

THE DRAGONFLY FOUNDATION

FINANCIAL STATEMENTS

For the Years Ended
June 30, 2020 and June 30, 2019

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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 statements of financial position as of June 30, 2020 and June 30, 2019, 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.

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, 2020 and June 30, 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

Rudler, PSC

Fort Wright, Kentucky
September 22, 2020

THE DRAGONFLY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2020

ASSETS	Without Donor	With Donor		Total
	Restrictions	Restrictions	Restrictions	
		Landing	Operating	
CURRENT ASSETS				
Cash and cash equivalents	\$ 240,946	\$ 4,358	\$ 62,008	\$ 307,312
Inventory	27,439	0	0	27,439
Donations receivable	8,239	0	0	8,239
Prepaid expenses	1,729	0	0	1,729
Due from (to) other funds	38,339	(38,339)	0	0
	<u>316,692</u>	<u>(33,981)</u>	<u>62,008</u>	<u>344,719</u>
Total Current Assets				
	<u>316,692</u>	<u>(33,981)</u>	<u>62,008</u>	<u>344,719</u>
PROPERTY AND EQUIPMENT, NET	<u>266,054</u>	<u>1,554,141</u>	<u>0</u>	<u>1,820,195</u>
TOTAL ASSETS	<u>\$ 582,746</u>	<u>\$ 1,520,160</u>	<u>\$ 62,008</u>	<u>\$ 2,164,914</u>
 LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accrued expenses	\$ 53,616	\$ 0	\$ 0	\$ 53,616
Deferred revenue	144,755	0	0	144,755
Current portion of long-term debt	0	13,128	0	13,128
	<u>198,371</u>	<u>13,128</u>	<u>0</u>	<u>211,499</u>
Total Current Liabilities				
	<u>198,371</u>	<u>13,128</u>	<u>0</u>	<u>211,499</u>
LONG-TERM LIABILITIES				
Long-term debt, net of current portion	0	626,872	0	626,872
	<u>0</u>	<u>626,872</u>	<u>0</u>	<u>626,872</u>
Total Liabilities				
	<u>198,371</u>	<u>640,000</u>	<u>0</u>	<u>838,371</u>
NET ASSETS				
Without Donor Restrictions	384,375	0	0	384,375
With Donor Restrictions	0	880,160	62,008	942,168
	<u>384,375</u>	<u>880,160</u>	<u>62,008</u>	<u>1,326,543</u>
Total Net Assets				
	<u>384,375</u>	<u>880,160</u>	<u>62,008</u>	<u>1,326,543</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 582,746</u>	<u>\$ 1,520,160</u>	<u>\$ 62,008</u>	<u>\$ 2,164,914</u>

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

THE DRAGONFLY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2019

ASSETS	Without Donor Restrictions	With Donor Restrictions		Total
		Landing	Operating	
CURRENT ASSETS				
Cash and cash equivalents	\$ 231,258	\$ 38,588	\$ 22,647	\$ 292,493
Inventory	15,979	0	0	15,979
Donation receivable	27,312	0	0	27,312
Prepaid expenses	0	0	0	0
Due from (to) other funds	200,550	(200,550)	0	0
	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
	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				
Unrestricted	503,813	0	0	503,813
Temporarily restricted	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
STATEMENTS OF ACTIVITIES
For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions		Total
		Landing	Operating	
PUBLIC SUPPORT AND REVENUE				
Contributions from organizations and individuals	\$ 471,206	\$ 64,375	\$ 83,888	\$ 619,469
Donated materials	234,616	51,735	0	286,351
Donated services	603,617	3,635	0	607,252
Special events income	646,929	0	0	646,929
Investment income (loss)	(1,138)	0	0	(1,138)
Net assets released from restrictions:				
Satisfaction of program restrictions	265,362	(220,835)	(44,527)	0
Total Public Support and Revenue	2,220,592	(101,090)	39,361	2,158,863
EXPENSES				
Program services	1,340,058	0	0	1,340,058
Supporting services				
Management and general	275,691	0	0	275,691
Fundraising	681,268	0	0	681,268
Costs of direct benefits to donors	43,013	0	0	43,013
Total Expenses	2,340,030	0	0	2,340,030
CHANGE IN NET ASSETS	(119,438)	(101,090)	39,361	(181,167)
NET ASSETS AT BEGINNING OF YEAR	503,813	981,250	22,647	1,507,710
NET ASSETS AT END OF YEAR	\$ 384,375	\$ 880,160	\$ 62,008	\$ 1,326,543

