

**ONLY MAKE BELIEVE, INC.**

**Financial Statements  
for the year ended  
December 31, 2017**

**Independent Auditor's Report**

To the Board of Directors  
Only Make Believe, Inc.

We have audited the accompanying financial statements of Only Make Believe, Inc. which comprise the statement of financial position as of December 31, 2017 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 accounting principles generally accepted in the United States of America; 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.

***Auditor's 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 auditor's 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 Only Make Believe, Inc. as of December 31, 2017 and the results of its activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matter***

The financial statements of Only Make Believe, Inc. as of December 31, 2016, were audited by other auditors whose report, dated May 4, 2017, expressed an unmodified opinion on those statements.

*Condon O'Meara McGinty + Donnelly LLP*  
April 13, 2018

**ONLY MAKE BELIEVE, INC.**

**Statement of Financial Position**

**Assets**

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
<b>Current assets</b>		
Cash	\$1,390,008	\$ 345,625
Investments, at fair value	527,267	877,205
Contributions receivable	80,220	125,620
Prepaid expenses	3,096	16,979
Total current assets	<u>2,000,591</u>	<u>1,365,429</u>
<b>Security deposits</b>	<u>23,253</u>	<u>23,253</u>
<b>Property and equipment, at cost</b>		
Furniture and equipment	29,290	28,085
Website	16,090	16,090
Total property and equipment	<u>45,380</u>	<u>44,175</u>
Less: accumulated depreciation	40,472	31,705
Net property and equipment	<u>4,908</u>	<u>12,470</u>
<b>Total assets</b>	<b><u>\$2,028,752</u></b>	<b><u>\$1,401,152</u></b>

**Current Liabilities and Net Assets**

<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 26,523	\$ 23,911
<b>Net assets</b>		
Unrestricted		
Board designated	300,000	300,000
Undesignated	1,652,229	1,000,186
Total unrestricted	<u>1,952,229</u>	<u>1,300,186</u>
Temporarily restricted	50,000	77,055
Total net assets	<u>2,002,229</u>	<u>1,377,241</u>
<b>Total current liabilities and net assets</b>	<b><u>\$2,028,752</u></b>	<b><u>\$1,401,152</u></b>

See notes to financial statements.

**ONLY MAKE BELIEVE, INC.**

**Statement of Activities**

	<b>Year Ended December 31</b>					
	<b>2017</b>	<b>2016</b>				
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Public support and revenue</b>						
Contributions and grants	\$ 599,941	-	\$ 599,941	\$ 619,090	\$ 77,055	\$ 696,145
Special events, net of direct expenses of \$97,762 in 2017 and \$111,177 in 2016	1,094,630	-	1,094,630	354,362	-	354,362
Interest and dividends	14,504	-	14,504	10,896	-	10,896
Net assets released from restrictions	27,055	(27,055)	-	64,848	(64,848)	-
Total public support and revenue	<u>1,736,130</u>	<u>(27,055)</u>	<u>1,709,075</u>	<u>1,049,196</u>	<u>12,207</u>	<u>1,061,403</u>
<b>Expenses</b>						
Program services	799,047	-	799,047	827,444	-	827,444
Supporting services						
Management and general	219,007	-	219,007	238,894	-	238,894
Fundraising	177,150	-	177,150	191,076	-	191,076
Total supporting services	<u>396,157</u>	<u>-</u>	<u>396,157</u>	<u>429,970</u>	<u>-</u>	<u>429,970</u>
Total expenses	<u>1,195,204</u>	<u>-</u>	<u>1,195,204</u>	<u>1,257,414</u>	<u>-</u>	<u>1,257,414</u>
<b>Increase (decrease) in net assets before net realized and change in unrealized gain (loss) on investments</b>	540,926	(27,055)	513,871	(208,218)	12,207	(196,011)
<b>Net realized and change in unrealized gain (loss) on investments</b>	<u>111,117</u>	<u>-</u>	<u>111,117</u>	<u>(3,989)</u>	<u>-</u>	<u>(3,989)</u>
<b>Increase (decrease) in net assets</b>	<u>652,043</u>	<u>(27,055)</u>	<u>624,988</u>	<u>(212,207)</u>	<u>12,207</u>	<u>(200,000)</u>
<b>Net assets, beginning of year</b>	<u>1,300,186</u>	<u>77,055</u>	<u>1,377,241</u>	<u>1,512,393</u>	<u>64,848</u>	<u>1,577,241</u>
<b>Net assets, end of year</b>	<u>\$ 1,952,229</u>	<u>\$ 50,000</u>	<u>\$ 2,002,229</u>	<u>\$ 1,300,186</u>	<u>\$ 77,055</u>	<u>\$ 1,377,241</u>

See notes to financial statements.

