

**FINANCIAL STATEMENTS**  
**AND INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS' REPORTS**  
**TASK FORCE DAGGER Foundation**  
**JUNE 30, 2018 and 2017**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Task Force Dagger Foundation  
Dallas, Texas

We have audited the accompanying financial statements of Task Force Dagger Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets, 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Task Force Dagger Foundation as of June 30, 2018 and 2017, 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.

*M. Vail & Associates, P.C.*

Richardson, Texas  
December 14, 2018

## Task Force Dagger Foundation

## STATEMENT OF FINANCIAL POSITION

June 30,

<b>ASSETS</b>	<b>2018</b>	<b>2017</b>
Current assets:		
Cash and cash equivalents	\$ 76,584	\$ 18,232
Restricted Cash	57,797	23,966
Total Cash	<u>134,381</u>	<u>42,198</u>
Accounts receivable other	8,224	24,915
Inventory	9,316	8,969
Prepaid expenses	5,341	4,518
Total current assets	<u>157,262</u>	<u>80,600</u>
Property and equipment, net of accumulated depreciation	18,232	11,333
Other assets		
Right-of-use-assets	95,248	-
Security Deposits	1,946	-
Total other assets	<u>97,194</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 272,688</u></b>	<b><u>\$ 91,933</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	18,640	10,199
Lease liability	95,248	-
Total current liabilities	<u>113,888</u>	<u>10,199</u>
Deferred contributions	6,825	-
Total liabilities	<u>120,713</u>	<u>10,199</u>
Net assets:		
Total without donor restrictions	102,723	75,357
With donor restricted	49,252	6,377
Total Net Assets	<u>151,975</u>	<u>81,734</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 272,688</u></b>	<b><u>\$ 91,933</u></b>

The accompanying notes are an integral part of these statements.

Task Force Dagger Foundation

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

For the years ended June 30,

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2018</u>	<u>Total 2017</u>
<b>PUBLIC SUPPORT AND REVENUE:</b>				
Public support				
Contributions	\$ 463,482	\$ 185,590	\$ 649,072	\$ 1,143,439
Contributed goods and services	207,625	-	207,625	278,129
Special events, net of direct costs	(3,078)	-	(3,078)	(4,733)
Other Income, net of direct costs	40,836	-	40,836	10,263
Net assets released from restrictions	142,715	(142,715)	-	
Total public support and revenue	<u>851,580</u>	<u>42,875</u>	<u>894,455</u>	<u>1,427,098</u>
<b>EXPENSES:</b>				
Program services	692,989	-	692,989	1,082,898
Supporting services:				
Management and general	97,546	-	97,546	134,508
Fundraising	33,731	-	33,731	8,704
Total supporting services	<u>131,277</u>	<u>-</u>	<u>131,277</u>	<u>143,212</u>
Total expenses	<u>824,266</u>	<u>-</u>	<u>824,266</u>	<u>1,226,110</u>
<b>INVESTMENT INCOME</b>				
Interest Income	52	-	52	81
Change in net assets	27,366	42,875	70,241	201,069
Net Assets at beginning of year	75,357	6,377	81,734	(119,335)
Net assets at end of year	<u>\$ 102,723</u>	<u>\$ 49,252</u>	<u>\$ 151,975</u>	<u>\$ 81,734</u>

The accompanying notes are an integral part of these statements.