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

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

	Without Donor Restrictions	With Donor Restrictions		Total
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	 <u>2,482,813</u>	 <u>899,421</u>	 <u>(1,910)</u>	 <u>3,380,324</u>
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
Cost of direct benefits to donors	60,568	0	0	60,568
 Total Expenses	 <u>2,369,077</u>	 <u>0</u>	 <u>0</u>	 <u>2,369,077</u>
 CHANGE IN NET ASSETS	 113,736	 899,421	 (1,910)	 1,011,247
 NET ASSETS AT BEGINNING OF YEAR	 <u>390,077</u>	 <u>81,829</u>	 <u>24,557</u>	 <u>496,463</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 503,813</u>	 <u>\$ 981,250</u>	 <u>\$ 22,647</u>	 <u>\$ 1,507,710</u>

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

THE DRAGONFLY FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020

	<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	\$ 181,284	\$ 0	\$ 0	\$ 0	\$ 181,284
Payroll and related expenses	412,292	86,219	181,827	0	680,338
Facilities costs	14,190	571	3,038	0	17,799
Interest Expense	0	33,285	0	0	33,285
Systems	36,790	0	1,640	0	38,430
Depreciation	0	82,280	0	0	82,280
Legal and professional	0	26,074	0	0	26,074
Miscellaneous other expenses	25,016	30,357	150,435	0	205,808
Marketing	30,503	16,905	5,385	0	52,793
Special event expenses	0	0	122,285	43,013	165,298
	<u>700,075</u>	<u>275,691</u>	<u>464,610</u>	<u>43,013</u>	<u>1,483,389</u>
Program expenses - in-kind	151,841	0	0	0	151,841
Facilities costs - in-kind	7,817	0	0	0	7,817
System - in-kind	149,893	0	0	0	149,893
Marketing - in-kind	330,432	0	91,670	0	422,102
Special event expenses - in-kind	0	0	124,988	0	124,988
	<u>639,983</u>	<u>0</u>	<u>216,658</u>	<u>0</u>	<u>856,641</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 1,340,058</u>	<u>\$ 275,691</u>	<u>\$ 681,268</u>	<u>\$ 43,013</u>	<u>\$ 2,340,030</u>

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

THE DRAGONFLY FOUNDATION
STATEMENTS 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><u>\$ 1,501,249</u></u>	<u><u>\$ 165,784</u></u>	<u><u>\$ 641,476</u></u>	<u><u>\$ 60,568</u></u>	<u><u>\$ 2,369,077</u></u>

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

THE DRAGONFLY FOUNDATION
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2020 and June 30, 2019

	<u>June 30,</u> <u>2020</u>	<u>June 30,</u> <u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (181,167)	\$ 1,011,247
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	82,280	28,801
Donated inventory	(50,183)	(29,504)
Donated building and land	0	(536,441)
Distributed inventory	38,723	39,951
Donated investments	0	(203,577)
(Increase) decrease in operating assets		
Inventory	0	6,519
Donations receivable	(8,239)	(26,142)
Prepaid expenses	25,583	0
Increase (decrease) in operating liabilities		
Accrued expenses	(96,297)	106,600
Deferred revenue	144,226	529
Total Adjustments	<u>136,093</u>	<u>(613,264)</u>
Net Cash Provided By Operating Activities	<u>(45,074)</u>	<u>397,983</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	0	204,486
Purchases of property and equipment	<u>(131,535)</u>	<u>(1,071,033)</u>
Net Cash (Used) By Investing Activities	<u>(131,535)</u>	<u>(866,547)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	0	203,639
Proceeds from long-term debt	460,000	250,000
Principal payments on long-term debt	<u>(268,572)</u>	<u>(5,067)</u>
Net Cash Provided By Financing Activities	<u>191,428</u>	<u>448,572</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	14,819	(19,992)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, AT BEGINNING OF YEAR	<u>292,493</u>	<u>312,485</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, AT END OF YEAR	<u>\$ 307,312</u>	<u>\$ 292,493</u>

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

THE DRAGONFLY FOUNDATION
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2020 and June 30, 2019

	June 30, 2020	June 30, 2019
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 29,943	\$ 10,832
Cash paid for taxes during the year	\$ 0	\$ 0
Non-cash activities:		
Donated inventory	\$ 50,183	\$ 29,504
Distributed inventory	\$ (38,723)	\$ (39,951)
Donated property	\$ 30,662	\$ 536,441
Donated investments	\$ 0	\$ 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, 2020 and 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

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 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.

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.