**ONLY MAKE BELIEVE, INC.**

**Statement of Functional Expenses**

**Year Ended December 31, 2017**  
**(with Summarized Totals for the Year Ended December 31, 2016)**

	<u>2017</u>			<u>2016</u>	
	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>	<u>Total</u>
		<u>Management and General</u>	<u>Fundraising</u>		
Salaries and wages	\$ 546,805	\$ 79,009	\$ 72,040	\$ 697,854	\$ 750,807
Employee benefits and payroll taxes	89,030	26,892	10,819	126,741	143,316
Depreciation	-	8,767	-	8,767	6,490
Indirect events benefit	-	-	48,469	48,469	57,232
Insurance	16,883	3,376	2,251	22,510	20,165
Marketing	30	640	80	750	858
Meals and entertainment	4,130	14,617	6,936	25,683	8,714
Occupancy	74,538	26,716	10,795	112,049	104,691
Other	1,633	7,893	9,103	18,629	11,772
Postage	42	2,004	71	2,117	2,112
Printing and publication	188	1,374	48	1,610	8,275
Professional fees	27,332	25,845	13,900	67,077	73,936
Subscriptions, dues and fees	6,186	5,658	1,480	13,324	8,896
Supplies	16,422	10,845	424	27,691	40,108
Telephone, internet and webhosting	5,183	1,036	691	6,910	6,982
Travel	10,645	4,335	43	15,023	13,060
<b>Total</b>	<u>\$ 799,047</u>	<u>\$ 219,007</u>	<u>\$ 177,150</u>	<u>\$1,195,204</u>	<u>\$1,257,414</u>

See notes to financial statements.

**ONLY MAKE BELIEVE, INC.**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2016**

	<u>Program Services</u>	<u>Supporting Services</u> <u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 567,868	\$ 107,929	\$ 75,010	\$ 750,807
Employee benefits and payroll taxes	108,396	20,602	14,318	143,316
Depreciation	4,907	935	648	6,490
Indirect events benefit	-	-	57,232	57,232
Insurance	15,252	2,898	2,015	20,165
Marketing	-	383	475	858
Meals and entertainment	1,106	6,013	1,595	8,714
Occupancy	79,182	15,050	10,459	104,691
Other	1,494	8,174	2,104	11,772
Postage	14	1,878	220	2,112
Printing and publication	984	799	6,492	8,275
Professional fees	2,737	54,400	16,799	73,936
Subscriptions, dues and fees	468	6,815	1,613	8,896
Supplies	28,090	11,750	268	40,108
Telephone, internet and webhosting	5,281	1,003	698	6,982
Travel	11,665	265	1,130	13,060
<b>Total</b>	<b><u>\$ 827,444</u></b>	<b><u>\$ 238,894</u></b>	<b><u>\$ 191,076</u></b>	<b><u>\$1,257,414</u></b>

**ONLY MAKE BELIEVE, INC.**

**Statement of Cash Flows**

	<b>Year Ended</b>	
	<b>December 31</b>	
	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets	\$ 624,988	\$ (200,000)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation expense	8,767	6,490
Loss on disposal of equipment	-	402
Donated securities	(98,316)	-
Proceeds from sale of donated securities	73,314	-
Net realized (gain) loss on sale of investments	(79,719)	1,793
Change in unrealized (gain) loss on investments	(31,398)	2,196
(Increase) decrease in contributions receivable	45,400	(33,773)
Decrease in prepaid expenses	13,883	6,180
(Increase) security deposits	-	(656)
Increase in accounts payable and accrued expenses	<u>2,612</u>	<u>7,079</u>
Net cash provided by (used in) operating activities	<u>559,531</u>	<u>(210,289)</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	1,117,250	523,139
Purchase of investments	(631,193)	(878,983)
Purchase of property and equipment	<u>(1,205)</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>484,852</u>	<u>(355,844)</u>
<b>Net increase (decrease) in cash</b>	<b>1,044,383</b>	<b>(566,133)</b>
<b>Cash, beginning of year</b>	<u>345,625</u>	<u>911,758</u>
<b>Cash, end of year</b>	<u><b>\$1,390,008</b></u>	<u><b>\$ 345,625</b></u>

See notes to financial statements.