Task Force Dagger Foundation

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2018

Expense	Immediate Need	SOF Health Initiative	3 Gun Team	Dagger Dive	Montana Events	MASP Events	Other Recreational Events	Total Program Services	Fund Raising	Management and General	Total Supporting Services	Total
3rd SFG Support	\$ 10,135	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,135	\$ -	\$ -	\$ -	\$ 10,135
Ammunition	-	-	5,357	-	-	-	-	5,357	502	-	502	5,859
Bank Charges	57	-	-	-	-	-	-	57	-	395	395	452
Banners & Signs	210	-	-	313	112	-	-	635	-	1,665	1,665	2,300
Books, Subscriptions, Reference	-	-	-	428	-	-	-	428	-	-	-	428
Care Packages	34,670	-	-	-	-	-	-	34,670	-	-	-	34,670
Career Transition	1,989	-	-	-	-	-	-	1,989	-	-	-	1,989
Catering	-	-	1,700	3,375	-	-	-	5,075	1,955	631	2,586	7,661
Conference, Convention, Meeting	-	-	330	-	-	-	-	330	-	3,249	3,249	3,579
Contract Services	-	-	-	1,598	-	-	-	1,598	-	500	500	2,098
Data Processing	350	130	48	438	149	3	19	1,137	55	510	565	1,702
Depreciation expense	-	-	1,061	-	-	-	-	1,061	-	6,925	6,925	7,986
Dive Boats	-	-	-	8,400	-	-	-	8,400	-	-	-	8,400
Dive Gear	-	-	-	12,824	-	-	-	12,824	-	-	-	12,824
Dive Training	-	-	-	5,344	-	-	-	5,344	-	-	-	5,344
Event Apparel	-	-	-	449	-	1,500	-	1,949	2,629	-	2,629	4,578
Total Facilities and Equipment	3,293	894	330	19,529	1,025	21	130	25,222	5,782	3,525	-	34,529
Family Excursions	-	-	-	6,209	-	-	-	6,209	-	-	-	6,209
Flowers	236	-	-	-	-	-	-	236	-	87	87	323
Funeral Support	3,500	-	-	-	-	-	-	3,500	-	-	-	3,500
Fundraising Expenses	-	-	-	-	-	-	-	-	5,314	100	5,414	5,414
Gift Cards	6,940	-	-	-	-	-	-	6,940	1,430	-	1,430	8,370
Grants and Scholarships	3,700	-	-	-	-	-	-	3,700	-	-	-	3,700
Insurance - Liability, D and O	-	-	-	1,272	-	-	-	1,272	-	923	923	2,195
Licenses & Fees	-	-	-	-	-	-	-	-	-	199	199	199
Living Expense Support	18,775	-	-	-	-	-	-	18,775	-	-	-	18,775
Lodging	21,408	9,505	3,908	53,468	-	-	1,974	90,263	3,214	2,862	6,076	96,339
Marketing	1,708	632	233	2,140	725	15	92	5,545	270	2,491	2,761	8,306
Total Medical Care and Devices	23,890	27,677	-	733	-	-	-	52,300	-	-	-	52,300
Miscellaneous	-	-	-	-	-	-	-	-	-	125	125	125
Office Supplies	1,138	421	155	1,535	483	10	61	3,803	180	1,661	1,841	5,644
Payroll Expenses	21,750	8,050	2,969	27,245	9,233	191	1,170	70,608	3,437	31,732	35,169	105,777
Postage and Mailing Service	1,305	483	178	1,635	554	11	70	4,236	501	1,904	2,405	6,641
Printing and Copying	-	-	165	10	-	-	-	175	-	162	162	337
Total Professional Fees	8,371	3,098	1,143	10,485	3,553	74	450	27,174	1,323	12,214	13,537	40,711
Promotionals/Giveaways	5,034	1,863	687	8,013	2,137	44	271	18,049	795	7,344	8,139	26,188
Public Service Announcements	1,863	-	-	-	-	-	-	1,863	-	554	554	2,417

The accompanying notes are an integral part of these statements.

	Immediate Need	SOF Health Initiative	3 Gun Team	Dagger Dive	Montana Events	MASP Events	Other Recreational Events	Total Program Services	Fund Raising	Management and General	Total Supporting Services	Total
<b>Expense</b>												
Rations	2,234	41	1,647	48,777	2,743	-	1,189	56,631	921	1,830	2,751	59,382
Repair and Maintenance	-	-	-	-	-	-	-	-	-	310	310	310
Safety Gear	50	-	-	-	-	-	-	50	-	-	-	50
Sound, Stage & Video Expense	-	-	-	550	-	-	-	550	-	-	-	550
Special Celebrations	-	-	-	-	-	-	-	-	-	483	483	483
Storage	-	-	-	-	-	-	-	-	-	538	538	538
Supplements	378	1,361	-	-	-	-	-	1,739	-	-	-	1,739
Supplies	318	-	80	788	25	-	-	1,211	402	135	537	1,748
Telephone	878	325	120	1,100	373	8	47	2,851	139	1,280	1,419	4,270
Total Transportation	39,290	24,528	9,032	50,737	10,581	-	5,753	139,921	4,882	7,862	12,744	152,665
Travel and Meetings	-	-	-	-	-	-	-	-	-	5,350	5,350	5,350
Total Warrior Events	-	-	-	-	58,922	-	255	59,177	-	-	-	59,177
<b>Total Expense</b>	<b>\$ 213,470</b>	<b>\$ 79,008</b>	<b>\$ 29,143</b>	<b>\$ 267,395</b>	<b>\$ 90,615</b>	<b>\$ 1,877</b>	<b>\$ 11,481</b>	<b>\$ 692,989</b>	<b>\$ 33,731</b>	<b>\$ 97,546</b>	<b>\$ 131,277</b>	<b>\$ 824,266</b>

