

ONLY MAKE BELIEVE, INC.

**Financial Statements
for the years ended
December 31, 2019
and
December 31, 2018**

Independent Auditor's Report

To the Board of Directors
Only Make Believe, Inc.

We have audited the accompanying financial statements of Only Make Believe, Inc. which comprise the statement of financial position as of December 31, 2019 and December 31, 2018 and the related statements of activities, functional expenses 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.

Auditor's 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 audits to obtain reasonable assurance about whether the financial statements are free from 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, 2019 and December 31, 2018 and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Condon O'Meara McGinty + Donnelly LLP

April 7, 2020

ONLY MAKE BELIEVE, INC.

Statement of Financial Position

Assets

	December 31	
	2019	2018
Current assets		
Cash and cash equivalents	\$ 958,691	\$ 597,815
Investments, at fair value	1,124,900	1,384,273
Contributions receivable	47,165	22,705
Prepaid expenses	16,786	6,916
Total current assets	2,147,542	2,011,709
Security deposits	23,253	23,253
Property and equipment, at cost		
Furniture and equipment	46,108	29,290
Website	16,090	16,090
Total property and equipment	62,198	45,380
Less: accumulated depreciation	47,856	43,270
Net property and equipment	14,342	2,110
Total assets	\$2,185,137	\$2,037,072

Current Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued expenses	\$ 41,949	\$ 29,983
Net assets		
Without donor restrictions		
Board designated	300,000	300,000
Undesignated	1,774,488	1,651,384
Total without donor restrictions	2,074,488	1,951,384
With donor restrictions	68,700	55,705
Total net assets	2,143,188	2,007,089
Total current liabilities and net assets	\$2,185,137	\$2,037,072

See notes to financial statements.

ONLY MAKE BELIEVE, INC.

Statement of Activities

	Year Ended December 31				
	2019	2018			
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and revenue					
Contributions and grants	\$ 348,010	\$ 198,356	\$ 546,366	\$ 85,205	\$ 588,420
Special events, net of direct expenses of \$129,275 in 2019 and \$109,549 in 2018	980,820	-	980,820	-	614,526
Investment return	26,426	-	26,426	-	32,834
Net assets released from restrictions	185,361	(185,361)	-	(79,500)	-
Total public support and revenue	<u>1,540,617</u>	<u>12,995</u>	<u>1,553,612</u>	<u>5,705</u>	<u>1,235,780</u>
Expenses					
Program services	989,374	-	989,374	-	825,107
Supporting activities					
Management and general	236,842	-	236,842	-	237,124
Fundraising	191,297	-	191,297	-	168,689
Total supporting activities	428,139	-	428,139	-	405,813
Total expenses	<u>1,417,513</u>	<u>-</u>	<u>1,417,513</u>	<u>-</u>	<u>1,230,920</u>
Increase (decrease) in net assets	123,104	12,995	136,099	(845)	4,860
Net assets, beginning of year	<u>1,951,384</u>	<u>55,705</u>	<u>2,007,089</u>	<u>1,952,229</u>	<u>2,002,229</u>
Net assets, end of year	<u>\$ 2,074,488</u>	<u>\$ 68,700</u>	<u>\$ 2,143,188</u>	<u>\$ 1,951,384</u>	<u>\$ 2,007,089</u>

See notes to financial statements.

ONLY MAKE BELIEVE, INC.

Statement of Functional Expenses

Year Ended December 31, 2019

(with Summarized Totals for the Year Ended December 31, 2018)

	<u>2019</u>				<u>2018</u>
	<u>Supporting Activities</u>			<u>Total</u>	<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>		
Salaries and wages	\$ 625,768	\$ 73,490	\$ 70,085	\$ 769,343	\$ 705,900
Employee benefits and payroll taxes	92,714	92,807	99	185,620	159,169
Depreciation	-	4,586	-	4,586	2,798
Indirect events benefit	-	-	94,597	94,597	57,062
Insurance	-	10,444	-	10,444	5,183
Marketing	1,652	-	64	1,716	957
Meals and entertainment	966	563	750	2,279	19,993
Occupancy	76,161	26,140	17,578	119,879	113,450
Other	7,829	1,985	44	9,858	11,725
Postage	2,243	478	145	2,866	2,413
Printing and publication	808	-	-	808	1,969
Professional fees	85,180	11,893	5,807	102,880	72,333
Subscriptions, dues and fees	7,669	1,191	408	9,268	10,398
Supplies	42,200	5,489	737	48,426	32,354
Telephone, internet and webhosting	4,693	1,232	828	6,753	5,736
Travel	41,491	6,544	155	48,190	29,480
Total	<u>\$ 989,374</u>	<u>\$ 236,842</u>	<u>\$ 191,297</u>	<u>\$1,417,513</u>	<u>\$1,230,920</u>

See notes to financial statements.

