

THE DRAGONFLY FOUNDATION
FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

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FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

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INDEPENDENT AUDITOR'S REPORT

Daniel P. Henning, CPA
Stephen L. Hood, CPA
Mitchell R. Geers, CPA
Linda K. Pilon, CPA

Board of Trustees
The Dragonfly Foundation

We have audited the accompanying financial statements of The Dragonfly Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2013 and the related statements of activities and cash flows for the year 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 audit 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 The Dragonfly Foundation as of December 31, 2013 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Dragonfly Foundation's 2012 financial statements, and we express an unmodified audit opinion on those audited financial statements in our report dated January 16, 2014, in our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kamphaus Henning & Hood CPAs

Kamphaus, Henning & Hood
Certified Public Accountants, Inc.

January 13, 2015

THE DRAGONFLY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

		2013		2012
	Unrestricted	Temporarily Restricted	Total	Total
<u>ASSETS</u>				
<u>CURRENT ASSETS</u>				
Cash and Cash Equivalents	\$ 77,228	\$ 10,328	\$ 87,556	\$ 56,544
Investments	159,554	0	159,554	96,581
Inventory	48,000	0	48,000	56,504
Prepaid Expenses	<u>1,000</u>	<u>0</u>	<u>1,000</u>	<u>1,000</u>
TOTAL CURRENT ASSETS	285,782	10,328	296,110	210,629
<u>PROPERTY AND EQUIPMENT, NET</u>	<u>115,951</u>	<u>0</u>	<u>115,951</u>	<u>87,432</u>
TOTAL ASSETS	<u>\$ 401,733</u>	<u>\$ 10,328</u>	<u>\$ 412,061</u>	<u>\$ 298,061</u>
 <u>LIABILITIES AND NET ASSETS</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 2,137
Accrued Expenses	<u>45,309</u>	<u>0</u>	<u>45,309</u>	<u>3,927</u>
TOTAL CURRENT LIABILITIES	45,309	0	45,309	6,064
<u>NET ASSETS</u>	<u>356,424</u>	<u>10,328</u>	<u>366,752</u>	<u>291,997</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 401,733</u>	<u>\$ 10,328</u>	<u>\$ 412,061</u>	<u>\$ 298,061</u>

See Independent Auditor's Report and Notes to Financial Statements
Kamphaus, Henning & Hood

THE DRAGONFLY FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

		2013		2012
	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT				
Contributions from Organizations and Individuals	\$ 523,907	\$ 0	\$ 523,907	\$ 342,032
Donated Materials	352,211	0	352,211	281,465
Donated Services	232,775	0	232,775	223,869
Net Realized and Unrealized Gain on Investments	22,845	0	22,845	6,496
Interest Income	<u>138</u>	<u>0</u>	<u>138</u>	<u>35</u>
TOTAL REVENUE AND OTHER SUPPORT	1,131,876	0	1,131,876	853,897
EXPENSES				
<u>Program Services</u>				
Program Expenses	\$ 546,446	\$ 1,589	\$ 548,035	\$ 406,566
Program and Event Marketing	193,374	0	193,374	167,960
Payroll and Related Expenses	85,067	0	85,067	21,661
Facilities Costs	59,197	0	59,197	34,163
Depreciation	9,361	0	9,361	2,929
Volunteer	7,571	0	7,571	7,317
Systems	6,312	0	6,312	21,058
Communications, Supplies and Other	9,912	0	9,912	5,118
Postage and Mailing	4,240	0	4,240	4,091
Consulting	<u>1,927</u>	<u>0</u>	<u>1,927</u>	<u>13,042</u>
Total Operating Expenses	923,407	1,589	924,996	683,905
<u>General and Administrative</u>				
Payroll and Related Expenses	\$ 52,484	\$ 0	\$ 52,484	\$ 14,440
Facilities Costs	25,370	0	25,370	16,827
Legal and Professional	22,272	0	22,272	6,216
Printing, Bank Charges, and Other Office Expenses	9,153	0	9,153	4,811
Website and Related Expenses	6,312	0	6,312	21,058
Depreciation	4,012	0	4,012	1,443
Volunteer Expenses	3,490	0	3,490	2,890
Insurance	3,452	0	3,452	2,506
Consulting	2,196	0	2,196	6,000
Office Supplies	1,463	0	1,463	7,588
Meeting Expenses	1,025	0	1,025	588
Membership Dues	<u>896</u>	<u>0</u>	<u>896</u>	<u>0</u>
Total General and Administrative	<u>132,125</u>	<u>0</u>	<u>132,125</u>	<u>84,367</u>
TOTAL EXPENSES	<u>1,055,532</u>	<u>1,589</u>	<u>1,057,121</u>	<u>768,272</u>
CHANGE IN NET ASSETS	76,344	(1,589)	74,755	85,625
NET ASSETS, BEGINNING OF YEAR	<u>280,080</u>	<u>11,917</u>	<u>291,997</u>	<u>206,372</u>
NET ASSETS, END OF YEAR	<u>\$ 356,424</u>	<u>\$ 10,328</u>	<u>\$ 366,752</u>	<u>\$ 291,997</u>

