

ONLY MAKE BELIEVE, INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2011 AND 2010

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, 2011 and 2010, 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, 2011 and 2010, 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
August 15, 2012

ONLY MAKE BELIEVE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Assets		
Cash and cash equivalents (Notes 1c and 7)	\$ 748,595	\$466,481
Unconditional promises to give (Notes 1d and 3)		
Unrestricted	16,925	47,592
Prepaid expenses	13,214	2,905
Property and equipment, net of accumulated depreciation (Notes 1e and 4)	11,672	16,236
Security deposits	<u>15,105</u>	<u>15,105</u>
Total Assets	<u><u>\$ 805,511</u></u>	<u><u>\$548,319</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	<u>\$ 28,751</u>	<u>\$ 26,309</u>
Commitment (Note 5)		
Net Assets		
Unrestricted		
Operating reserve	300,000	-
Other	<u>476,760</u>	<u>510,010</u>
Total Unrestricted	776,760	510,010
Temporarily restricted	<u>-</u>	<u>12,000</u>
Total Net Assets	<u>776,760</u>	<u>522,010</u>
Total Liabilities and Net Assets	<u><u>\$ 805,511</u></u>	<u><u>\$548,319</u></u>

See notes to financial statements.

ONLY MAKE BELIEVE, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Changes in Unrestricted Net Assets		
Revenue, Grants and Contributions		
Contributions (Notes 1a and 1d)	\$ 367,632	\$326,521
Benefit income (Note 9)	854,022	584,266
Less: Direct expenses	(93,140)	(127,628)
Donated services (Note 8)	8,000	-
Interest and other income	336	518
	<u>1,136,850</u>	<u>783,677</u>
Net Assets released from restrictions		
Satisfaction of time and program restrictions	<u>12,000</u>	<u>-</u>
Total Revenue, Grants and Contributions	<u>1,148,850</u>	<u>783,677</u>
Expenses		
Program Services		
Performances	<u>553,927</u>	<u>425,114</u>
Supporting Services		
Management and general	127,178	124,280
Fundraising	<u>200,995</u>	<u>147,001</u>
Total Supporting Services	<u>328,173</u>	<u>271,281</u>
Total Expenses	<u>882,100</u>	<u>696,395</u>
Increase in Unrestricted Net Assets	<u>266,750</u>	<u>87,282</u>
Changes in Temporarily Restricted Net Assets		
Contributions	-	12,000
Net assets released from restrictions	<u>(12,000)</u>	<u>-</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>(12,000)</u>	<u>12,000</u>
Increase in net assets	254,750	99,282
Net assets, beginning of year	<u>522,010</u>	<u>422,728</u>
Net Assets, End of Year	<u><u>\$ 776,760</u></u>	<u><u>\$522,010</u></u>

See notes to financial statements.

ONLY MAKE BELIEVE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash Flows From Operating Activities		
Increase in net assets	\$ 254,750	\$ 99,282
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation expense	8,995	7,200
(Increase) decrease in:		
Unconditional promises to give	30,667	40,608
Prepaid expenses	(10,309)	17
Security deposits	-	(149)
Increase in accounts payable and accrued expenses	<u>2,442</u>	<u>10,492</u>
Net Cash Provided By Operating Activities	286,545	157,450
 Cash Flows From Investing Activities		
Acquisition of property and equipment	<u>(4,431)</u>	<u>(8,134)</u>
Net increase in cash and cash equivalents	282,114	149,316
Cash and cash equivalents, beginning of year	<u>466,481</u>	<u>317,165</u>
 Cash and Cash Equivalents, End of Year	 <u>\$ 748,595</u>	 <u>\$466,481</u>

See notes to financial statements.

ONLY MAKE BELIEVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

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 14% and 25% of its contribution income in 2011 and 2010, 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.

ONLY MAKE BELIEVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

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

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.

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. OMB's tax returns for years prior to 2008 are no longer subject to examination by taxing authorities.

h - Subsequent Events

OMB has evaluated subsequent events through August 15, 2012, the date that the financial statements are considered available to be issued.

Note 2 - Net Assets

a - Board Designated Operating Reserves

In 2011, the Board set aside \$300,000 as an operating reserve.

b - Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for future programs and periods.

Note 3 - Unconditional Promises to Give

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

ONLY MAKE BELIEVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

Note 4 - Property and Equipment

Property and equipment consists of the following:

	<u>Life</u>	<u>2011</u>	<u>2010</u>
Furniture and equipment	5 years	\$19,662	\$20,853
Website	3 years	10,185	10,185
Software	3 years	<u>5,913</u>	<u>3,708</u>
		35,760	34,746
Less: Accumulated depreciation		<u>(24,088)</u>	<u>(18,510)</u>
		<u>\$11,672</u>	<u>\$16,236</u>

Depreciation expense for the years ended December 31, 2011 and 2010 was \$8,995 and \$7,200, respectively.

Note 5 - Commitment

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

<u>Year Ending December 31,</u>	
2012	\$45,001
2013	18,981

Rent expense for 2011 and 2010 was \$49,476 and \$47,747, respectively.

Note 6 - 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.

ONLY MAKE BELIEVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

Note 7 - 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.

Note 8 - Donated Services

During the year ended December 31, 2011, OMB received donated services of \$5,000 and \$3,000 for video production and information technology support, respectively. The donated services are reflected in the financial statements using fair values provided by the donors.

OMB is the beneficiary of the efforts of a dedicated team of volunteers who assist 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.

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

Note 9 - 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.

SUPPLEMENTARY INFORMATION



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**INDEPENDENT AUDITORS' REPORT ON
SUPPLEMENTARY INFORMATION**

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

We have audited the financial statements of Only Make Believe, Inc. as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated August 15, 2012, which contained an unqualified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses for the year ended December 31, 2011 with comparative totals for 2010 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lutz + Carr, LLP

New York, New York
August 15, 2012

ONLY MAKE BELIEVE, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2011 WITH COMPARATIVE TOTALS FOR 2010

	Program Services	Supporting Services		2011	2010
		Management and General	Fundraising	Total Expenses	Total Expenses
Salaries	\$394,944	\$ 58,067	\$ 61,248	\$514,259	\$405,335
Employee benefit and payroll taxes	68,109	9,730	10,614	88,453	66,448
Occupancy	38,097	5,442	5,937	49,476	47,747
Professional fees	2,231	15,667	44,903	62,801	42,695
Indirect benefit expense	-	-	31,543	31,543	60,773
Website	-	115	420	535	811
Printing and publication	490	1,891	11,405	13,786	811
Supplies	14,200	10,318	5,283	29,801	25,326
Telephone, internet and webhosting	3,197	456	498	4,151	5,342
Insurance	3,412	487	532	4,431	4,348
Postage	551	5,696	850	7,097	3,632
Subscriptions, dues and fees	-	61	13,486	13,547	514
Travel	20,311	1,457	725	22,493	10,863
Marketing	126	315	5,710	6,151	2,072
Depreciation	6,926	990	1,079	8,995	7,200
Miscellaneous	1,333	16,486	6,762	24,581	12,478
Total Expenses, 2011	<u>\$553,927</u>	<u>\$ 127,178</u>	<u>\$ 200,995</u>	<u>\$882,100</u>	
Total Expenses, 2010	<u>\$425,114</u>	<u>\$ 124,280</u>	<u>\$ 147,001</u>		<u>\$696,395</u>

See independent accountants' report on supplementary information.