Management & Fund Raising Percentage

14.68%

Task Force Dagger Foundation

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2017

Expense	Immediate Need	SOF Health Initiative	3 Gun Team	Dagger Dive	Montana Events	MASP Events	Other Recreational Events	Total Program Services	Fund Raising	Management and General	Total Supporting Services	Total
Ammunition	\$ -	\$ -	\$ 4,829	\$ -	\$ -	\$ -	\$ -	\$ 4,829	\$ -	\$ -	\$ -	\$ 4,829
Bank Charges	579	-	-	-	-	181	-	760	59	714	773	1,533
Banners & Signs	-	-	-	-	-	-	-	-	-	509	509	509
Books, Subscriptions, Reference	-	-	-	-	-	-	-	-	-	40	40	40
Care Packages	11,339	-	-	-	-	-	-	11,339	-	-	-	11,339
Catering	600	-	-	-	-	-	-	600	-	-	-	600
Conference, Convention, Meeting	-	-	-	-	-	-	-	-	-	2,209	2,209	2,209
Data Processing	-	-	-	359	-	-	-	359	291	5,165	5,456	5,815
Depreciation expense	-	-	4,845	-	-	-	-	4,845	-	4,369	4,369	9,214
Dive Boats	-	-	-	7,475	-	-	-	7,475	-	-	-	7,475
Dive Gear	-	-	-	13,951	-	1,160	-	15,111	-	-	-	15,111
Dive Training	-	-	-	5,115	-	4,802	-	9,917	-	-	-	9,917
Event Apperal	581	-	-	182	171	2,190	-	3,124	-	-	-	3,124
Total Facilities and Equipment	-	-	-	22,290	-	258	-	22,548	-	-	-	22,548
Family Excursions	483	-	-	3,324	-	-	-	3,807	-	-	-	3,807
Flowers	113	-	-	-	-	-	-	113	-	133	133	246
Funeral Support	6,989	-	-	-	-	-	-	6,989	-	-	-	6,989
Fundraising Expenses	-	-	-	-	-	-	-	-	4,410	-	4,410	4,410
Gift Cards	6,454	662	-	-	-	-	-	7,116	-	-	-	7,116
Grants and Scholarships	1,000	-	-	-	-	-	-	1,000	-	-	-	1,000
Licenses & Fees	-	-	-	-	-	-	-	-	2,670	-	2,670	2,670
Living Expense Support	99,191	-	-	-	-	-	-	99,191	-	-	-	99,191
Lodging	19,735	7,215	1,206	73,708	1,060	18,208	1,647	122,779	-	1,091	1,091	123,870
Marketing	-	-	208	1,920	398	637	5,212	8,375	71	-	71	8,446
Total Medical Care and Devices	10,058	57,325	-	-	-	-	-	67,383	-	-	-	67,383
Miscellaneous	-	-	-	-	-	30	-	30	-	-	-	30
Office Supplies	-	-	-	778	-	(11)	-	767	-	5,490	5,490	6,257
Payroll Expenses	28,884	5,706	1,466	13,557	2,807	4,494	1,802	58,716	502	35,823	36,325	95,041
Postage and Mailing Service	1,204	135	130	20	122	16	-	1,627	-	2,272	2,272	3,899
Total Professional Fees	-	-	-	-	-	-	-	-	-	57,750	-	57,750
Promotionals/Giveaways	-	-	2,047	18,902	3,918	6,273	2,088	33,228	701	-	701	33,929
Rations	48	60	694	48,812	3,111	3,784	506	57,015	-	529	529	57,544
Safety Gear	625	-	-	188	-	-	-	813	-	-	-	813
Special Celebrations	200	-	-	-	-	-	-	200	-	-	-	200
Storage	-	-	-	-	-	-	-	-	-	159	159	159
Supplies	-	-	-	1,385	173	561	-	2,119	-	689	689	2,808
Telephone	-	-	-	-	-	300	-	300	-	5,300	5,300	5,600

The accompanying notes are an integral part of these statements.



