

**ONLY MAKE BELIEVE, INC.**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2015 AND 2014**

**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 corporation), which comprise the statements of financial position as of December 31, 2015 and 2014, 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, 2015 and 2014, 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 18, 2016

**ONLY MAKE BELIEVE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
Cash (Notes 1c, 8a and 9)	\$ 911,758	\$ 833,032
Unconditional promises to give (Notes 1e and 3)		
Unrestricted	91,847	43,248
Temporarily restricted	-	10,000
Prepaid expenses	23,159	16,739
Investments (Notes 1d and 4)	525,350	-
Property and equipment, net of accumulated depreciation (Notes 1f and 5)	19,362	16,111
Security deposits	<u>22,597</u>	<u>21,960</u>
<b>Total Assets</b>	<u><u>\$1,594,073</u></u>	<u><u>\$ 941,090</u></u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	<u>\$ 16,832</u>	<u>\$ 39,650</u>
Commitment (Note 6)		
Net Assets		
Unrestricted		
Operating reserve (Note 2a)	300,000	300,000
Other	<u>1,212,393</u>	<u>591,440</u>
Total Unrestricted	1,512,393	891,440
Temporarily restricted (Note 2b)	<u>64,848</u>	<u>10,000</u>
Total Net Assets	<u>1,577,241</u>	<u>901,440</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$1,594,073</u></u>	<u><u>\$ 941,090</u></u>

See notes to financial statements.

## ONLY MAKE BELIEVE, INC.

## STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<b>Changes in Unrestricted Net Assets</b>		
Revenue, Contributions and Other Support		
Contributions (Notes 1e and 8b)	\$ 700,424	\$ 673,647
Benefit income (Note 9)	1,122,415	582,270
Less: Direct expenses	(113,211)	(94,039)
Donated services (Note 10)	8,750	-
Investment income (Note 4)	1,209	776
	<u>1,719,587</u>	<u>1,162,654</u>
Net assets released from restrictions		
Satisfaction of time and program restrictions	10,000	-
	<u>10,000</u>	<u>-</u>
Total Revenue, Contributions and Other Support	<u>1,729,587</u>	<u>1,162,654</u>
Expenses		
Program Services		
Performances	674,025	703,127
Supporting Services		
Management and general	243,617	235,698
Fundraising	190,992	166,320
Total Supporting Services	<u>434,609</u>	<u>402,018</u>
Total Expenses	<u>1,108,634</u>	<u>1,105,145</u>
Increase in Unrestricted Net Assets	<u>620,953</u>	<u>57,509</u>
<b>Changes in Temporarily Restricted Net Assets</b>		
Contributions	64,848	10,000
Net assets released from restrictions	(10,000)	-
	<u>54,848</u>	<u>10,000</u>
Increase in Temporarily Restricted Net Assets	<u>54,848</u>	<u>10,000</u>
Increase in net assets	675,801	67,509
Net assets, beginning of year	<u>901,440</u>	<u>833,931</u>
<b>Net Assets, End of Year</b>	<u><u>\$1,577,241</u></u>	<u><u>\$ 901,440</u></u>

See notes to financial statements.

**ONLY MAKE BELIEVE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>Cash Flows From Operating Activities</b>		
Increase in net assets	\$ 675,801	\$ 67,509
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation expense	6,330	7,088
Unrealized gains on investments	(553)	-
(Increase) decrease in:		
Unconditional promises to give	(38,599)	22,692
Prepaid expenses	(6,420)	(5,763)
Security deposits	(637)	(618)
Increase (decrease) in accounts payable and accrued expenses	<u>(22,818)</u>	<u>12,769</u>
Net Cash Provided By Operating Activities	<u>613,104</u>	<u>103,677</u>
 <b>Cash Flows From Investing Activities</b>		
Acquisition of property and equipment	(9,581)	(2,539)
Purchase of investments	<u>(524,797)</u>	<u>-</u>
Net Cash Used By Investing Activities	<u>(534,378)</u>	<u>(2,539)</u>
 Net increase in cash	78,726	101,138
Cash, beginning of year	<u>833,032</u>	<u>731,894</u>
 <b>Cash, End of Year</b>	<u><u>\$ 911,758</u></u>	<u><u>\$ 833,032</u></u>

See notes to financial statements.

**ONLY MAKE BELIEVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**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.

Fulfilling its vision to provide its program to as many children as possible, OMB replicated its model to facilities in Washington D.C.

