

ONLY MAKE BELIEVE, INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2014 AND 2013

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 financial statements of Only Make Believe, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, 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, 2014 and 2013, 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
November 16, 2015

ONLY MAKE BELIEVE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Assets		
Cash (Notes 7a and 8)	\$ 833,032	\$ 731,894
Unconditional promises to give (Notes 1c and 3)		
Unrestricted	43,248	75,940
Temporarily restricted	10,000	-
Prepaid expenses	16,739	10,976
Property and equipment, net of accumulated depreciation (Notes 1d and 4)	16,111	20,660
Security deposits	<u>21,960</u>	<u>21,342</u>
Total Assets	<u><u>\$ 941,090</u></u>	<u><u>\$ 860,812</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	<u>\$ 39,650</u>	<u>\$ 26,881</u>
Commitment (Note 5)		
Net Assets		
Unrestricted		
Operating reserve (Note 2a)	300,000	300,000
Other	<u>591,440</u>	<u>533,931</u>
Total Unrestricted	891,440	833,931
Temporarily restricted (Note 2b)	<u>10,000</u>	<u>-</u>
Total Net Assets	<u><u>901,440</u></u>	<u><u>833,931</u></u>
Total Liabilities and Net Assets	<u><u>\$ 941,090</u></u>	<u><u>\$ 860,812</u></u>

See notes to financial statements.

ONLY MAKE BELIEVE, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Changes in Unrestricted Net Assets		
Revenue, Grants and Contributions		
Contributions (Notes 1c and 7b)	\$ 673,647	\$ 628,411
Benefit income (Note 8)	582,270	697,567
Less: Direct expenses	(94,039)	(117,677)
Interest and other income	776	5,507
	<u>1,162,654</u>	<u>1,213,808</u>
Net assets released from restrictions		
Satisfaction of time and program restrictions	-	25,000
		<u>25,000</u>
Total Revenue, Grants and Contributions	<u>1,162,654</u>	<u>1,238,808</u>
Expenses		
Program Services		
Performances	703,127	722,841
Supporting Services		
Management and general	235,698	246,743
Fundraising	166,320	252,951
Total Supporting Services	<u>402,018</u>	<u>499,694</u>
Total Expenses	<u>1,105,145</u>	<u>1,222,535</u>
Increase in Unrestricted Net Assets	<u>57,509</u>	<u>16,273</u>
Changes in Temporarily Restricted Net Assets		
Contributions	10,000	-
Net assets released from restrictions	-	(25,000)
	<u>10,000</u>	<u>(25,000)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>10,000</u>	<u>(25,000)</u>
Increase (decrease) in net assets	67,509	(8,727)
Net assets, beginning of year	<u>833,931</u>	<u>842,658</u>
Net Assets, End of Year	<u><u>\$ 901,440</u></u>	<u><u>\$ 833,931</u></u>

See notes to financial statements.

ONLY MAKE BELIEVE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 67,509	\$ (8,727)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation expense	7,088	5,669
(Increase) decrease in:		
Unconditional promises to give	22,692	(36,995)
Prepaid expenses	(5,763)	(3,490)
Security deposits	(618)	(5,378)
Increase (decrease) in accounts payable and accrued expense	12,769	(851)
Net Cash Provided (Used) By Operating Activities	103,677	(49,772)
Cash Flows From Investing Activities		
Acquisition of property and equipment	(2,539)	(19,515)
Net increase (decrease) in cash	101,138	(69,287)
Cash, beginning of year	731,894	801,181
 Cash, End of Year	 \$ 833,032	 \$ 731,894

See notes to financial statements.

ONLY MAKE BELIEVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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, 2014 AND 2013

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 November 16, 2015, 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 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.

Note 4 - Property and Equipment

Property and equipment consists of the following:

	<u>Life</u>	<u>2014</u>	<u>2013</u>
Furniture and equipment	5 years	\$35,691	\$33,153
Website	3 years	16,090	16,090
Software	3 years	<u>6,033</u>	<u>6,032</u>
		57,814	55,275
Less: Accumulated depreciation		<u>(41,703)</u>	<u>(34,615)</u>
		<u>\$16,111</u>	<u>\$20,660</u>

ONLY MAKE BELIEVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

Note 4 - Property and Equipment (continued)

Depreciation expense for the years ended December 31, 2014 and 2013 was \$7,088 and \$5,669, respectively.

Note 5 - Commitment

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

<u>Year Ending December 31,</u>	
2015	\$91,354
2016	89,439
2017	92,122
Period ending March 31, 2018	23,200

Rent expense for the years ended December 31, 2014 and 2013 was \$95,911 and \$82,291, 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.

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 13% and 11% of its contribution income in 2014 and 2013 respectively, from a single Board member.

ONLY MAKE BELIEVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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.

Note 9 - Donated Services

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.

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, 2014 and 2013, and our report thereon dated November 16, 2015, 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, 2014 with comparative totals for 2013 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
November 16, 2015

ONLY MAKE BELIEVE, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2014 WITH COMPARATIVE TOTALS FOR 2013

	Program Services	Supporting Services		2014	2013
		Management and General	Fundraising	Total Expenses	Total Expenses
Salaries	\$489,097	\$ 113,570	\$ 103,423	\$ 706,090	\$ 708,962
Employee benefit and payroll taxes	83,252	19,332	17,604	120,188	136,521
Occupancy	66,436	15,427	14,048	95,911	82,291
Professional fees	3,954	36,473	4,088	44,515	125,313
Indirect benefit event expense	-	-	10,250	10,250	34,623
Website	-	-	-	-	894
Printing and publication	493	2,394	472	3,359	2,497
Supplies	17,023	14,961	5,058	37,042	36,271
Telephone, internet and webhosting	5,085	1,181	1,075	7,341	6,972
Insurance	9,610	2,231	2,032	13,873	10,286
Postage	589	4,390	1,200	6,179	3,535
Subscriptions, dues and fees	-	6,299	4,142	10,441	16,281
Travel	12,113	2,162	-	14,275	26,493
Marketing	-	1,907	162	2,069	3,549
Depreciation	4,910	1,140	1,038	7,088	5,669
Miscellaneous	10,565	14,231	1,728	26,524	22,378
Total Expenses, 2014	<u>\$703,127</u>	<u>\$ 235,698</u>	<u>\$ 166,320</u>	<u>\$1,105,145</u>	
Total Expenses, 2013	<u>\$722,841</u>	<u>\$ 246,743</u>	<u>\$ 252,951</u>		<u>\$1,222,535</u>

See independent auditors' report on supplementary information.