

THE DRAGONFLY FOUNDATION

FINANCIAL STATEMENTS

For the Year Ended
June 30, 2019

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6 - 7
Notes to Financial Statements	8 - 14



INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Dragonfly Foundation
Cincinnati, Ohio

We have audited the accompanying financial statements of The Dragonfly Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, 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 June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, the Foundation adopted ASU 2016-14, “Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities.” The amendment changes how nonprofit organizations classify net assets and provide information in its financial statements and notes about its financial performance, cash flow, and liquidity, among other requirements. Our opinion is not modified with respect to this matter.

Rudler, PSC

Fort Wright, Kentucky
January 10, 2020

THE DRAGONFLY FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2019

ASSETS	Without Donor	With Donor		Total
	Restrictions	Landing	Operating	
CURRENT ASSETS				
Cash and cash equivalents	\$ 231,258	\$ 38,588	\$ 22,647	\$ 292,493
Inventory	15,979	0	0	15,979
Donations receivable	27,312	0	0	27,312
Due from (to) other funds	200,550	(200,550)	0	0
Total Current Assets	475,099	(161,962)	22,647	335,784
PROPERTY AND EQUIPMENT, NET	160,726	1,610,214	0	1,770,940
TOTAL ASSETS	\$ 635,825	\$ 1,448,252	\$ 22,647	\$ 2,106,724
 LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accrued expenses	\$ 131,483	\$ 18,430	\$ 0	\$ 149,913
Deferred revenue	529	0	0	529
Related party note payable	0	203,639	0	203,639
Current portion of long-term debt	0	7,109	0	7,109
Total Current Liabilities	132,012	229,178	0	361,190
LONG-TERM LIABILITIES				
Long-term debt, net of current portion	0	237,824	0	237,824
Total Liabilities	132,012	467,002	0	599,014
NET ASSETS				
Without Donor Restrictions	503,813	0	0	503,813
With Donor Restrictions	0	981,250	22,647	1,003,897
Total Net Assets	503,813	981,250	22,647	1,507,710
TOTAL LIABILITIES AND NET ASSETS	\$ 635,825	\$ 1,448,252	\$ 22,647	\$ 2,106,724

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

THE DRAGONFLY FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions		Total
		Landing	Operating	
PUBLIC SUPPORT AND REVENUE				
Contributions from organizations and individuals	\$ 487,244	\$ 458,252	\$ 40,000	\$ 985,496
Donated materials	357,660	484,544	0	842,204
Donated services	683,130	51,899	0	735,029
Special events income	813,129	0	0	813,129
Investment income	4,466	0	0	4,466
Net assets released from restrictions:				
Satisfaction of program restrictions	137,184	(95,274)	(41,910)	0
Total Public Support and Revenue	2,482,813	899,421	(1,910)	3,380,324
EXPENSES				
Program services	1,501,249	0	0	1,501,249
Supporting services				
Management and general	165,784	0	0	165,784
Fundraising	641,476	0	0	641,476
Costs of direct benefits to donors	60,568	0	0	60,568
Total Expenses	2,369,077	0	0	2,369,078
CHANGE IN NET ASSETS	113,736	899,421	(1,910)	1,011,246
NET ASSETS AT BEGINNING OF YEAR	390,077	81,829	24,557	496,463
NET ASSETS AT END OF YEAR	\$ 503,813	\$ 981,250	\$ 22,647	\$ 1,507,710

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 June 30, 2019

	<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	\$ 195,370	\$ 0	\$ 0	\$ 0	\$ 195,370
Payroll and related expenses	311,039	86,738	132,877	0	530,654
Facilities costs	83,078	2,678	2,867	0	88,623
Interest Expense	13,827	0	0	0	13,827
Systems	20,578	2,525	8,287	0	31,390
Depreciation	23,041	5,760	0	0	28,801
Legal and professional	1,944	31,169	61,506	0	94,619
Miscellaneous other expenses	5,723	25,337	23,669	0	54,729
Marketing	37,665	11,577	13,661	0	62,903
Special event expenses	0	0	196,305	60,568	256,873
	<u>692,265</u>	<u>165,784</u>	<u>439,172</u>	<u>60,568</u>	<u>1,357,789</u>
Program expenses - in-kind	323,725	0	0	0	323,725
Facilities costs - in-kind	90,206	0	0	0	90,206
System - in-kind	121,300	0	0	0	121,300
Marketing - in-kind	273,753	0	94,456	0	368,209
Special event expenses - in-kind	0	0	107,848	0	107,848
	<u>808,984</u>	<u>0</u>	<u>202,304</u>	<u>0</u>	<u>1,011,288</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 1,501,249</u>	<u>\$ 165,784</u>	<u>\$ 641,476</u>	<u>\$ 60,568</u>	<u>\$ 2,369,077</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 June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 1,011,247
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	28,801
Donated inventory	(29,504)
Donated building and land	(536,441)
Distributed inventory	39,951
Donated investments	(203,577)
(Increase) decrease in operating assets	
Inventory	6,519
Donations receivable	(26,142)
Increase (decrease) in operating liabilities	
Accrued expenses	106,600
Deferred revenue	529
Total Adjustments	<u>(613,264)</u>
Net Cash Provided By Operating Activities	<u>397,983</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sales of investments	204,486
Purchases of property and equipment	<u>(1,071,033)</u>
Net Cash (Used) By Investing Activities	<u>(866,547)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from note payable	203,639
Proceeds from long-term debt	250,000
Principal payments on long-term debt	<u>(5,067)</u>
Net Cash Provided By Financing Activities	<u>448,572</u>

NET (DECREASE) IN CASH AND CASH EQUIVALENTS (19,992)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 312,485

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 292,493

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 June 30, 2019

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for interest	\$	10,832
Cash paid for taxes during the year	\$	0
Non-cash activities:		
Donated inventory	\$	29,504
Distributed inventory	\$	(39,951)
Donated property	\$	536,441
Donated investments	\$	203,577

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

THE DRAGONFLY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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.

