

**ONLY MAKE BELIEVE, INC.**

**Financial Statements  
for the years ended  
December 31, 2018  
and  
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, 2018 and December 31, 2017 and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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, 2018 and December 31, 2017 and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Condon O'Meara McGinty + Donnelly LLP*

May 15, 2019

**ONLY MAKE BELIEVE, INC.**

**Statement of Financial Position**

**Assets**

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 597,815	\$1,390,008
Investments, at fair value	1,384,273	527,267
Contributions receivable	22,705	80,220
Prepaid expenses	6,916	3,096
Total current assets	<u>2,011,709</u>	<u>2,000,591</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	29,290
Website	16,090	16,090
Total property and equipment	<u>45,380</u>	<u>45,380</u>
Less: accumulated depreciation	43,270	40,472
Net property and equipment	<u>2,110</u>	<u>4,908</u>
<b>Total assets</b>	<b><u>\$2,037,072</u></b>	<b><u>\$2,028,752</u></b>

**Current Liabilities and Net Assets**

<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 29,983	\$ 26,523
<b>Net assets</b>		
Without donor restrictions		
Board designated	300,000	300,000
Undesignated	1,651,384	1,652,229
Total without donor restrictions	<u>1,951,384</u>	<u>1,952,229</u>
With donor restrictions	55,705	50,000
Total net assets	<u>2,007,089</u>	<u>2,002,229</u>
<b>Total current liabilities and net assets</b>	<b><u>\$2,037,072</u></b>	<b><u>\$2,028,752</u></b>

See notes to financial statements.

ONLY MAKE BELIEVE, INC.

Statement of Activities

	Year Ended December 31			
	2018		2017	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
<b>Public support and revenue</b>				
Contributions and grants	\$ 503,215	\$ 85,205	\$ 599,941	\$ -
Special events, net of direct expenses of \$109,549 in 2018 and \$97,762 in 2017	614,526	-	1,094,630	-
Investment return	32,834	-	125,621	-
Net assets released from restrictions	79,500	(79,500)	27,055	(27,055)
Total public support and revenue	<u>1,230,075</u>	<u>5,705</u>	<u>1,847,247</u>	<u>(27,055)</u>
<b>Expenses</b>				
Program services	825,107	-	799,047	-
Supporting activities				
Management and general	237,124	-	219,007	-
Fundraising	168,689	-	177,150	-
Total supporting activities	<u>405,813</u>	<u>-</u>	<u>396,157</u>	<u>-</u>
Total expenses	<u>1,230,920</u>	<u>-</u>	<u>1,195,204</u>	<u>-</u>
Increase (decrease) in net assets	(845)	5,705	652,043	(27,055)
Net assets, beginning of year	<u>1,952,229</u>	<u>50,000</u>	<u>1,300,186</u>	<u>77,055</u>
Net assets, end of year	<u>\$ 1,951,384</u>	<u>\$ 55,705</u>	<u>\$ 1,952,229</u>	<u>\$ 50,000</u>
				<u>\$ 2,002,229</u>

See notes to financial statements.

**ONLY MAKE BELIEVE, INC.**

**Statement of Functional Expenses**

**Year Ended December 31, 2018**

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

	<u>2018</u>				<u>2017</u>
	<u>Program Services</u>	<u>Supporting Activities</u>			<u>Total</u>
		<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	
Salaries and wages	\$ 572,771	\$ 79,140	\$ 53,989	\$ 705,900	\$ 697,854
Employee benefits and payroll taxes	74,453	84,659	57	159,169	126,741
Depreciation	-	2,798	-	2,798	8,767
Indirect events benefit	-	-	57,062	57,062	48,469
Insurance	89	5,073	21	5,183	22,510
Marketing	239	-	718	957	750
Meals and entertainment	5,167	401	14,425	19,993	25,683
Occupancy	72,633	23,738	17,079	113,450	112,049
Other	711	10,872	142	11,725	18,629
Postage	1,188	513	712	2,413	2,117
Printing and publication	700	684	585	1,969	1,610
Professional fees	41,596	11,857	18,880	72,333	67,077
Subscriptions, dues and fees	4,925	4,005	1,468	10,398	13,324
Supplies	23,180	6,854	2,320	32,354	27,691
Telephone, internet and webhosting	3,283	1,979	474	5,736	6,910
Travel	24,172	4,551	757	29,480	15,023
<b>Total</b>	<b><u>\$ 825,107</u></b>	<b><u>\$ 237,124</u></b>	<b><u>\$ 168,689</u></b>	<b><u>\$1,230,920</u></b>	<b><u>\$1,195,204</u></b>

See notes to financial statements.

**ONLY MAKE BELIEVE, INC.**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2017**

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

See notes to financial statements.

**ONLY MAKE BELIEVE, INC.**

**Statement of Cash Flows**

	<b>Year Ended</b>	
	<b>December 31</b>	
	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 4,860	\$ 624,988
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation expense	2,798	8,767
Loss on disposal of equipment	-	-
Donated securities	(55,703)	(98,316)
Proceeds from sale of donated securities	81,400	73,314
Net realized (gain) on sale of investments	(47,602)	(79,719)
Change in unrealized (gain) loss on investments	29,755	(31,398)
Decrease in contributions receivable	57,515	45,400
(Increase) decrease in prepaid expenses	(3,820)	13,883
Increase in accounts payable and accrued expenses	3,460	2,612
Net cash provided by operating activities	<u>72,663</u>	<u>559,531</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	519,417	1,117,250
Purchase of investments	(1,384,273)	(631,193)
Purchase of property and equipment	-	(1,205)
Net cash provided by (used in) investing activities	<u>(864,856)</u>	<u>484,852</u>
<b>Net increase (decrease) in cash</b>	<b>(792,193)</b>	<b>1,044,383</b>
<b>Cash, beginning of year</b>	<u>1,390,008</u>	<u>345,625</u>
<b>Cash, end of year</b>	<u>\$ 597,815</u>	<u>\$1,390,008</u>

See notes to financial statements.