THE DRAGONFLY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2020 and June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standards

In May 2014, the Financial Accounting Standards Board (“FASB”) issued an Accounting Standards Update (“ASU”). ASU No. 2014-09, Revenue from Contracts with Customers, as amended (“Topic 606”) changes the way an entity recognizes revenue and significantly expands the disclosure requirements for revenue arrangements. Topic 606 requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The core principle is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. On June 3, 2020 the FASB issued Accounting Standards Update (“ASU”) 2020-05, Revenue from Contracts with Customers (Topic 606) that defers the effective date of FASB ASC 606 for certain entities that have not yet issued their financial statements reflecting the adoption of FASB ASC 606. Those entities may elect to adopt FASB ASC 606 for annual reporting periods beginning after December 15, 2019. However, the Foundation elected to follow the original effective date of July 1, 2019 for adoption of this new guidance for all contracts using the modified retrospective transition approach in which the new guidance was applied retrospectively to contracts that were not completed as of July 1, 2019. The modified retrospective approach was applied using certain practical expedients. The adoption did not have a material impact on the Foundation’s results of operations.

In November 2017, the Financial Accounting Standards Board (“FASB”) issued an Accounting Standard Updated (“ASU”). ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. Topic 230 requires that the statement of cash flows explain the change during the period in the total cash, cash equivalents, and restricted cash and that restricted cash be included with cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows. The Company elected to adopt the new guidance as of April 1, 2019. The adoption did not have a material impact on the financial statement.

Revenue Recognition and Significant Judgements

The Foundation adopted ASC Topic 606 Revenue from Contracts with Customers on July 1, 2019. The Foundation’s financial results for reporting periods beginning July 1, 2019 are presented under the new accounting standard.

The Foundation derives its revenues primarily from contributions and fundraising events. Contributions are both voluntary and nonreciprocal and do not fall under ASC Topic 606. Grants may be considered a contribution or an exchange transaction. If the grant is considered an exchange transaction it would fall under the guidance of ASC Topic 606. Grants must be evaluated to determine if the provider receives value or a service in return for the resources transferred.

The Foundation has evaluated all material grants for the year ended June 30, 2020 and has determined no exchange transactions exist and all grants will be treated as contributions as related to the adoption of ASC Topic 606. As stated above, the adoption of ASC Topic 606 had no material impact on the Foundation’s results of operations.

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)
June 30, 2020 and June 30, 2019

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.

Paycheck Protection Program

During fiscal year June 30, 2020, the Foundation qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from The Huntington National Bank, for an aggregate principal amount of \$125,500. The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of five years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Company's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll cost, covered rent and mortgage obligations, and covered utility payments incurred by the Company. The Company intends to apply for forgiveness of the PPP Loan with respect to these covered expenses. To the extent that all or part of the PPP Loan is not forgiven, the Foundation will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing in \$7,028 principal and interest payments will be required through the maturity date in 18 months. The terms of the PPP Loan provide for customary events of default including, amount other things, payment defaults, breach of representations and warranties, and insolvency events. The PPP Loan may be accelerated upon the occurrence of the event of default.

Non-for-Profits should follow FASB ASC 958-605 to record the PPP loan on their books. FASB ASC 958-605 provides on point guidance for Non-for-Profits. However, if an organization believes it was more appropriate based on their circumstances, they can recognize the PPP Loan as normal debt following the guidance of FSAB ASC 470 which is the guidance used by For Profit companies. The Foundations believes it would be more appropriate to follow FSAB ASC 958-605 and treat the loan as a conditional contribution. FASB ASC 958-605 indicates that a transfer of assets that is a conditional contribution is accounted for as a refundable advance until the conditions have been substantially met or explicitly waived by the donor. Therefore, in lieu of loan treatment, the PPP loan would be treated more similarly to deferred revenue. The Key to determining when to recognize the contribution revenue is when the conditions have been substantially met. The Foundation fully expects to have the entire loan forgiven, however the conditions have not yet been met so the PPP Loan is presented in the Statement of Financial Position as Deferred revenue. Once the conditions are met the Foundation will recognize the PPP Loan as contribution revenue.

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, 2020, 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.

THE DRAGONFLY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2020 and June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$7,817 the year ended June 30, 2020 and \$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 was \$474,895 for the year ended June 30, 2020 and \$431,112 for the year ended June 30, 2019, the majority of which was in-kind donations.

THE DRAGONFLY FOUNDATION
 NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2020 and June 30, 2019

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 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.

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

During fiscal year 2019, the Landing 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 - 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.