ONLY MAKE BELIEVE, INC.
Statement of Functional Expenses
Year Ended December 31, 2018

	<u>Program Services</u>	<u>Supporting Activities</u>		<u>Total</u>
		<u>Management and General</u>	<u>Fundraising</u>	
Salaries and wages	\$ 572,771	\$ 79,140	\$ 53,989	\$ 705,900
Employee benefits and payroll taxes	74,453	84,659	57	159,169
Depreciation	-	2,798	-	2,798
Indirect events benefit	-	-	57,062	57,062
Insurance	89	5,073	21	5,183
Marketing	239	-	718	957
Meals and entertainment	5,167	401	14,425	19,993
Occupancy	72,633	23,738	17,079	113,450
Other	711	10,872	142	11,725
Postage	1,188	513	712	2,413
Printing and publication	700	684	585	1,969
Professional fees	41,596	11,857	18,880	72,333
Subscriptions, dues and fees	4,925	4,005	1,468	10,398
Supplies	23,180	6,854	2,320	32,354
Telephone, internet and webhosting	3,283	1,979	474	5,736
Travel	24,172	4,551	757	29,480
Total	<u>\$ 825,107</u>	<u>\$ 237,124</u>	<u>\$ 168,689</u>	<u>\$1,230,920</u>

See notes to financial statements.

ONLY MAKE BELIEVE, INC.

Statement of Cash Flows

	Year Ended	
	December 31	
	2019	2018
Cash flows from operating activities		
Increase in net assets	\$ 136,099	\$ 4,860
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation expense	4,586	2,798
Donated securities	(90,822)	(55,703)
Proceeds from sale of donated securities	90,822	81,400
Net realized (gain) on sale of investments	-	(47,602)
Unrealized loss on investments	3,867	29,755
(Increase) decrease in contributions receivable	(24,460)	57,515
(Increase) in prepaid expenses	(9,870)	(3,820)
Increase in accounts payable and accrued expenses	11,966	3,460
Net cash provided by operating activities	<u>122,188</u>	<u>72,663</u>
Cash flows from investing activities		
Proceeds from sale of investments	-	519,417
Purchases of investments	-	(1,384,273)
Net change in money market funds	24,137	-
Net change in certificates of deposit	231,369	-
Purchases of property and equipment	(16,818)	-
Net cash provided by (used in) investing activities	<u>238,688</u>	<u>(864,856)</u>
Net increase (decrease) in cash and cash equivalents	360,876	(792,193)
Cash and cash equivalents, beginning of year	<u>597,815</u>	<u>1,390,008</u>
Cash and cash equivalents, end of year	<u>\$ 958,691</u>	<u>\$ 597,815</u>

See notes to financial statements.

ONLY MAKE BELIEVE, INC.**Notes to Financial Statements
December 31, 2019 and December 31, 2018****Note 1 – Nature of 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.

Note 2 – Summary of significant accounting policies**Basis of presentation**

The financial statements of OMB have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Net assets

Under GAAP, OMB’s net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations and are expendable for any purpose in performing the primary objectives of OMB. The Board has designated \$300,000 of net assets without donor restrictions as an operating reserve.

Net assets with donor restrictions – Net assets that are subject to donor-imposed stipulations that may or will be met either by actions of OMB and/or the passage of time. As the restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions.

Contributions

Contributions are recognized when the donor makes a promise to give to OMB, that is, in substance, unconditional. Contributions received are recorded as net assets with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Donor restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a donor-imposed restriction is accomplished, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

ONLY MAKE BELIEVE, INC.**Notes to Financial Statements (continued)
December 31, 2019 and December 31, 2018****Note 2 – Summary of significant accounting policies (continued)**Allowance for doubtful accounts

OMB deems all receivables to be collectible and, accordingly, an allowance for doubtful accounts is not necessary. Such estimate is based on management's experience, the aging of the receivables, subsequent receipts and current economic conditions.