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

For the purposes of the statement of cash flows, the Organization considers as cash all unrestricted highly liquid investments, purchased with a maturity of three months or less, to be cash except for cash included as investments.

d - Investments and Fair Value Measurements

OMB reflects investments at fair value in the statement of financial position. Interest, dividends, and gains and losses on investments are reflected in the statement of activities as increases and decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Gains and other investment income that are limited to specific uses by donor-imposed restrictions are reported as increases in unrestricted net assets if the restrictions are met in the same fiscal year in which the gains and other investment income are recognized.

Fair value is an estimate of the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., the exit price at the measurement date).

Financial instruments are categorized into a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input is significant to the fair value of the instrument.



**ONLY MAKE BELIEVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

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

d - Investments and Fair Value Measurements (continued)

The value of the Organization's investments is based on quoted market prices in active markets and is therefore classified within Level 1.

e - 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.

f - 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.

g - 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.

h - 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.

i - Subsequent Events

OMB has evaluated subsequent events through November 18, 2016, the date that the financial statements are considered available to be issued.

**Note 2 - Net Assets**

a - Board Designated Operating Reserves

The Board has allocated \$300,000 as an operating reserve.

b - Temporarily Restricted Net Assets

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

**ONLY MAKE BELIEVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**Note 3 - Unconditional Promises to Give**

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

**Note 4 - Investments**

Investments at December 31, 2015 consist of the following:

	<u>Fair Value</u>	<u>Cost</u>
Money market fund	\$500,022	\$500,022
Common stock	<u>25,328</u>	<u>24,775</u>
	<u>\$525,350</u>	<u>\$524,797</u>

Investment income for the years ended December 31, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Investment interest	\$ 21	\$ -
Unrealized gains	553	-
Interest on bank accounts	<u>635</u>	<u>776</u>
Total	<u>\$1,209</u>	<u>\$ 776</u>

**Note 5 - Property and Equipment**

Property and equipment consists of the following:

	<u>Life</u>	<u>2015</u>	<u>2014</u>
Furniture and equipment	5 years	\$45,272	\$35,691
Website	3 years	16,090	16,090
Software	3 years	<u>6,033</u>	<u>6,033</u>
		67,395	57,814
Less: Accumulated depreciation		<u>(48,033)</u>	<u>(41,703)</u>
		<u>\$19,362</u>	<u>\$16,111</u>

**ONLY MAKE BELIEVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**Note 5 - Property and Equipment (continued)**

Depreciation expense for the years ended December 31, 2015 and 2014 was \$6,330 and \$7,088, respectively.

**Note 6 - 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>	
2016	\$96,219
2017	96,642
Period ending March 31, 2018	23,200

Rent expense for the years ended December 31, 2015 and 2014 was \$101,081 and \$95,911, respectively.

**Note 7 - 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 8 - Concentration and 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 9% and 13% of its contribution income in 2015 and 2014 respectively, from a single Board member.

**ONLY MAKE BELIEVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**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.

**Note 10 - 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.

During 2015, OMB received donated supplies used in programming in the amount of \$8,750 which have 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, 2015 and 2014, and our report thereon dated November 18, 2016, 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, 2015 with comparative totals for 2014 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 18, 2016

## ONLY MAKE BELIEVE, INC.

## SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2015 WITH COMPARATIVE TOTALS FOR 2014

	Program Services	Supporting Services		2015	2014
		Management and General	Fundraising	Total Expenses	Total Expenses
Salaries	\$450,210	\$ 110,015	\$ 92,843	\$ 653,068	\$ 706,090
Employee benefit and payroll taxes	81,435	18,909	17,220	117,564	120,188
Occupancy	70,017	16,258	14,806	101,081	95,911
Professional fees	5,326	39,278	5,507	50,111	44,515
Indirect benefit event expense	-	-	36,837	36,837	10,250
Printing and publication	930	4,514	890	6,334	3,359
Supplies	22,223	19,533	6,604	48,360	37,042
Telephone, internet and webhosting	5,166	1,200	1,092	7,458	7,341
Insurance	15,013	3,486	3,174	21,673	13,873
Postage	284	2,113	578	2,975	6,179
Subscriptions, dues and fees	-	8,087	5,317	13,404	10,441
Travel	18,210	1,830	-	20,040	14,275
Marketing	-	414	3,076	3,490	2,069
Depreciation	4,385	1,018	927	6,330	7,088
Miscellaneous	826	16,962	2,121	19,909	26,524
Total Expenses, 2015	<u>\$674,025</u>	<u>\$ 243,617</u>	<u>\$ 190,992</u>	<u>\$1,108,634</u>	
Total Expenses, 2014	<u>\$703,127</u>	<u>\$ 235,698</u>	<u>\$ 166,320</u>		<u>\$1,105,145</u>

See independent auditors' report on supplementary information.