	June 30, 2020	June 30, 2019
Financial assets:		
Cash and cash equivalents	\$ 307,312	\$ 292,493
Donations receivable	8,239	27,312
	<hr/>	<hr/>
Total financial assets	315,551	319,805
Less amounts with purpose restrictions	66,366	61,235
	<hr/>	<hr/>
Financial assets available to meet cash needs for general expenditures within one year.	\$ 249,185	\$ 258,570

THE DRAGONFLY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2020 and June 30, 2019

NOTE 3 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restriction consisted of the following at June 30, 2020:

	<u>Landing</u>	<u>Operating</u>
Care Bags	\$ 0	\$ 59,076
Patient & Family Gifting	0	2,932
Landing	996,949	0
Total Net Assets with Donor Restrictions	<u>\$ 996,949</u>	<u>\$ 62,008</u>

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	981,250	0
Total Net Assets with Donor Restrictions	<u>\$ 281,250</u>	<u>\$ 22,647</u>

Net assets released from net assets with donor restrictions are as follows at June 30, 2020:

	<u>Landing</u>	<u>Operating</u>
Care Bags	\$ 0	\$ 19,425
Adopt a Family	0	4,400
Patient & Family Gifting	0	16,055
Beads of Courage Program	0	2,147
P&F Events	0	2,500
Misc. Expenses	21,245	0
Consulting	63,375	0
Payroll Allocation	103,030	0
Interest	33,185	0
Total Released from Net Assets with Donor Restrictions	<u>\$ 220,835</u>	<u>\$ 44,527</u>

Net assets released from net assets with donor restrictions are as follows at June 30, 2019:

	<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>

THE DRAGONFLY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2020 and June 30, 2019

NOTE 4 - 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, 2020, the amount that exceeded the \$250,000 insured by the FDIC was \$60,608 and as of June 30, 2019 the amount that exceeded the \$250,000 insured by the FDIC was \$49,545.

NOTE 5- RELATED PARTY TRANSACTIONS

The Company has a note payable to a related party with a balance of \$0 at June 30, 2020 and a balance of \$203,639 at June 30, 2019, that carries an interest rate of 5% per annum and is payable on demand.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following for the year ended June 30, 2020 and June 30, 2019:

	June 30, 2020	June 30, 2019
	<u> </u>	<u> </u>
Depreciable:		
Building	\$ 1,535,742	\$ 1,540,994
Computers and Related Equipment and Software	196,378	134,429
Furniture and Fixtures	206,406	153,138
Total Depreciable Property	<u>1,938,526</u>	<u>1,828,561</u>
Less: Accumulated Depreciation	<u>(281,017)</u>	<u>(198,737)</u>
Total Depreciable Property, Net	<u>1,657,509</u>	<u>1,629,824</u>
Nondepreciable:		
Land	69,220	69,220
Domain Names	7,500	7,500
Held for the Landing 3.0	25,000	25,000
Trademarks	2,831	2,831
Burial Plots	58,135	36,565
Total Nondepreciable Property	<u>162,686</u>	<u>141,116</u>
Total Property and Equipment, Net	<u>\$ 1,820,195</u>	<u>\$ 1,770,940</u>

THE DRAGONFLY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2020 and June 30, 2019

NOTE 7 -LONG TERM DEBT

Long term liabilities at June 30, 2020 and June 30, 2019 consist of the following:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Note payable – The Huntington Nation Bank, secured by substantially all business assets of the Foundation, payable in 60 monthly installments of \$1,767, maturing in 2023, interest rate at Prime + .50%	\$ 0	\$ 244,933
Note payable – Heritage, secured by substantially all business assets of the Foundation, payable in 57 monthly installments of \$3,050 and then 59 monthly installments of \$2,869, maturing in 2030, interest rate 4.25%	490,000	0
Note payable – Small Business Administration, secured by substantially all business assets of the Foundation, payable in 348 monthly installments of \$641, starting June 8, 2021, maturing in 2050, interest rate of 2.75%	<u>150,000</u>	<u>0</u>
Less: current Maturities	<u>(13,128)</u>	<u>(7,109)</u>
Total Long Term Liabilities	<u>\$ 626,872</u>	<u>\$ 237,824</u>

Current maturities for the next five years are as follows:

2021	\$	13,128	
2022		21,248	
2023		21,132	
2024		21,990	
2025		22,702	
Thereafter		<u>539,800</u>	
	\$	<u>640,000</u>	

THE DRAGONFLY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2020 and June 30, 2019

NOTE 8 - NEW PRONOUNCEMENTS

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 - COVID-19

In December 2019, a novel strain of coronavirus (“COVID-19”) was reported in Wuhan, China. During the third quarter of 2020, the COVID-19 virus spread throughout the world, which lead the World Health Organization to declare COVID-19 as a pandemic. The extent of the impact of COVID-19 on the Foundation’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and impact on the Foundation, all of which are uncertain and cannot be predicted.

NOTE 10 -SUBSEQUENT EVENTS

The Foundation has evaluated all subsequent events through September 22, 2020, the date the financial statements were available to be issued.