	Immediate Need	SOF Health Initiative	3 Gun Team	Dagger Dive	Montana Events	MASP Events	Other Recreational Events	Total Program Services	Fund Raising	Management and General	Total Supporting Services	Total
Expense												
Total Transportation	28,227	23,752	9,994	22,799	11,891	35,026	2,602	134,291	-	4,624	4,624	138,915
Total Warrior Events	-	-	-	-	25,009	-	11,442	36,451	-	2,976	-	39,427
Total Expense	<u>\$ 575,991</u>	<u>\$ 94,855</u>	<u>\$ 25,419</u>	<u>\$ 234,765</u>	<u>\$ 48,660</u>	<u>\$ 77,909</u>	<u>\$ 25,299</u>	<u>\$ 1,082,898</u>	<u>\$ 8,704</u>	<u>\$ 134,508</u>	<u>\$ 143,212</u>	<u>\$ 1,226,110</u>

Management & Fund Raising Percentage

10.04%

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Task Force Dagger Foundation  
**STATEMENT OF CASH FLOWS**  
For the years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 70,241	\$ 201,069
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation Expense	7,986	9,214
Changes in operating assets and liabilities		
Accounts Receivable Other	16,691	(24,915)
Prepaid expense	(824)	6,638
Inventory	(347)	8,890
Accounts payable	8,441	(197,503)
Lease liability	95,248	-
Deferred contributions	6,825	-
Total adjustments	<u>134,020</u>	<u>(197,676)</u>
<b>Net cash provided by (used in) operating activities</b>	<u>204,261</u>	<u>3,393</u>
<b>Cash flows from investing activities</b>		
Other Assets	(1,945)	-
Right-of-use-assets	(95,248)	-
Purchases of property and equipment	<u>(14,885)</u>	<u>(5,914)</u>
<b>Net cash provided by (used in) investing activities</b>	<u>(112,078)</u>	<u>(5,914)</u>
<b>Cash flows from Other activities</b>		
Net cash provided by (used for) Temporarily restricted fund activities	<u>-</u>	<u>(99,487)</u>
Net increase in cash and cash equivalents	92,183	(102,008)
Cash and cash equivalents at beginning of year	<u>42,198</u>	<u>144,206</u>
Cash and cash equivalents at end of year	<u>\$ 134,381</u>	<u>\$ 42,198</u>
<b>Supplemental disclosures of cash flow information</b>		
Taxes paid	<u>\$ -</u>	<u>\$ -</u>
Interest paid	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

Task Force Dagger Foundation  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018 and 2017

**1. Nature of Foundation**

**Mission Statement**

Task Force Dagger Foundation provides assistance to wounded, ill, or injured US Special Operations Command (USSOCOM) members and their families. We respond to urgent needs, conduct Rehabilitative Therapy Events, and provide next-generation health solutions for issues facing our service members. We are a rally point to combat Traumatic Brain Injury (TBI), Post-Traumatic Stress (PTS), and environmental exposures. Our cohesive programs enable families to seize the moment and live life.

**Foundation and Activities**

The Task Force Dagger Foundation (the Foundation) is a 501(c) (3) Not for Profit Foundation, founded in September 2009. A board of directors (up to eight members) governs the Foundation. The Foundation office is located at 12655 North Central Expressway Suite 330, Dallas, Texas. The Foundation has two full-time salaried employees and one part-time employee. The Foundation primarily relies on a substantial number of unpaid and supporting volunteers located throughout the United States.

**Benefits, Services, and Programs**

In order to provide the best care and support for our US Special Operations Command service members and families, Task Force Dagger Foundation provides support through our core programs. Task Force Dagger Foundation is the only Special Operation Forces specific charity that provides rapid response immediate needs support to all branches (Army/Navy/Air Force/Marine) active and veteran SOF Operators and Enablers (support personnel) Wounded, Ill, Injured, or not and their family members. TFD has the least restrictive charter in supporting the United States Special Operations Command.

Our programs provide support for emergency needs for families who are in crisis, need life-changing assistance with health issues, and benefit from therapy events that help families rebuild and recover. Task Force Dagger's RTE experiences foster a sense of well-being, offer encouragement, and assist the service member's rehabilitation and recovery from wounds/injuries sustained while serving our country.

One of our core beliefs is that if the service member is injured, the whole family is injured and must heal together. Teamwork is more than being on a Team, it is being part of a family that is stronger together. As such, when we conduct a therapy event, we include the whole family in the activities. Our activities include Scuba, shooting sport events, outdoor activities such as white-water rafting, fishing, sailing, horseback riding, skiing, and snowmobiling.