**ONLY MAKE BELIEVE, INC.****Notes to Financial Statements  
December 31, 2018 and December 31, 2017****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”).

**Net assets**

Under GAAP, OMB’s net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – 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.

Net assets with donor restrictions – 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions.

**Contributions**

Contributions are recognized when the donor makes a promise to give to OMB, that is, in substance, unconditional. Contributions received are recorded as net assets with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Donor restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a donor-imposed restriction is accomplished, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.



**ONLY MAKE BELIEVE, INC.****Notes to Financial Statements (continued)  
December 31, 2018 and December 31, 2017****Note 2 – Summary of significant accounting policies (continued)****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, 2018, 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 the 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.

**Concentrations of credit risk**

OMB's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash, cash equivalents, investments and receivables. OMB places its cash and cash equivalents 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. Management monitors its receivables, on an ongoing basis, and deems them to be collectible. Accordingly, OMB

**ONLY MAKE BELIEVE, INC.**

**Notes to Financial Statements (continued)  
December 31, 2018 and December 31, 2017**

**Note 2 – Summary of significant accounting policies (continued)**

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 May 15, 2019, which is the date the financial statements were available to be issued. This evaluation did not result in any subsequent events that necessitated additional disclosures and/or adjustments.

**Note 3 – Liquidity and availability of financial assets**

OMB's working capital and cash flows have seasonal variations during the year attributable to the annual gala receipts and other donations. As of December 31, 2018, financial assets and liquidity resources available within one year, for general expenditures, such as operating expenses less internal Board designation were as follows:

Financial assets		
Cash and cash equivalents		\$ 597,815
Investments		1,384,273
Contributions receivable		<u>22,705</u>
Total financial assets		2,004,793
Less: Assets with donor restrictions		(55,705)
Assets designated by the Board		<u>(300,000)</u>
Financial assets available for general expenditures		<u>\$ 1,649,088</u>

**Note 4 – Contributions receivable and fundraising benefit**

Contributions received are unconditional promises from external organizations/individuals to donate to OMB. At December 31, 2018, OMB's contributions receivable are expected to be collected during 2019. 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, 2018 and December 31, 2017**

**Note 5 – Investments**

Investments consist of the following as of December 31, 2018 and December 31, 2017:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Money market fund	\$ 124,329	\$ 124,329	\$ -	\$ -
Certificates of deposit	1,259,944	1,259,944	-	-
Mutual funds	-	-	472,334	501,851
Common stock	-	-	25,178	25,416
Total	<u>\$ 1,384,273</u>	<u>1,384,273</u>	<u>\$ 497,512</u>	<u>527,267</u>

Investment return for the years ended December 31, 2018 and December 31, 2017 consists of the following:

	2018	2017
Interest and dividends	\$ 14,987	\$ 14,504
Net realized gain (loss) on sale of investments	47,602	79,719
Change in unrealized gain (loss) on investments	(29,755)	31,398
Total	<u>\$ 32,834</u>	<u>\$ 125,621</u>

**Note 6 – Net assets with donor restrictions**

The following is a summary of the activity of the net assets with donor restrictions for the years ended December 31, 2018 and December 31, 2017:

	Balance December 31, 2017	Contributions	Net Assets Released from Restriction	Balance December 31, 2018
Disney Worldwide Services	\$ -	\$ 10,000	\$ -	\$ 10,000
Government of District of Columbia	-	41,410	(20,705)	20,705
National Endowment for the Arts	-	15,000	(15,000)	-
NYC Department of Cultural Affairs	-	18,795	(18,795)	-
Harold & Mimi Steinberg Charitable Trust	50,000	-	(25,000)	25,000
Total	<u>\$ 50,000</u>	<u>\$ 85,205</u>	<u>\$ (79,500)</u>	<u>\$ 55,705</u>

**ONLY MAKE BELIEVE, INC.**

**Notes to Financial Statements (continued)**  
**December 31, 2018 and December 31, 2017**

**Note 6 – Net assets with donor restrictions (continued)**

	Balance December 31, <u>2016</u>	<u>Contributions</u>	Net Assets Released from <u>Restriction</u>	Balance December 31, <u>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>

**Note 7 – Commitment**

OMB has a five-year lease agreement for office space in New York City expiring on March 31, 2023. The lease 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.

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 expired on August 31, 2018. The agreement required a monthly license fee of \$474 and a monthly parking fee of \$150. OMB has a security deposit of \$250 with the licensor. During July 2018, OMB extended its license agreement for a monthly fee of \$773 and a monthly parking fee of \$180 through June 30, 2019.

As of December 31, 2018 the following are the required minimum annual payments on the above agreements:

<u>Year</u>	<u>Amount</u>
2019	\$ 100,106
2020	102,158
2021	105,223
2022	108,379
2023	<u>27,294</u>
Total	<u>\$ 443,160</u>

**ONLY MAKE BELIEVE, INC.****Notes to Financial Statements (continued)  
December 31, 2018 and December 31, 2017****Note 8 – 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.

**Note 9 – 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, 2018 and December 31, 2017, 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 \$10,299 in 2018 and \$4,960 in 2017.

**Note 10 – 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.