

ONLY MAKE BELIEVE, INC.

**FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION**

DECEMBER 31, 2010 AND 2009

ONLY MAKE BELIEVE, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Only Make Believe, Inc.

We have audited the accompanying statements of financial position of Only Make Believe, Inc. (a not-for-profit corporation) as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Only Make Believe, Inc. as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Lutz + Carr, LLP

New York, New York
December 20, 2011

ONLY MAKE BELIEVE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Assets		
Cash and cash equivalents (Notes 1c and 6)	\$466,481	\$317,165
Unconditional promises to give (Notes 1d and 2)		
Unrestricted	47,592	88,200
Prepaid expenses	2,905	2,922
Property and equipment, net of accumulated depreciation (Notes 1e and 3)	16,236	15,302
Security deposits	<u>15,105</u>	<u>14,956</u>
Total Assets	<u><u>\$548,319</u></u>	<u><u>\$438,545</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	<u>\$ 26,309</u>	<u>\$ 15,817</u>
Commitment (Note 4)		
Net Assets		
Unrestricted	510,010	422,728
Temporarily restricted	<u>12,000</u>	<u>-</u>
Total Net Assets	<u><u>522,010</u></u>	<u><u>422,728</u></u>
Total Liabilities and Net Assets	<u><u>\$548,319</u></u>	<u><u>\$438,545</u></u>

See notes to financial statements.

ONLY MAKE BELIEVE, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Changes in Unrestricted Net Assets		
Revenue, Grants and Contributions		
Contributions (Notes 1a and 1d)	\$326,521	\$294,091
Benefit income (Note 8)	584,266	475,619
Less: Direct expenses	(127,628)	(94,887)
Interest and other income	518	1,536
	<u>783,677</u>	<u>676,359</u>
 Expenses		
Program Services		
Performances	425,114	317,264
Supporting Services		
Management and general	124,280	120,183
Fundraising	147,001	158,892
Total Supporting Services	<u>271,281</u>	<u>279,075</u>
	<u>696,395</u>	<u>596,339</u>
	87,282	80,020
 Changes in Temporarily Restricted Net Assets		
Contributions	<u>12,000</u>	<u>-</u>
	99,282	80,020
Net assets, beginning of year	<u>422,728</u>	<u>342,708</u>
	<u>\$522,010</u>	<u>\$422,728</u>
 Net Assets, End of Year	<u><u>\$522,010</u></u>	<u><u>\$422,728</u></u>

See notes to financial statements.

ONLY MAKE BELIEVE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Cash Flows From Operating Activities		
Increase in net assets	\$ 99,282	\$ 80,020
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation expense	7,200	5,723
(Increase) decrease in:		
Unconditional promises to give	40,608	(83,200)
Prepaid expenses	17	6,807
Security deposits	(149)	(8,460)
Increase in accounts payable and accrued expenses	10,492	11,133
Net Cash Provided By Operating Activities	<u>157,450</u>	<u>12,023</u>
Cash Flows From Investing Activities		
Acquisition of property and equipment	(8,134)	(13,570)
Redemption of certificate of deposit	-	64,481
Net Cash Provided (Used) by Investing Activities	<u>(8,134)</u>	<u>50,911</u>
Increase in cash and cash equivalents	149,316	62,934
Cash and cash equivalents, beginning of year	<u>317,165</u>	<u>254,231</u>
Cash and Cash Equivalents, End of Year	<u><u>\$466,481</u></u>	<u><u>\$317,165</u></u>

See notes to financial statements.

ONLY MAKE BELIEVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 1 - Organization and Summary of Significant Accounting Policies

a - 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.

OMB received 25% and 24% of its contribution income in 2010 and 2009, respectively, from a single Board member.

b - Financial Statement Presentation

OMB reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

c - Cash and Cash Equivalents

For purposes of the statement of cash flows, OMB considers money market funds and all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

d - Contributions and Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to OMB that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted or permanently 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 fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

OMB uses the allowance method to determine uncollectable promises to give. The allowance is based on prior years' experience and managements' analysis of specific promises made.

e - Property and Equipment

Property and equipment are recorded at cost. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets.