Investments

Investments are recorded at fair value based on publicly quoted market prices. Net realized gains or losses on the sale of investments and changes in unrealized gain (loss) on investments are recorded in the statement of activities as increases or decreases in net assets.

Fair value measurements

For assets measured at fair value on a recurring basis, accounting standards require quantitative disclosure about the fair value measurement separately for each major class of assets. OMB's investments have been classified in the highest level of hierarchy (Level 1). The fair value of the investments are based on quoted prices in active markets for identical assets.

Property and equipment

Property and equipment are recorded at cost. OMB capitalizes expenditures above a nominal amount and that have a useful life greater than one year. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets ranging from 3-5 years.

Functional expenses

The costs of providing the various programs and other supporting activities of OMB have been summarized on a functional basis in the accompanying statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses have been allocated among program and supporting services classifications on the basis of periodic time and expense studies and other bases as determined by management of OMB to be appropriate.

Concentrations of credit risk

OMB's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash, cash equivalents, investments and receivables. OMB places its cash and cash equivalents with what it believes to be a quality financial institution. OMB has not experienced any losses in such accounts to date. OMB's investments are exposed to various risks such as interest rate, market volatility, liquidity and credit due to the level of uncertainty related to the foregoing risks, it is reasonably possible that changes in these risks could materially affect the fair value of investments reported in the statement of financial position at December 31, 2019. Management monitors its receivables, on an ongoing basis, and deems them to be collectible. Accordingly, OMB believes no significant concentrations of credit risk exist with respect to its cash, cash equivalents, investments and receivables.

ONLY MAKE BELIEVE, INC.

**Notes to Financial Statements (continued)
December 31, 2019 and December 31, 2018**

Note 2 – Summary of significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from these estimates.

Subsequent events

OMB has evaluated events and transactions for potential recognition or disclosure through April 7, 2020, which is the date the financial statements were available to be issued. On March 13, 2020, President Trump declared a national emergency under the Robert T. Stafford Disaster Relief and Emergency Assistance Act, due to extraordinary circumstances resulting from the coronavirus. The economic impact of the coronavirus on OMB's future financial operations is not readily determinable.

Note 3 – Liquidity and availability of financial assets

OMB's working capital and cash flows have seasonal variations during the year attributable to the annual gala receipts and other donations. The following is a summary of OMB's financial assets as of December 31, 2019 and December 31, 2018, reduced by amounts not available for general use within one year of the statement of financial position date due to internal Board designations:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 958,691	\$ 597,815
Investments, at fair value	1,124,900	1,384,273
Contributions receivable	<u>47,165</u>	<u>22,705</u>
Total	2,130,756	2,004,793
Less: Assets with donor restrictions	(68,700)	(55,705)
Assets designated by the Board	<u>(300,000)</u>	<u>(300,000)</u>
Financial assets available for general expenditures	<u>\$ 1,762,056</u>	<u>\$ 1,649,088</u>

Note 4 – Contributions receivable and fundraising benefit

Contributions received are unconditional promises from external organizations/individuals to donate to OMB. At December 31, 2019, OMB's contributions receivable are expected to be collected during 2020. 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 on hand is directly impacted by this annual event.

ONLY MAKE BELIEVE, INC.

Notes to Financial Statements (continued)
December 31, 2019 and December 31, 2018

Note 5 – Investments, at fair value

Investments consist of the following as of December 31, 2019 and December 31, 2018:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market fund	\$ 100,152	\$ 100,152	\$ 124,329	\$ 124,329
Certificates of deposit	1,028,575	1,024,543	1,259,944	1,259,944
Common stock	40	205	-	-
Total	<u>\$ 1,128,767</u>	<u>1,124,900</u>	<u>\$ 1,384,273</u>	<u>1,384,273</u>

Investment return for the years ended December 31, 2019 and December 31, 2018 consists of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 30,293	\$ 14,987
Net realized gain on sale of investments	-	47,602
Unrealized (loss) on investments	<u>(3,867)</u>	<u>(29,755)</u>
Total	<u>\$ 26,426</u>	<u>\$ 32,834</u>

Note 6 – Net assets with donor restrictions

The following is a summary of the activity of the net assets with donor restrictions for the years ended December 31, 2019 and December 31, 2018:

