

**ONLY MAKE BELIEVE, INC.**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2013 AND 2012**

**ONLY MAKE BELIEVE, INC.**

**TABLE OF CONTENTS**

	<b>Page</b>
Independent Auditors' Report .....	1-2
Financial Statements	
Statements of Financial Position .....	3
Statements of Activities .....	4
Statements of Cash Flows .....	5
Notes to Financial Statements .....	6-9
Supplementary Information	
Independent Auditors' Report on Supplementary Information .....	11
Schedule of Functional Expenses .....	12



## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Only Make Believe, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities 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.

### **Auditors' 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 of 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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Lotz + Carr, LLP*

New York, New York  
August 13, 2014

**ONLY MAKE BELIEVE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
Cash (Notes 7a and 9)	\$ 731,894	\$ 801,181
Unconditional promises to give (Notes 1c and 3)		
Unrestricted	75,940	38,945
Prepaid expenses	10,976	7,486
Property and equipment, net of accumulated depreciation (Notes 1d and 4)	20,660	6,814
Security deposits	<u>21,342</u>	<u>15,964</u>
<b>Total Assets</b>	<u>\$ 860,812</u>	<u>\$ 870,390</u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	<u>\$ 26,881</u>	<u>\$ 27,732</u>
Commitment (Note 5)		
Net Assets		
Unrestricted		
Operating reserve (Note 2a)	300,000	300,000
Other	<u>533,931</u>	<u>517,658</u>
Total Unrestricted	833,931	817,658
Temporarily restricted (Note 2b)	<u>-</u>	<u>25,000</u>
Total Net Assets	<u>833,931</u>	<u>842,658</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 860,812</u>	<u>\$ 870,390</u>

See notes to financial statements.

## ONLY MAKE BELIEVE, INC.

## STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<b>Changes in Unrestricted Net Assets</b>		
Revenue, Grants and Contributions		
Contributions (Notes 1c and 7b)	\$ 628,411	\$ 400,640
Benefit income (Note 9)	697,567	710,550
Less: Direct expenses	(117,677)	(89,448)
Donated services (Note 8)	-	3,419
Interest and other income	5,507	246
	<u>1,213,808</u>	<u>1,025,407</u>
Net assets released from restrictions		
Satisfaction of time and program restrictions	<u>25,000</u>	<u>-</u>
Total Revenues, Grants and Contributions	<u>1,238,808</u>	<u>1,025,407</u>
Expenses		
Program Services (Notes 8)		
Performances	<u>722,841</u>	<u>595,608</u>
Supporting Services		
Management and general	246,743	170,270
Fundraising	<u>252,951</u>	<u>218,631</u>
Total Supporting Services	<u>499,694</u>	<u>388,901</u>
Total Expenses	<u>1,222,535</u>	<u>984,509</u>
Increase in Unrestricted Net Assets	<u>16,273</u>	<u>40,898</u>
<b>Changes in Temporarily Restricted Net Assets</b>		
Contributions	-	25,000
Net assets released from restrictions	<u>(25,000)</u>	<u>-</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>(25,000)</u>	<u>25,000</u>
Increase (decrease) in net assets	(8,727)	65,898
Net assets, beginning of year	<u>842,658</u>	<u>776,760</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 833,931</u></u>	<u><u>\$ 842,658</u></u>

See notes to financial statements.

## ONLY MAKE BELIEVE, INC.

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<b>Cash Flows From Operating Activities</b>		
Increase (decrease) in net assets	\$ (8,727)	\$ 65,898
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation expense	5,669	4,858
(Increase) decrease in:		
Unconditional promises to give	(36,995)	(22,020)
Prepaid expenses	(3,490)	5,728
Security deposits	(5,378)	(859)
Decrease in accounts payable and accrued expense	<u>(851)</u>	<u>(1,019)</u>
Net Cash Provided (Used) By Operating Activities	<u>(49,772)</u>	<u>52,586</u>
 <b>Cash Flows From Investing Activities</b>		
Acquisition of property and equipment	<u>(19,515)</u>	<u>-</u>
 Increase (decrease) in cash	(69,287)	52,586
Cash, beginning of year	<u>801,181</u>	<u>748,595</u>
 <b>Cash, End of Year</b>	 <u><u>\$ 731,894</u></u>	 <u><u>\$ 801,181</u></u>

See notes to financial statements.

