THE DRAGONFLY FOUNDATION

FINANCIAL STATEMENTS

For the Year Ended
December 31, 2016

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Dragonfly Foundation
Mason, OH

We have audited the accompanying financial statements of The Dragonfly Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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.

Basis for Qualified Opinion

We did not observe the taking of the physical inventory at December 31, 2016 (stated at $38,097), since that date was prior to the time we were initially engaged as auditors for the organization. We were unable to obtain sufficient appropriate audit evidence about inventory quantities by other auditing procedures.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of The Dragonfly Foundation as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with auditing principles generally accepted in the United States of America.

Rudler, PSC

Fort Wright, Kentucky
December 19, 2017

THE DRAGONFLY FOUNDATION

STATEMENT OF FINANCIAL POSITION

December 31, 2016

ASSETS	Unrestricted	Temporarily Restricted	Total
CURRENT ASSETS			
Cash and cash equivalents	$ 232,632	$ 87,571	$ 320,203
Investments	3,146	0	3,146
Inventory	38,097	0	38,097
Donations receivable	62,579	0	62,579
Deposits	20,000	0	20,000
Total Current Assets	356,454	87,571	444,025
PROPERTY AND EQUIPMENT, NET	241,709	0	241,709
TOTAL ASSETS	$ 598,163	$ 87,571	$ 685,734

LIABILITIES AND NET ASSETS	Unrestricted	Temporarily Restricted	Total
CURRENT LIABILITIES			
Accrued expenses	$ 81,994	$ 0	$ 81,994
Deferred revenue	52,575	0	52,575
Total Current Liabilities	134,569	0	134,569
NET ASSETS			
Unrestricted	463,594	0	463,594
Temporarily restricted	0	87,571	87,571
Total Net Assets	463,594	87,571	551,165
TOTAL LIABILITIES AND NET ASSETS	$ 598,163	$ 87,571	$ 685,734

The accompanying notes to the financial statements are an integral part of these statements.

THE DRAGONFLY FOUNDATION

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE			
Contributions from organizations and individuals	$ 418,535	$ 115,850	$ 534,385
Donated materials	510,484	0	510,484
Donated services	468,737	0	468,737
Special events income	528,085	0	528,085
Investment income	1,770	0	1,770
Net assets released from restrictions:			
Satisfaction of program restrictions	31,696	(31,696)	0
Total Public Support and Revenue	1,959,307	84,154	2,043,461
EXPENSES			
Program services	1,250,979	0	1,250,979
Supporting services			
Management and general	147,524	0	147,524
Fundraising	611,944	0	611,944
Total Expenses	2,010,447	0	2,010,447
CHANGE IN NET ASSETS	(51,140)	84,154	33,014
NET ASSETS AT BEGINNING OF YEAR	514,734	3,417	518,151
NET ASSETS AT END OF YEAR	$ 463,594	$ 87,571	$ 551,165

The accompanying notes to the financial statements are an integral part of these statements.

THE DRAGONFLY FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2016

	Program Service	Management and General	Fundraising	Total
EXPENSES				
Program expenses	$ 600,187	$ 0	$ 0	$ 600,187
Payroll and related expenses	258,980	53,034	94,091	406,105
Facilities costs	97,651	0	0	97,651
Systems	48,875	12,219	0	61,094
Depreciation	30,183	7,545	0	37,728
Legal and professional	1,510	33,373	0	34,883
Miscellaneous other expenses	38,764	37,723	581	77,068
Marketing	6,201	3,630	1,368	11,199
Marketing - in-kind	168,628	0	168,627	337,255
Special event expenses	0	0	194,374	194,374
Special event expenses - in-kind	0	0	152,903	152,903
TOTAL FUNCTIONAL EXPENSES	$ 1,250,979	$ 147,524	$ 611,944	$ 2,010,447

The accompanying notes to the financial statements are an integral part of these statements.