**ONLY MAKE BELIEVE, INC.****Notes to Financial Statements  
December 31, 2017 and December 31, 2016****Note 1 – Nature of organization**

Only Make Believe, Inc. (“OMB”) is a unique interactive program that delivers the magical world of theater to children living with chronic illnesses in New York City medical facilities. OMB started in October 1999 as a project of The James and Dena Hammerstein Foundation. It is dedicated to the principle that freeing a child’s creative spirit is a valuable part of the healing process. Each child takes an active part in creating a world of fantasy and fun that transcends the boundaries of the hospital walls, and as a result they are able to gain a new sense of self-esteem and joy. Combining the magic of theater with the power of a child’s imagination enables them for the first time to see a world of possibilities rather than disabilities.

Fulfilling its vision to provide its program to as many children as possible, OMB replicated its model to facilities in Washington D.C.

**Note 2 – Summary of significant accounting policies****Basis of presentation**

The financial statements of OMB have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Under GAAP, net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of OMB are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations and are expendable for any purpose in performing the primary objectives of OMB. The Board has designated \$300,000 as an operating reserve.

Temporarily restricted net assets – Net assets that are subject to donor-imposed stipulations that may or will be met either by actions of OMB and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions.



**ONLY MAKE BELIEVE, INC.****Notes to Financial Statements (continued)  
December 31, 2017 and December 31, 2016****Note 2 – Summary of significant accounting policies (continued)**Contributions

Contributions are recognized when the donor makes a promise to give to OMB, that is, in substance, unconditional. Contributions received are recorded as unrestricted or temporarily restricted support depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the same year in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Allowance for doubtful accounts

OMB deems all receivables to be collectible and, accordingly, an allowance for doubtful accounts is not necessary. Such estimate is based on management's experience, the aging of the receivables, subsequent receipts and current economic conditions.

Investments

Investments are recorded at fair value based on publicly quoted market prices. Net realized gains or losses on the sale of investments and changes in unrealized gain (loss) on investments are recorded in the statements of activities as increases or decreases in net assets.

Fair value measurements

For assets measured at fair value on a recurring basis, as of December 31, 2017, accounting standards require quantitative disclosure about the fair value measurement separately for each major class of assets. OMB's investments have been classified in the highest level of hierarchy (Level 1). The fair value of the investments are based on quoted prices in active markets for identical assets.

Property and equipment

Property and equipment are recorded at cost. OMB capitalizes expenditures above a nominal amount and that have a useful life greater than one year. Property and equipment are depreciated using straight-line method over the estimated useful lives of the assets ranging from 3-5 years.

Functional expenses

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function have been allocated among program and supporting services classifications on the basis of periodic time and expense studies and other bases as determined by management of OMB to be appropriate.

**ONLY MAKE BELIEVE, INC.****Notes to Financial Statements (continued)  
December 31, 2017 and December 31, 2016****Note 2 – Summary of significant accounting policies (continued)****Concentrations of credit risk**

OMB's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash, investments and receivables. OMB places its cash with what it believes to be a quality financial institution. OMB has not experienced any losses in such accounts to date. OMB's investments are exposed to various risks such as interest rate, market volatility, liquidity and credit due to the level of uncertainty related to the foregoing risks, it is reasonably possible that changes in these risks could materially affect the fair value of investments reported in the statement of financial position at December 31, 2017. Management monitors its receivables, on an ongoing basis, and deems them to be collectible. Accordingly, OMB believes no significant concentrations of credit risk exist with respect to its cash, investments and receivables.

**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 the amounts reported in the financial statements. Actual results could differ from these estimates.

**Subsequent events**

OMB has evaluated events and transactions for potential recognition or disclosure through April 13, 2018, which is the date the financial statements were available to be issued. This evaluation did not result in any subsequent event that necessitated additional disclosures and/or adjustments.

**Note 3 – Contributions receivable and fundraising benefit**

Contributions received are unconditional promises from external organizations/individuals to donate to OMB. At December 31, 2017, OMB's contributions receivable are expected to be collected during 2018. OMB's annual fundraising benefit, which is the primary source of event revenue, is conducted in November of each year. Proceeds are used throughout the year to fund hospital workshops and offset administrative expenses. Year-end cash on hand is directly impacted by this annual event.