	<u>Balance December 31, 2018</u>	<u>Contributions and Grants</u>	<u>Net Assets Released from Restrictions</u>	<u>Balance December 31, 2019</u>
Disney Worldwide Services	\$ 10,000	\$ 25,000	\$ (10,000)	\$ 25,000
Government of District of Columbia	20,705	18,456	(39,161)	-
National Endowment for the Arts Harold & Mimi Steinberg Charitable Trust	-	15,000	(15,000)	-
	25,000	30,000	(40,000)	15,000
New York State Council on the Arts	-	49,900	(24,950)	24,950
The Nora Roberts Foundation	-	6,000	(6,000)	-
Bloomberg Philanthropies	-	12,500	(8,750)	3,750
Morrison & Forester Foundation	-	5,000	(5,000)	-
Isaak & Rose Weinman Foundation	-	10,000	(10,000)	-
Broadway Cares/Equity Fights Aids, Inc.	-	6,500	(6,500)	-
Kendall Family Foundation	-	10,000	(10,000)	-
Elaine Dannheiser Foundation	-	<u>10,000</u>	<u>(10,000)</u>	-
Total	<u>\$ 55,705</u>	<u>\$ 198,356</u>	<u>\$ (185,361)</u>	<u>\$ 68,700</u>

ONLY MAKE BELIEVE, INC.

**Notes to Financial Statements (continued)
December 31, 2019 and December 31, 2018**

Note 6 – Net assets with donor restrictions (continued)

	<u>Balance December 31, 2017</u>	<u>Contributions and Grants</u>	<u>Net Assets Released from Restrictions</u>	<u>Balance December 31, 2018</u>
Disney Worldwide Services	\$ -	\$ 10,000	\$ -	\$ 10,000
Government of District of Columbia	-	41,410	(20,705)	20,705
National Endowment for the Arts	-	15,000	(15,000)	-
NYC Department of Cultural Affairs	-	18,795	(18,795)	-
Harold & Mimi Steinberg Charitable Trust	<u>50,000</u>	<u>-</u>	<u>(25,000)</u>	<u>25,000</u>
Total	<u>\$ 50,000</u>	<u>\$ 85,205</u>	<u>\$ (79,500)</u>	<u>\$ 55,705</u>

Note 7 – Commitments

OMB has a five-year lease agreement for office space in New York City expiring on March 31, 2023. The lease requires monthly payments of \$8,083 for the first year with 3.0% increases per annum thereafter. The lease requires OMB to pay its proportional share of real estate taxes and to maintain a security deposit equal to three times the then prevailing monthly rental payment.

During August 2017, OMB entered into a license agreement, as a licensee, with a licensor that rents office space in Washington, D.C. The license agreement expired on August 31, 2018. The agreement required a monthly license fee of \$474 and a monthly parking fee of \$150. OMB has a security deposit of \$250 with the licensor. During July 2018, OMB extended its license agreement for a monthly fee of \$773 and a monthly parking fee of \$180 through June 30, 2019. During July 2019, OMB extended its license agreement again for a monthly fee of \$788 and a monthly parking fee of \$225 through June 30, 2020.

As of December 31, 2019 the following are the required minimum annual payments on the above agreements:

<u>Year</u>	<u>Amount</u>
2020	\$ 108,239
2021	105,223
2022	108,379
2023	<u>27,294</u>
Total	<u>\$ 349,135</u>

ONLY MAKE BELIEVE, INC.**Notes to Financial Statements (continued)
December 31, 2019 and December 31, 2018****Note 8 – Donated services and supplies**

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. OMB is also thankful to the OMB Buddy volunteers who provide assistance at the hospitals. These volunteers accompany the actor's onsite and help facilitate the program by pairing up with children who need extra assistance and/or special attention. Volunteers provided thousands of hours each year to support OMB's programs.

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 – 401(k) retirement plan

OMB has a 401(k) retirement plan (the "Plan") for the benefit of its employees. Eligible employees may contribute a portion of their salary, not to exceed limits established by the Internal Revenue Service. OMB also makes a matching contribution to the Plan. For the years ended December 31, 2019 and December 31, 2018, OMB made a matching contribution equal to an employee's contribution, up to 3% of the employee's gross salary. Total expense under this Plan was \$12,755 in 2019 and \$10,299 in 2018.

Note 10 – Tax status

OMB is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). In addition, OMB has been determined by the Internal Revenue Service to be a publicly supported organization as described in Section 509(a)(1) and 170(b)(1)(A)(vi) of the Code and not a private foundation. Donors are eligible to receive the maximum charitable tax deduction for contributions permitted under the Code.