding state provisions. However, the Chapter remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

ASC Topic 740, *Income Taxes*, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest and penalties, disclosure, and transition. Management believes that there are no such uncertain tax positions for the Chapter at December 31, 2014.

***(n) 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 ended December 31, 2014, 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.

***(o) 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.

## (3) Investments

The following table presents information about the Chapter's assets that are measured at fair value on a recurring basis at December 31, 2014, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

| | | Fair value measurements using | | |
|---|---|---|---|---|
| | **December 31, 2014** | **Quoted prices in active markets for identical assets (Level I)** | **Significant other observable inputs (Level II)** | **Significant unobservable inputs (Level III)** |
| TIFF Multi-Asset Fund | $ 1,392,966 | — | 1,392,966 | — |
| Interest in a limited liability company | 880,000 | — | — | 880,000 |
| Total investments | $ 2,272,966 | — | 1,392,966 | 880,000 |

The fair value of the holdings in The Investment Fund for the Foundation (TIFF) Multi-Asset Fund is valued based upon Level II inputs using the NAV of the fund as determined by TIFF Advisory Services, Inc.

Redemption notice must be received by the close of business on any business day. Payment, less any applicable exit fee, generally will be made on the business day following receipt of notice, up to seven days. The open-ended balanced mutual fund invests, either directly or indirectly through its investments in acquired funds, in common and preferred stocks, real estate investment trusts, high-yield bonds, securities issued or guaranteed by the U.S. government, corporate bonds, and short-term investments, such as high-quality, short-term money market instruments.

The fair value of the interest in a limited liability company within Level III was estimated based on a valuation performed by an appraiser and assessed by management, using the income approach. Inputs used for the income approach included the evaluation of certain observable market data such as capitalization rates on similar property types. The limited liability company owns and operates 80 residential apartments and 5 commercial units in New York.

The fair value measurements using significant unobservable inputs (Level III) are as follows:

| | | **Interest in a limited liability company** |
|---|---|---|
| Beginning balance | $ | 770,000 |
| Unrealized gain | | 110,000 |
| Ending balance | $ | 880,000 |

Total investment income, gains, and losses for the year ended December 31, 2014 consist of the following:

| | | |
|---|---|---|
| Interest and dividend income | $ | 14,629 |
| Realized and unrealized gains, net | | 112,559 |
| Investment income, net | $ | 127,188 |

## (4) Property and Equipment

Property and equipment at December 31, 2014 consist of the following:

| | | |
|---|---|---|
| Furniture | $ | 19,514 |
| Office equipment | | 46,150 |
| Total | | 65,664 |
| Less accumulated depreciation | | (65,664) |
| Property and equipment (net) | $ | — |

There was no depreciation expense for the year ended December 31, 2014.

## (5) Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at December 31, 2014 consist of the following:

| | | |
|---|---|---|
| Accounts payable | $ | 62,486 |
| Accrued vacation | | 15,212 |
| Other accrued liabilities | | 28,085 |
| Total accounts payable and accrued liabilities | $ | 105,783 |

## (6) Contributed Goods, Services, and Use of Facilities

Contributed goods, services, and use of facilities during the year ended December 31, 2014 were reported as follows:

| | | |
|---|---|---|
| Advertising | $ | 952,555 |
| Contributed goods | | 150,206 |
| Office and storage spaces | | 121,070 |
| Printing and publication | | 106,136 |
| Events | | 93,487 |
| Professional services | | 29,995 |
| Total | $ | 1,453,449 |

## (7) Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2014 are restricted as follows:

| | | |
|---|---|---|
| Care Rooms | $ | 229,898 |
| iPad program | | 112,916 |
| Fun centers | | 111,582 |
| Time restrictions | | 40,424 |
| Other | | 47,105 |
| Total temporarily net restricted net assets | $ | 541,925 |

## (8) Defined-Contribution Pension Plans

The Chapter maintains a 401(k) defined-contribution pension plan with matching contributions of 3% of participant salaries. Matching contributions totaled $28,580 for the year ended December 31, 2014.

## (9) Related-Party Transactions

The Chapter receives donated use of facilities and storage space from a company, whose president is a board member of the Chapter. The portion of the facilities and storage space donated by the company amounted to $112,700 for the year ended December 31, 2014. The Chapter paid the company $84,484 for rent during the year ended December 31, 2014. The Chapter received contributions from its board of directors of $150,177 for the year ended December 31, 2014.

As discussed in note 1, the Chapter is a chartered chapter of Starlight Children's Foundation. During the year ended December 31, 2014, the Chapter received allocated funds from the Foundation totaling $58,257, of which $46,000 was from special events revenue. Receivables from the Foundation were $2,313 at December 31, 2014, resulting from revenue collected on behalf of the Chapter by the Foundation. There were no payables due to the Foundation at December 31, 2014.

## (10) Subsequent Events

The Chapter and the Foundation entered into a Separation Agreement, dated September 18, 2015, providing for a separation effective on October 30, 2015 (the effective date). Upon the effective date, the Chapter's Charter, License and Chapter Agreement from the Foundation were terminated. From and after the effective date, the Chapter is to operate under a new corporate name, and on the effective date changed its name from Starlight Children's Foundation NY*NJ*CT to enCourage Kids Foundation. The Chapter also has agreed to do the following, among other things, as of the effective date, subject to the provisions of the Separation Agreement:

- Cease holding itself out to be a chapter or in any manner associated with the Foundation (similarly, the Foundation has agreed to cease holding itself as associated in any way with the Chapter); and
- Cease using the Starlight Trademarks, except in specifically agreed situations generally limited to notifying others of the separation and of the continuance of the former Chapter under a new name.

The Chapter will continue to use all net liquid assets held by the Chapter as of the effective date for program activities within the area or for normal operating expenses within the area, consistent with the mission which is to improve the life and health of children and their families. The Chapter is to disburse any donations, grants, or bequests made out to the entity containing the name "Starlight" after the effective date in the same manner and subject to the same restrictions as apply to the donations as of the effective date. The Chapter is allowed to solicit donors and foundations or other entities to fulfill any unpaid pledges and disburse any undisbursed grants in the Chapter's new name as long as the fact of the disassociation is clearly conveyed in accordance with the Separation Agreement, and the Chapter uses such funds in furtherance of the mission. The Chapter may use any information, including its donor lists and any of its current or past processes or practices, relating to current or past fundraising, donors, hospitals, children and their families, programming or other activities of the Chapter but (except in limited specified situations) without the Starlight Trademarks. Management believes that it will be able to sustain its efforts through continued donor contributions and revenues from fund-raising events.

Subsequent events have been evaluated through December 22, 2015, which corresponds to the date when the financial statements were available to be issued. There are no other subsequent events that require disclosure.