These programs and services really provide the service member and their family with life-changing help and assistance when needed and where it counts the most.

## Task Force Dagger Foundation

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

Support for Immediate Needs - The Foundation assists Special Operations service members and their families with needs that are not covered by the DoD, VA, or their insurance. The needs covered are diverse and cover every type of assistance both medical and other immediate needs as identified from either the unit chain of command or the US Special Operations Command's Warrior Care Program. In fiscal year 2018, we provided nearly \$213,500 in support.

Support for Special Operations Forces Health Initiatives Program - The Special Operations Forces Health Initiatives Program is a Mind, Body, Spirit, and Purpose driven program focused on finding the root causes of illness and treating them with Functional Medicine. The SOF Health Initiatives Program offers a full system, patient-centric approach to medicine and creates an environment conducive to healing and recovery. This life-changing knowledge and assistance equips the service members to regain control of their life and get back out into the world and regain their place in society. The Special Operations Forces Health Initiatives Program also offers a platform to educate and empower health care providers, service members and their families how to repair and maintain themselves. In fiscal year 2018, we provided nearly \$79,000 in support.

Rehabilitative Therapy Events - The Foundation's Rehabilitative Therapy adaptive events (RTE) Program takes wounded, ill, or injured service members and their family members and helps them discover new limits and possibilities along with their family members. The goal of this program is to enable the service member and his/her family to extend their activities to something they thought not possible and to do it as a family. This helps the family to grow closer, discover a new hobby or activity that they can do as a family. These events focus on the family healing as a whole unit. In 2018, the Foundation provided nearly \$400,500 in support during different events. Additionally, our popular Dagger dive event expenditure exceeded \$267,395.

As a result of sponsoring these key programs in 2018, the Foundation provided desperately needed assistance to 497 service members and their families.

## **2. Summary of Significant Accounting Policies**

The summary of significant accounting policies of the Foundation are presented to assist in understanding the financial statements. The financial statements and accompanying notes are representations of the Foundation's management, which is responsible for the fairness and objectivity embodied in the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the presentation of the accompanying financial statements.

### **Basis of Presentation**

The accompanying financial statements, presented on the accrual basis of accounting, have been prepared to focus on the Foundation as a whole and to reflect the accounts of the Foundation in accordance with accounting principles generally accepted in the USA.

Task Force Dagger Foundation

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

**2. Summary of Significant Accounting Policies (continued)**

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment returns, and cash flows. The guidance replaces the three classes of net assets previously presented on the statement of financial position with two new classes of net assets, which are based on the existence or absence of donor-imposed restrictions. ASU No. 2016-14 includes specific disclosure requirements intended to improve a financial statement user’s ability to assess an entity’s available financial resources, along with its management of liquidity and liquidity risk. The Foundation has elected to early adopt ASU 2016-14 for the purpose of preparing the accompanying consolidated financial statements.

**Use of Estimates**

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

Significant estimates used in the preparation of these financial statements include the assumption in recorded fair value of in-kind donations.

**Net Assets**

Net assets, revenue, and support are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions.
- *Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that such resources be maintained in perpetuity. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Task Force Dagger Foundation

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

**2. Summary of Significant Accounting Policies (continued)**

**Cash Equivalents**

The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents consist of highly, liquid short-term market instruments, and certificates of deposit with a maturity of three months or less when purchased. The Foundation has no certificates of deposit.

**Concentration of Credit Risk**

The Foundation places its cash and cash equivalents with FDIC insured financial institutions. At times, the account balances may exceed the FDIC insured limits. The Foundation does not believe it is exposed to any significant credit risk with respect to such cash accounts.

**Pledges Receivable**

Pledges receivable are recorded at estimated realizable value. The Foundation had no pledge receivable as of June 30, 2018.

**Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Currently the Foundation has no investments in marketable securities.

**Inventory**

Inventory is stated at the lower of average cost or market. Inventory consists of various military oriented items, clothing, and promotional items.

**Prepaid Expenses**

Prepaid expense primarily consists of promotional products purchased in advance of, and to be used for future campaigns as well as advance payments for program events and other services.

**Property and Equipment**

Property and equipment with values of \$500 or more and a useful life longer than three years are recorded at cost, or, if donated, at their estimated fair value at date of receipt. Maintenance, repairs, and replacements, which do not improve or extend the lives of the respective assets, are charged to expense as incurred. When items of property and equipment are sold or otherwise disposed of, the assets and related accumulated

Task Force Dagger Foundation

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

**2. Summary of Significant Accounting Policies (continued)**

depreciation accounts are eliminated, and any gain or loss is included in the statement of activities.