**ONLY MAKE BELIEVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**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.

In 2012 OMB expanded its program to Washington D.C. Fulfilling its vision to provide its program to as many children as possible, OMB replicated its model to facilities in Washington D.C. This program grew to serve more sites in the D.C. area in 2013.

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 - 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.

d - 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.

e - 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.



**ONLY MAKE BELIEVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

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

f - 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 are generally subject to examination by the taxing authorities for a period of three years from the date of filing.

g - Subsequent Events

OMB has evaluated subsequent events through August 13, 2014, 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 allocated \$300,000 as an operating reserve.

b - Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2012 were 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, 2013 AND 2012**

**Note 4 - Property and Equipment**

Property and equipment consists of the following:

	<u>Life</u>	<u>2013</u>	<u>2012</u>
Furniture and equipment	5 years	\$33,153	\$19,662
Website	3 years	16,090	10,185
Software	3 years	<u>6,032</u>	<u>5,913</u>
		55,275	35,760
Less: Accumulated depreciation		<u>(34,615)</u>	<u>(28,946)</u>
		<u>\$20,660</u>	<u>\$ 6,814</u>

Depreciation expense for the years ended December 31, 2013 and 2012 was \$5,669 and \$4,858, respectively.

**Note 5 - Commitment**

OMB occupies office space in New York and Washington, D.C. under lease agreements expiring March 5, 2018, with minimum annual rentals as follows:

<u>Year Ending December 31,</u>	
2014	\$90,485
2015	90,954
2016	89,439
2017	92,122
2018	23,200

Rent expense for the years ended December 31, 2013 and 2012 was \$82,291 and \$50,223, 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, 2013 AND 2012**

**Note 7 - Concentration of Credit Risk**

- a - 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.
- b - OMB received 11% and 14% of its contribution income in 2013 and 2012 respectively, from a single Board member.

**Note 8 - Donated Services**

During the year ended December 31, 2012, OMB received donated services of \$3,419 for legal services. The donated services are reflected in the financial statements using fair values provided by the donors.

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 actors onsite and help facilitate the program by pairing up with children who need extra assistance and/or special attention.

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 - 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, 2013 and 2012, and our report thereon dated August 13, 2014, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted 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, 2013 with comparative totals for 2012 is presented for 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 13, 2014

## ONLY MAKE BELIEVE, INC.

## SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2013 WITH COMPARATIVE TOTALS FOR 2012

	Program Services	Supporting Services		2013	2012
		Management and General	Fundraising	Total Expenses	Total Expenses
Salaries	\$504,450	\$ 98,945	\$ 105,567	\$ 708,962	\$599,925
Employee benefit and payroll taxes	97,139	19,054	20,328	136,521	103,061
Occupancy	58,553	11,485	12,253	82,291	50,223
Professional fees	12,382	58,573	54,358	125,313	69,306
Indirect benefit event expense	-	-	34,623	34,623	30,054
Website	894	-	-	894	910
Printing and publication	15	453	2,029	2,497	9,189
Supplies	16,668	14,650	4,953	36,271	31,469
Telephone, internet and webhosting	4,961	973	1,038	6,972	4,855
Insurance	7,319	1,435	1,532	10,286	7,353
Postage	122	3,000	413	3,535	2,700
Subscriptions, dues and fees	936	7,795	7,550	16,281	17,525
Travel	12,050	11,483	2,960	26,493	26,458
Marketing	54	2,468	1,027	3,549	1,138
Depreciation	4,035	791	843	5,669	4,858
Miscellaneous	3,263	15,638	3,477	22,378	25,485
Total Expenses, 2013	<u>\$722,841</u>	<u>\$ 246,743</u>	<u>\$ 252,951</u>	<u>\$1,222,535</u>	
Total Expenses, 2012	<u>\$595,608</u>	<u>\$ 170,270</u>	<u>\$ 218,631</u>		<u>\$984,509</u>

See independent auditors' report on supplementary information.