THE DRAGONFLY FOUNDATION

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2016

		December 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$	33,014
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation		37,728
Donated inventory		(28,783)
Distributed inventory		42,938
Donated investments		(53,996)
Investment income		(305)
(Increase) decrease in operating assets		
Prepaid expenses		16,239
Donations receivable		(17,613)
Other assets		(20,000)
Increase (decrease) in operating liabilities		
Accrued expenses		17,116
Deferred revenue		1,684
Total Adjustments		(4,992)
Net Cash Provided By Operating Activities		28,022
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments		98,192
Purchases of property and equipment		(11,263)
Net Cash Provided By Investing Activities		86,929
NET INCREASE IN CASH AND CASH EQUIVALENTS		114,951
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		205,252
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	320,203
Supplemental Disclosures of Cash Flow Information		
Non-cash activities:		
Donated inventory	$	28,783
Distributed inventory		(42,938)
Donated investments		53,996
	$	39,841

The accompanying notes to the financial statements are an integral part of these statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of The Dragonfly Foundation (the Foundation) is presented to assist in understanding the Foundation's financial statements. The financial statements are representations of the Foundation's management, which is responsible for their integrity and objectivity. The accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Organization

The Foundation is a not-for-profit 501(c)(3) organization established August 3, 2010. The Foundation's mission is to help young cancer and bone marrow patients and families. With time of the essence, their mission is to act quickly and frequently. The Foundation began working in partnership with the Cancer & Blood Diseases Institute of Cincinnati Children's Hospital Medical Center (CCHMC). In recent years, the Foundation has expanded to partner with hospitals in Dayton, Ohio and Chicago, Illinois. They believe that emotional care makes an important difference in the outcome and is as critical as medical treatments/cures being developed and administered. A center 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.

It is the policy of the Foundation to employ the accrual basis of accounting in accordance with U.S. generally accepted accounting principles in the preparation of its financial statements. A summary of the Foundation's significant accounting policies applied in the preparation of the accompanying financial statements follows.

Financial Statement Presentation

The Foundation has presented the financial statements in accordance with generally accepted accounting principles for not-for-profit organizations. Under this guidance, the Foundation is required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Foundation is required to present a statement of cash flows.

The Foundation administers the following classes of net assets:

Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets: Net assets that are subject to donor-imposed stipulations

Accounting Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Foundation considers all time deposits and other highly liquid investments with original maturities of three months or less to be cash equivalents.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment purchased or acquired with an original cost of $1,000 or more are reported at historical cost. Donated equipment is recorded at the fair market value at the date the donated equipment is received. Assets are depreciated on the straight-line method over their estimated useful lives. When property and equipment are sold or otherwise disposed of, the asset and related accumulated depreciation accounts are relieved, and any gain or loss is included in operations.

In-Kind Donations

Contributions of donated non-cash assets are recorded at their fair values in the period received.

Contributed services, which require a specialized skill and which the Foundation would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered.

The Foundation receives donated facilities. The value of these items is determined, based on obtaining comparable facilities and services, at their fair market value at the time received. Donated facilities were valued at $71,640 for the year ended December 31, 2016.

Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly certain costs have been allocated between the program service, management and general, and fundraising expenses based on management estimate.

Revenues and Support

Contributions and other assets are reported as unrestricted or temporarily restricted net assets depending on the existence of any donor restrictions. All donor-restricted support is reported as an increase in temporarily restricted net assets. When a donor restriction expires such as 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 restrictions. Temporarily restricted contributions whose restrictions are met in the same period as the contribution are reported as unrestricted support.

Fundraising

The Foundation recognizes revenue from special events, gifts and grants from their fundraising activities and incur related expenses as presented in the Statements of Activities.

Advertising Costs

The Foundation uses advertising and marketing to promote its programs and events. Advertising and marketing costs are expensed as incurred. Advertising expense for the year ended December 31, 2016 was $348,454, the majority of which was in-kind donations.

Federal Income Tax Status

The Foundation is a tax-exempt organization qualifying under Internal Revenue Service Code Section 501(c)(3). The Foundation is no longer subject to examination by the Internal Revenue Service for years prior to 2014 and currently there are no audits for any tax years in progress.

The Foundation follows the provision of FASB ASC 740-10-50, “Income Taxes-Overall-Disclosure.” FASB ASC 740-10-50 sets forth a recognition threshold and measurement attribute for financial statement recognition of positions taken or expected to be taken in income tax returns. FASB ASC 740-10-50 had no material impact on the Foundation’s financial statements.