Basis of Accounting

The financial statements of The Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standards

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The standard addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about investment return and functional expenses, including allocation methodologies and presentation of a statement of functional expenses as part of the basic financial statements. The Foundation adopted ASU 2016-14 as of June 30, 2019 and has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented.

THE DRAGONFLY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

The Foundation has presented its 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 its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

The Foundation administers the following classes of net assets:

Net assets without donor restrictions: These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net assets with donor restrictions: These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

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.

Investments

In accordance with FASB ASC 958 "Not-for-Profit-Entities," investments are recorded at fair market value with contributed investments being recorded at their fair market value on the date received. Unrealized gains and losses are included in the change in net assets. These effects are included in changes in net assets without donor restrictions because the gains and losses are unrestricted. As of June 30, 2019, substantially all of The Foundation's investments are in marketable equities. Management does not believe The Foundation is subject to adverse credit risk on its investments.

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.

THE DRAGONFLY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

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 \$626,648 for the year ended June 30, 2019.

Functional Expense Allocation

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and taxes are allocated based upon time and effort expended. Office rent and occupancy expenses are allocated based upon square footage. All other expenses are allocated based upon usage of resources.

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 June 30, 2019 was \$431,112, 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 2015 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.

THE DRAGONFLY FOUNDATION
 NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

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

The Landing

In September 2018, the Foundation purchased an existing property to support its operational and administrative activities. The purchase price of \$680,000 was funded by a seller in-kind donation in the amount of \$430,000 and a bank loan in the amount of \$250,000

During fiscal year 2019, the facility required renovations necessary to allow the foundation to begin basic operations. In total, a cash investment of \$766,100 was required for this purpose. This investment was funded through initial capital donations, internal resources and a loan from a board member. In the future, the Foundation anticipates raising the necessary funds to complete renovations, fund outstanding debt and secure sufficient operational resources for full program implementation.

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 June 30, 2019, the amount that exceeded the \$250,000 insured by the FDIC was \$49,545.

NOTE 3 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restriction consisted of the following at June 30, 2019:

	<u>Landing</u>	<u>Operating</u>
Care Bags	\$ 0	\$ 13,500
Patient & Family Gifting	0	8,000
Beads of Courage Program	0	1,147
Landing	<u>981,250</u>	<u>0</u>
Total Net Assets with Donor Restrictions	<u>\$ 981,250</u>	<u>\$ 22,647</u>

THE DRAGONFLY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

NOTE 3 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets released from net assets with donor restrictions are as follows:

	<u>Landing</u>	<u>Operating</u>
Care Bags	\$ 0	\$ 11,500
Adopt a Family	0	400
Patient & Family Gifting	0	2,000
Beads of Courage Program	0	1,853
I'm Still Me Program	0	2,000
Board member donation	0	24,157
Misc. Expenses	2,162	0
Consulting	45,435	0
Payroll Allocation	33,850	0
Interest	13,827	0
Total Released from Net Assets with Donor Restrictions	<u>\$ 95,274</u>	<u>\$ 41,910</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following for the year ended June 30, 2019:

	<u>2019</u>
Depreciable:	
Building	\$ 1,540,994
Computers and Related Equipment and Software	134,429
Furniture and Fixtures	153,138
Total Depreciable Property	1,828,561
Less: Accumulated Depreciation	(198,737)
Total Depreciable Property, Net	<u>1,629,824</u>
Nondepreciable:	
Land	69,220
Domain Names	7,500
Held for the Landing 3.0	25,000
Trademarks	2,831
Burial Plots	36,565
Total Nondepreciable Property	<u>141,116</u>
Total Property and Equipment, Net	<u>\$ 1,770,940</u>

THE DRAGONFLY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

NOTE 5 - LIQUIDITY AND AVAILABILITY

The Foundation is substantially supported by contributions and gifts. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The following table presents the financial assets available to meet cash needs for general expenditures within one year at June 30, 2019 reduced by amounts not available for general expenditures within one year.

Financial assets:	
Cash and cash equivalents	\$ 292,493
Donations receivable	<u>27,312</u>
Total financial assets	319,805
Less amounts with purpose restrictions	<u>61,235</u>
Financial assets available to meet cash needs for general expenditures within one year.	\$ <u><u>258,570</u></u>

NOTE 6 - RELATED PARTY TRANSACTIONS

The Company has a note payable to a related party with a balance of \$203,639 at June 30, 2019, that carries an interest rate of 5% per annum and is payable on demand.

NOTE 7 - LONG TERM DEBT

Long term liabilities at June 30, 2019 consist of the following:

	June 30,
	2019
Note payable – Huntington, secured by substantially all business assets of the Company, payable in 60 monthly installments of \$1,767, maturing in 2023, interest rate at Prime + .50%	<u>\$ 244,933</u>
Less: current Maturities	<u>(7,109)</u>
Total Long Term Liabilities	\$ <u><u>237,824</u></u>

Current maturities for the next five years are as follows:

2020	\$ 7,109
2021	7,534
2022	7,985
2023	8,463
2024	213,842
Thereafter	<u>0</u>
	\$ <u><u>244,933</u></u>

THE DRAGONFLY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

NOTE 8 - 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 year ending June 30, 2022. Early adoption is permitted. The Organization is currently evaluating the effect that the new standard will have on its financial statements.

NOTE 9 - SUBSEQUENT EVENTS

On July 3, 2019 a related party loaned the foundation an additional \$100,000.

The Foundation has evaluated all other subsequent events through January 10, 2020, the date the financial statements were available to be issued.