**ONLY MAKE BELIEVE, INC.**

**Notes to Financial Statements (continued)**  
**December 31, 2017 and December 31, 2016**

**Note 4 – Investments**

Investments consist of the following as of December 31, 2017 and December 31, 2016:

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market fund	\$ -	\$ -	\$ 23,772	\$ 23,772
Mutual funds	472,334	501,851	855,076	853,433
Common stock	<u>25,178</u>	<u>25,416</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 497,512</u>	<u>527,267</u>	<u>\$ 878,848</u>	<u>877,205</u>
Unrealized gain (loss)		<u>\$ 29,755</u>		<u>\$ (1,643)</u>

Investment return for the years ended December 31, 2017 and December 31, 2016 consists of the following:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 14,504	\$ 10,896
Net realized gain (loss) on sale of investments	79,719	(1,793)
Change in unrealized gain (loss) on investments	<u>31,398</u>	<u>(2,196)</u>
Total	<u>\$ 125,621</u>	<u>\$ 6,907</u>

**Note 5 – Temporarily restricted net assets**

The following is a summary of the activity of the temporarily restricted net assets for the years ended December 31, 2017 and December 31, 2016:

	<u>Balance December 31, 2016</u>	<u>Contributions</u>	<u>Net Assets Released from Restriction</u>	<u>Balance December 31, 2017</u>
Disney Worldwide Services	\$ 10,000	\$ -	\$ (10,000)	\$ -
Government of District of Columbia	17,055	-	(17,055)	-
Harold & Mimi Steinberg Charitable Trust	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
Total	<u>\$ 77,055</u>	<u>\$ -</u>	<u>\$ (27,055)</u>	<u>\$ 50,000</u>

	<u>Balance December 31, 2015</u>	<u>Contributions</u>	<u>Net Assets Released from Restriction</u>	<u>Balance December 31, 2016</u>
Various donor and time restricted donations	<u>\$ 64,848</u>	<u>\$ 77,055</u>	<u>\$ (64,848)</u>	<u>\$ 77,055</u>

**ONLY MAKE BELIEVE, INC.**

**Notes to Financial Statements (continued)  
December 31, 2017 and December 31, 2016**

**Note 6 – Commitment**

During March 2013, OMB entered into a five-year lease agreement for office space in New York City expiring March 2018. The lease calls for monthly payments of \$6,871 for the first year of the lease with 3.0% increases per annum thereafter. During December 2017, OMB extended the lease until March 31, 2023. The lease extension requires monthly payments of \$8,083 for the first year with 3.0% increases per annum thereafter. The lease requires OMB to pay its proportional share of real estate taxes and to maintain a security deposit equal to three times the then prevailing monthly rental payment.

In addition, during August 2017, OMB entered into a license agreement, as a licensee, with a licensor that rents office space in Washington, D.C. The license agreement expires on August 31, 2018. The agreement requires a monthly license fee of \$474 and a monthly parking fee of \$150. OMB has a security deposit of \$250 with the licensor.

As of December 31, 2017 the following are the required minimum annual payments on the above agreements:

<u>Year</u>	<u>Amount</u>
2018	\$ 100,944
2019	99,182
2020	102,158
2021	105,223
2022	108,379
2023	<u>27,294</u>
Total	<u>\$ 543,180</u>

**Note 7 – Donated services and supplies**

OMB is the beneficiary of the efforts of hundreds of dedicated volunteers who assist in the running of its programs. The committed Costume Collective volunteers design and create the costumes that the children wear during every OMB performance. OMB also has gifted and talented artists and crafts people who design and create the props and costumes for the actors at no cost. The Organization is also thankful to the OMB Buddy volunteers who provide assistance at the hospitals. These volunteers accompany the actor's onsite and help facilitate the program by pairing up with children who need extra assistance and/or special attention. Volunteers provided thousands of hours each year to support OMB's programs.

As these donated services do not meet the criteria for recognition as provided for in generally accepted accounting principles, they have not been included in the accompanying financial statements.

**ONLY MAKE BELIEVE, INC.****Notes to Financial Statements (continued)  
December 31, 2017 and December 31, 2016****Note 8 – 401(k) retirement plan**

OMB has a 401(k) retirement plan (the “Plan”) for the benefit of its employees. Eligible employees may contribute a portion of their salary, not to exceed limits established by the Internal Revenue Service. OMB also makes a matching contribution to the Plan. For the years ended December 31, 2017 and December 31, 2016, OMB made a matching contribution equal to an employee’s contribution, up to 3% of the employee’s gross salary. Total expense under this Plan was \$4,960 in 2017 and \$5,454 in 2016.

**Note 9 – Tax status**

OMB is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”). In addition, OMB has been determined by the Internal Revenue Service to be a publicly supported organization as described in Section 509(a)(1) and 170(b) (1)(A)(vi) of the Code and not a private foundation. Donors are eligible to receive the maximum charitable tax deduction for contributions permitted under the Code.