NOTE 2 - FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist of cash, which may at times exceed federally insured limits. The Foundation places its cash with quality financial institutions.

The cash accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor in each institution. As of December 31, 2016, the amount that exceeded the $250,000 insured by the FDIC was $4,595.

All of the Foundation's cash balances at December 31, 2016 were maintained by two financial institutions. Cash balances in these financial institutions may, at times, exceed federally insured limits. The Foundation does not believe significant concentration of credit risk exists with these financial instruments.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following for the year ended December 31, 2016:

	2016
Depreciable:	
Computers and Related Equipment and Software	$ 130,383
Furniture and Fixtures	99,220
Total Depreciable Property	229,603
Less: Accumulated Depreciation	(117,463)
Total Depreciable Property, Net	112,140
Nondepreciable:	
Domain Names	7,500
Held for the Landing 3.0	82,673
Trademarks	2,831
Burial Plots	36,565
Total Nondepreciable Property	129,569
Total Property and Equipment, Net	$ 241,709

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2016:

Program	2016
Beads of Courage	$ 0
Care Bags	21,721
Holiday Help	15,000
Landing Fund	50,850
Total Temporarily Restricted Net Assets	$ 87,571

NOTE 5 - FAIR VALUE MEASUREMENT

FASB ASC 820, Fair Value Measurements and Disclosures, defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices of identical assets, and Level 3 inputs are unobservable and have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were used only when Level 1 and Level 2 inputs were not available. No Level 2 or Level 3 inputs were available to the Foundation.

Level 1 Fair Value Measurements
The fair value of mutual fund accounts and equity securities are based on quoted net asset values of the shares held by the Foundation at year-end.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2016.

December 31, 2016	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**
Mutual funds	$ 3,146	$ 3,146
Net investments	$ 3,146	$ 3,146

Total investment income is comprised of the following at December 31:

	2016
Interest and dividends	$ 1,465
Realized gain	305
Unrealized gain	0
Investment income	$ 1,770

NOTE 6 - RELATED PARTY TRANSACTIONS

During the year ended December 31, 2016, a board member made a stock donation valued at $50,850 which is temporarily restricted for the Landing Fund.

NOTE 7 - NEW PRONOUNCEMENTS

Accounting Standards Update 2014-09, Revenue from Contracts with Customers
In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The core principle of ASU 2014-09 is to recognize revenues when a customer obtains control of a good or service, in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. The standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which deferred the effective date of ASU 2014-09 by one year. The updated standard will be effective for the year ending December 31, 2019. Early adoption is permitted only as of annual reporting periods beginning after December 31, 2017. The Organization has not yet selected a transition method and is currently evaluating the effect that the new standard will have on its financial statements.

Accounting Standards Update 2016-02, Leases
In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842): Amendments to the FASB Accounting Standards Codification, that changes how an organization classifies its leases, as well as the information it presents in the financial statements and notes about its leases. The ASU includes new liability and asset recognition requirements as the present value of all lease payments would be recognized as a liability and an asset would be recognized representing the “right-of-use” of the asset for the term of the lease. The ASU will be effective for the Organization for the year ending December 31, 2020. Early adoption is permitted. The Organization is currently evaluating the effect that the new standard will have on its financial statements.

Accounting Standards Update 2016-14, Not-for-Profit Entities
In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statement of Not-for-Profit Entities, that changes how a not-for-profit organization classifies its net assets, as well as the information it presents in the financial statements and notes about its liquidity, financial performance, and cash flows. The ASU includes a reduction in the number of net asset categories from three to two, conforming requirements on releases of capital restrictions, several new requirements related to expense presentation and disclosure (including investment expenses), and new required disclosures communicating information useful in assessing liquidity. The ASU will be effective for the Organization for the year ending December 31, 2018. Early adoption is permitted. The Organization is currently evaluating the effect that the new standard will have on its financial statements.

NOTE 8 - SUBSEQUENT EVENT REVIEW

The Foundation has evaluated the impact of all other events through December 19, 2017, the date the financial statements were available to be issued, for purposes of recognition and disclosure in the financial statements.