See Independent Auditor's Report and Notes to Financial Statements
Kamphaus, Henning & Hood

THE DRAGONFLY FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change In Net Assets	\$ 74,755	\$ 85,625
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	13,373	4,372
Changes in Assets and Liabilities:		
Decrease (Increase) in Inventory	8,504	(27,850)
Decrease (Increase) in Prepaid Expenses	0	(1,000)
Increase in Other Assets	(31,600)	0
(Decrease) in Accounts Payable	(2,134)	(4,787)
Increase in Accrued Expenses	<u>41,379</u>	<u>3,827</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	104,277	60,187
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Net Investment Activity	(62,973)	1,504
Purchase of Furniture and Equipment	<u>(10,292)</u>	<u>(53,864)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(73,265)</u>	<u>(52,360)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	31,012	7,827
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>56,544</u>	<u>48,717</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ <u>87,556</u>	\$ <u>56,544</u>

See Independent Auditor's Report and Notes to Financial Statements
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THE DRAGONFLY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Dragonfly Foundation (The Foundation) is a not-for-profit 501(c)(3) organization established August 3, 2010. The Foundation's mission is to bring comfort and joy to children and young adults living with, and sometimes dying of, cancer as well as those who have undergone bone marrow transplants. With time of the essence, our mission is to act quickly and frequently working in partnership with the Cancer & Blood Diseases Institute of Cincinnati Children's Hospital Medical Center (CCHMC). We believe that emotional care makes an important difference in the outcome and is as critical as medical treatments/cures being developed and administered. A central component of the Foundation's activities include enhancing the quality of life programs at CCHMC's Cancer & Blood Diseases Institute. Smiles and laughter are in short supply in Hematology, Oncology, Bone Marrow Transplant and Intensive Care Units, but are necessary components of courage, strength and happiness. Further, the Foundation regularly engages in fundraising and similar activities to support achieving its ongoing objectives.

Basis of Accounting

The accompanying financial statement has been prepared on the accrual basis of accounting, which is in compliance with accounting principles generally accepted in the United States of America.

Inventory

Inventory consists primarily of donated toys and small electronics valued at fair market value on the date of donation as well as donated gift cards carried at face value. Purchased inventory is carried at cost using the first-in, first-out (FIFO) method.

Fair Value of Financial Instruments

GAAP requires disclosures of an estimate of fair value of certain financial instruments. The Foundation's significant financial instruments are cash, cash equivalents, marketable securities, accounts payable, and accrued liabilities. For these financial instruments, carrying values approximate fair value.

THE DRAGONFLY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONT'D

Property and Equipment

It is the Foundation's policy is to capitalize property and equipment with a cost or fair market value of \$1,000 or more. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at fair value on the date of donation. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are recorded as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time. Furniture, fixtures, and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, currently 5 to 10 years. When assets become obsolete or are disposed of, they are removed from the fixed assets and a gain or loss recorded.

Depreciation expense amounted to \$13,373 in 2013 and \$4,372 in 2012.

Net Assets

The Foundation is required to report 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.

Unrestricted net assets are net assets that are not subject to donor imposed stipulations and may be utilized at the discretion of the Board of Trustees.

Temporarily restricted net assets are net assets that are subject to donor imposed stipulations that may or will be met either by actions of the Foundation to satisfy the purpose of the donated assets or passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Permanently restricted net assets are net assets for which the donor has stipulated that the principal be maintained in perpetuity and that only the income from the investment thereof be expended either for the general purpose of the Foundation or for purposes specified by the donor. There were no permanently restricted net assets as of December 31, 2013 and 2012.

Contributions

Contributions received are recorded as unrestricted or temporarily restricted support depending on existence or nature of any donor restrictions.

