

THE DRAGONFLY FOUNDATION

FINANCIAL STATEMENTS

For the Year Ended
December 31, 2017

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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, 2017, 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.

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, 2017, 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
July 20, 2018

CERTIFIED PUBLIC ACCOUNTANTS

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THE DRAGONFLY FOUNDATION
STATEMENT OF FINANCIAL POSITION
December 31, 2017

ASSETS	Unrestricted	Temporarily Restricted	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 307,860	\$ 39,870	\$ 347,730
Investments	909	0	909
Inventory	32,945	0	32,945
Donations receivable	56,294	0	56,294
Prepaid expenses	8,700	0	8,700
	406,708	39,870	446,578
PROPERTY AND EQUIPMENT, NET	207,954	0	207,954
TOTAL ASSETS	\$ 614,662	\$ 39,870	\$ 654,532
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accrued expenses	\$ 65,599	\$ 0	\$ 65,599
Deferred revenue	117,747	0	117,747
	183,346	0	183,346
NET ASSETS			
Unrestricted	431,316	0	431,316
Temporarily restricted	0	39,870	39,870
	431,316	39,870	471,186
TOTAL LIABILITIES AND NET ASSETS	\$ 614,662	\$ 39,870	\$ 654,532

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, 2017

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE			
Contributions from organizations and individuals	\$ 446,096	\$ 20,867	\$ 466,963
Donated materials	494,451	0	494,451
Donated services	644,026	0	644,026
Special events income	536,147	0	536,147
Investment income	675	0	675
Net assets released from restrictions:			
Satisfaction of program restrictions	68,568	(68,568)	0
	<u>2,189,963</u>	<u>(47,701)</u>	<u>2,142,262</u>
Total Public Support and Revenue			
EXPENSES			
Program services	1,494,349	0	1,494,349
Supporting services			
Management and general	230,249	0	230,249
Fundraising	449,135	0	449,135
Costs of direct benefits to donors	48,508	0	48,508
	<u>2,222,241</u>	<u>0</u>	<u>2,222,241</u>
Total Expenses			
CHANGE IN NET ASSETS	(32,278)	(47,701)	(79,979)
NET ASSETS AT BEGINNING OF YEAR	<u>463,594</u>	<u>87,571</u>	<u>551,165</u>
NET ASSETS AT END OF YEAR	<u>\$ 431,316</u>	<u>\$ 39,870</u>	<u>\$ 471,186</u>

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, 2017

	<u>Supporting Services</u>				<u>Total</u>
	<u>Program Service</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Direct Benefits to Donors</u>	
EXPENSES					
Program expenses	\$ 166,395	\$ 0	\$ 0	\$ 0	\$ 166,395
Payroll and related expenses	304,267	92,162	86,203	0	482,632
Facilities costs	9,796	4,105	3,636	0	17,537
Systems	24,082	12,256	13,185	0	49,523
Depreciation	29,428	7,357	0	0	36,785
Legal and professional	10,490	20,773	0	0	31,263
Miscellaneous other expenses	14,801	71,728	8,518	0	95,047
Marketing	20	4,000	6,893	0	10,913
Special event expenses	0	0	178,740	48,508	227,248
	<u>559,279</u>	<u>212,381</u>	<u>297,175</u>	<u>48,508</u>	<u>1,117,343</u>
Program expenses - in-kind	575,286	0	0	0	575,286
Facilities costs - in-kind	89,127	17,868	0	0	106,995
Marketing - in-kind	270,657	0	16,667	0	287,324
Special event expenses - in-kind	0	0	135,293	0	135,293
	<u>935,070</u>	<u>17,868</u>	<u>151,960</u>	<u>0</u>	<u>1,104,898</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 1,494,349</u>	<u>\$ 230,249</u>	<u>\$ 449,135</u>	<u>\$ 48,508</u>	<u>\$ 2,222,241</u>

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, 2017

	December 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (79,979)
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	36,785
Donated inventory	(28,045)
Distributed inventory	36,969
Donated investments	(10,991)
(Increase) decrease in operating assets	
Inventory	(3,772)
Donations receivable	6,285
Prepaid expenses	(8,700)
Other assets	20,000
Increase (decrease) in operating liabilities	
Accrued expenses	(16,395)
Deferred revenue	65,172
Total Adjustments	97,308
Net Cash Provided By Operating Activities	17,329
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales of investments	13,228
Purchases of property and equipment	(3,030)
Net Cash Provided By Investing Activities	10,198
NET INCREASE IN CASH AND CASH EQUIVALENTS	27,527
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	320,203
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 347,730
Supplemental Disclosures of Cash Flow Information	
Cash paid during the year for interest	\$ 0
Cash paid for taxes during the year	\$ 0
Non-cash activities:	
Donated inventory	\$ 28,045
Distributed inventory	\$ (36,969)
Donated investments	\$ 10,991

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

THE DRAGONFLY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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 support families of pediatric cancer patients by:

- Building a network that connects Dragonfly families to each other and the community
- Providing programs to enhance quality of life
- Enhancing programs in partner children's hospitals
- Partnering on psychosocial research with Cincinnati Children's Hospital Medical Center ("CCHMC")

The Foundation began working in partnership with the Cancer & Blood Diseases Institute of 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 central component of the Foundation's activities include enhancing the quality of life programs at CCHMC's Cancer & Blood Diseases Institute for both patients and their families. 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.

THE DRAGONFLY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 lower or cost using the first-in, first-out (FIFO) method or net realizable value.

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 \$106,995 for the year ended December 31, 2017.

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, 2017 was \$298,237, the majority of which was in-kind donations.

THE DRAGONFLY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2017, the amount that exceeded the \$250,000 insured by the FDIC was \$85,002.

All of the Foundation's cash balances at December 31, 2017 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, 2017:

	2017
Depreciable:	
Computers and Related Equipment and Software	\$ 130,383
Furniture and Fixtures	102,250
Total Depreciable Property	232,633
Less: Accumulated Depreciation	(154,248)
Total Depreciable Property, Net	78,385
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	\$ 207,954

THE DRAGONFLY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2017

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2017:

Program	2017
Landing Fund	\$ 35,383
Patient & Family Gifting	4,087
Adopt a Family	400
 Total Temporarily Restricted Net Assets	 \$ 39,870

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, 2017.

<u>December 31, 2017</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Money market	\$ 5	\$ 5
Stocks	123	123
Mutual funds	781	781
Net investments	\$ 909	\$ 909

THE DRAGONFLY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2017

NOTE 5 - FAIR VALUE MEASUREMENT (Continued)

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

	<u>2017</u>
Interest	\$ 670
Dividends	5
Realized gain	32
Unrealized (loss)	<u>(32)</u>
Investment income	<u>\$ 675</u>

NOTE 6 - 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 annual reporting periods beginning after December 15, 2018. Early adoption is permitted only as of an annual reporting period beginning after December 15, 2016. 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 fiscal years beginning after December 15, 2019. 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 annual financial statements issued for fiscal years beginning after December 15, 2017. Early adoption is permitted. The Organization is currently evaluating the effect that the new standard will have on its financial statements.

THE DRAGONFLY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2017

NOTE 7 - SUBSEQUENT EVENT REVIEW

The Organization has made the decision to change their fiscal year end to June 30 effective June 30, 2018.

The Foundation has evaluated the impact of all other events through July 20, 2018, the date the financial statements were available to be issued, for purposes of recognition and disclosure in the financial statements.