ONLY MAKE BELIEVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

f - Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

g - Tax Status

Only Make Believe, Inc. is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation. Management has evaluated all income tax positions and concluded that no disclosures relating to uncertain tax positions are required in the financial statements.

h - Subsequent Events

OMB has evaluated subsequent events through December 20, 2011, the date that the financial statements are considered available to be issued.

Note 2 - Unconditional Promises to Give

Unconditional promises are due within one year. Uncollectible promises to give are expected to be insignificant.

Note 3 - Property and Equipment

Property and equipment consists of the following:

	<u>Life</u>	<u>2010</u>	<u>2009</u>
Furniture and equipment	5 years	\$20,853	\$13,719
Website	3 years	10,185	10,185
Software	3 years	<u>3,708</u>	<u>2,708</u>
		34,746	26,612
Less: Accumulated depreciation		<u>(18,510)</u>	<u>(11,310)</u>
Net Book Value		<u>\$16,236</u>	<u>\$15,302</u>

ONLY MAKE BELIEVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 3 - Property and Equipment (continued)

Depreciation expense for the years ended December 31, 2010 and 2009 was \$7,200 and \$5,723, respectively.

Note 4 - Commitment

OMB occupies office space under a lease agreement through May 2013. Minimum annual rentals under the lease are as follows:

Year Ending December 31,

2011	\$43,690
2012	45,001
2013	18,981

Rent expense for 2010 and 2009 was \$47,747 and \$38,312, respectively.

Note 5 - Functional Allocation of Expenses

The cost of providing the various program and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Note 6 - Concentration of Credit Risk

OMB maintains cash balances in a financial institution located in New York. The balances are insured up to \$250,000 by the Federal Deposit Insurance Corporation.

ONLY MAKE BELIEVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 7 - Donated Services

Only Make Believe is the beneficiary of the efforts of a dedicated team of volunteers who assist the Organization in the running of its programs. Through the commitment of the Sewing Circle volunteers, who include gifted artists and crafts people, OMB is able to create the children's costumes for the trunks and design 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 actors on site and help facilitate the program by pairing up with children who need extra assistance and/or special attention.

The Organization is unable to determine the value of these services and, accordingly, they have not been included in the accompanying financial statements.

Note 8 - Fundraising Benefit

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 at hand is directly impacted by this annual event.

ADDITIONAL INFORMATION



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**INDEPENDENT AUDITORS' REPORT ON
ADDITIONAL INFORMATION**

To the Board of Directors of
Only Make Believe, Inc.

Our report on our audits of the basic financial statements of Only Make Believe, Inc. for 2010 and 2009 appears on page 1. We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Functional Expenses for the year ended December 31, 2010 with comparative totals for 2009 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lutz + Carr, LLP

New York, New York
December 20, 2011

ONLY MAKE BELIEVE, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2010 WITH COMPARATIVE TOTALS FOR 2009

	Program Services	Supporting Services		2010	2009
		Management and General	Fundraising	Total Expenses	Total Expenses
Salaries	\$301,933	\$ 59,952	\$ 43,450	\$405,335	\$354,340
Employee benefits and payroll taxes	49,496	9,829	7,123	66,448	48,022
Occupancy	35,567	7,062	5,118	47,747	38,312
Professional fees	1,280	20,094	21,321	42,695	14,621
Indirect benefit expense	-	-	60,773	60,773	75,664
Website	-	400	411	811	1,148
Printing and publications	210	278	323	811	8,444
Supplies	15,861	9,266	199	25,326	17,053
Telephone, internet and webhosting	3,979	790	573	5,342	4,329
Insurance	3,239	643	466	4,348	4,129
Postage	547	2,148	937	3,632	2,316
Subscriptions and dues	-	153	361	514	979
Travel	7,078	2,917	868	10,863	4,945
Marketing	-	740	1,332	2,072	9,555
Depreciation	5,363	1,065	772	7,200	5,723
Miscellaneous	561	8,943	2,974	12,478	6,759
Total Expenses, 2010	<u>\$425,114</u>	<u>\$ 124,280</u>	<u>\$ 147,001</u>	<u>\$696,395</u>	
Total Expenses, 2009	<u>\$317,264</u>	<u>\$ 120,183</u>	<u>\$ 158,892</u>		<u>\$596,339</u>

See independent auditors' report on additional information.