In-kind contributions are recorded in revenue as "Donated Materials" at fair value and are recorded in expense as "Program Expenses" used for children and families according to the Foundation's mission.

See Independent Auditor's Report
Kamphaus, Henning & Hood

THE DRAGONFLY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONT'D

Contributed Services

Contributed services are recorded as support only if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Contributed services are recorded in revenue as "Donated Services" at fair value and include such expenses as legal fees, advertising and marketing fees, rent, and telephone notification service fees, among others.

Program Services and Operating Costs

The Foundation's ongoing operations involve a broad range of programs and activities in fulfilling its objectives. As a result, certain operating costs such as components of payroll, The Landing facility costs, volunteer costs and others are essential in delivering the mission and therefore considered operating costs. Those costs having administrative characteristics and are appropriately allocated between operating and administrative based on the nature of the relevant activities.

Advertising Costs

The Foundation uses advertising and marketing to promote its programs. Advertising and marketing costs are expensed as incurred. Advertising expense for the years ended December 31, 2013 and 2012 was \$193,374 and \$167,960, respectively.

Income Taxes

The Organization is a not-for-profit corporation that is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and classified by Internal Revenue Service as other than a private foundation.

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.

Cash Flow Information

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

THE DRAGONFLY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE #2 - RECLASSIFICATIONS

Certain prior year balances have been reclassified to conform to the current year presentation. The reclassification did not affect the representation of the Organization's overall performance.

NOTE #3 - PROPERTY AND EQUIPMENT

Property and Equipment consists of the following:

<u>Depreciable:</u>	<u>2013</u>	<u>2012</u>
Computers and Related Equipment and Software	\$ 36,520	\$ 31,997
Furniture and Fixtures	59,761	53,992
Less: Accumulated Depreciation	<u>(18,151)</u>	<u>(4,778)</u>
Total Depreciable Property, Net	78,130	81,211
 <u>Nondepreciable:</u>		
Trademarks	2,831	2,831
Burial Plots	<u>34,990</u>	<u>3,390</u>
Total Nondepreciable Property	<u>37,821</u>	<u>6,221</u>
Total Property and Equipment	<u>\$ 115,951</u>	<u>\$ 87,432</u>

NOTE #4 - INVESTMENTS

Investments are presented at fair value. All of the Foundation's investments have readily determinable fair values. The net realized and unrealized gain for the year ended December 31, 2013 is \$22,845. The net realized and unrealized gain for the year ended December 30, 2012 is \$6,496.

	<u>2013</u>	<u>2012</u>
Money Market	\$ 26,021	\$ 10,422
Bonds	11,524	17,325
Unit Trusts	21,710	6,642
Stocks	97,719	62,192
Mutual Funds	<u>2,580</u>	<u>0</u>
TOTAL INVESTMENTS	<u>\$ 159,554</u>	<u>\$ 96,581</u>

Total investment income is comprised of the following:

	<u>2013</u>	<u>2012</u>
Interest and Dividend Income	\$ 3,282	\$ 4,634
Net Realized and Unrealized Gains on Investments	<u>19,563</u>	<u>1,862</u>
TOTAL INVESTMENT INCOME	<u>\$ 22,845</u>	<u>\$ 6,496</u>

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Kamphaus, Henning & Hood

THE DRAGONFLY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE #5 - FAIR VALUE MEASUREMENTS

The Dragonfly Foundation has determined the fair value of certain assets through application of FASB Accounting Standards Codification for fair value measurements.

Fair value at December 31, 2013:

	Quoted Market Prices Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Securities Held for Trade	\$ <u>159,554</u>	\$ <u>0</u>	\$ <u>0</u>

NOTE #6 - FUNDRAISING

The Foundation hosted two main fundraising events during 2013 and one in 2012. Revenue from the events totaled \$85,841 in 2013 and \$52,193 in 2012 and is included in income in Contributions from Organizations and Individuals. Expenses from the events totaled \$43,286 in 2013 and \$27,399 in 2012 and are included in Event Expenses. Expenses related to all fundraising activities amounted to \$53,940 in 2013 and \$45,728 in 2012.

NOTE #7 - RELATED PARTY TRANSACTION

A board member donates the space for the Foundation's main operating facility to the Foundation. Included in both donated services and facilities cost is \$65,100 related to this transaction. This agreement is evaluated on a monthly basis.

NOTE #8 - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events for recognition and disclosure through January 13, 2015, the date on which the financial statements were available to be issued.