Depreciation expense is computed using the straight-line method over the estimated useful lives of the related assets. Depreciation and amortization has been calculated as follows:

Competition firearms	5 years
Furniture and equipment	5 years
Office computers	3 years
Website and software	3 years

**Contributions**

Unrestricted contributions and in-kind contributions are recognized and reported as increases to net assets without donor restrictions in the statement of activities in the fiscal year in which the donor makes the unconditional promise to give to the Foundation. Contributions and in-kind contributions that are restricted by the donor as to their specified purpose or time period for use are recognized and reported as increases to net assets with donor restrictions in the statement of activities in the fiscal year in which the donor makes the promise to give to the Foundation. When a donor restriction expires or is satisfied, the related assets are reclassified from net assets “with donor restrictions” to net assets without donor restrictions in the consolidated statement of activities. Unconditional promises to give due in the current year are recorded at their net realizable value.

**Contributed Services, Materials, and Supplies**

Contributed services are reported as contributions at their fair value if such services create or enhance non-financial assets; the services would have been purchased if not provided by contribution; and the service requires specialized skills.

Material in-kind items used in the program (e.g., equipment, supplies, etc.) are recorded as income and expense or are capitalized at the time the items are placed into service or distributed.

Additionally, the Foundation received significant contributions of time from its Directors and unpaid volunteers for various activities and other services of the Foundation. The value of this contributed time is not reflected in the financial statements since no objective basis is available to measure the value of the volunteered services.

**Functional Expense Allocation**

The costs of providing various program and supporting services have been summarized on a functional basis in the statement of functional expenses. The Foundation incurs

Task Force Dagger Foundation

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

**2. Summary of Significant Accounting Policies (continued)**

expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Foundation also conducts a number of activities which benefit both its program objectives as well as supporting services (i.e. fundraising and management and general activities). Accordingly, certain costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited. Allocation among programs and supporting services benefited is mainly based on estimates of time and effort incurred by personnel.

**Income Taxes**

The Foundation is a not-for-profit Foundation that is exempt from income taxes under section 501(c) (3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. As such, only unrelated business income is subject to income tax. The Foundation requested and was granted a retroactive change of its classification as a Private Non-Operating Foundation to that of a Public Charity under Code Section 507(b) (1) (B) of the Internal Revenue Service.

The Foundation's Forms 990 Return of Foundation Exempt from Income Tax, for the fiscal years ending June 30, 2018, 2017, 2016, and 2015 are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

The Foundation follows authoritative guidance which requires the Foundation to evaluate its tax positions for any uncertainties based on the technical merits of the position taken. The Foundation recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be upheld upon examination by taxing authorities. The Foundation is not aware of any other tax positions it has taken that are subject to a significant degree of uncertainty.

**New Accounting Pronouncements**

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which requires Foundations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for The Foundation for fiscal year 2020. Early adoption is permitted. The Foundation is currently evaluating the impact that the adoption of ASU 2016-02 will have on its consolidated financial statements.



Task Force Dagger Foundation

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

**3. Net Assets with Donor Restrictions**

As of June 30, 2018, the Foundation had \$49,252 of contributions restricted by donors to either future periods of time or for specified purposes. Purpose restrictions are generally specific to a certain program or use in a specific geographic region.

As of June 30, 2018, the Foundation, had three donor-restricted amounts, which restricts the Foundation to spend contributed proceeds only on certain programs.

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Immediate Needs program	\$38,034	\$ 6,377
Kirkwald 3 Gun Team Event	\$ 9,733	--
3 <sup>rd</sup> Special Forces Warriors	<u>\$ 1,485</u>	<u>--</u>
Total subject to Purpose restrictions	<u>\$49,252</u>	<u>\$ 6,377</u>

**4. Liquidity and Availability**

Financial assets consist of the Foundation's cash and cash equivalents, investments, and net contributions receivable. The following represents the Foundation's financial assets as of June 30, 2018, reduced by amounts not available for general use within one year of June 30, 2018 because of contractual or donor-imposed restrictions, as well the Board-Designated Strategic Operating Reserve Fund:

	<u>2018</u>	<u>2017</u>
Financial Assets as of June 30, 2018	\$ 134,381	\$ 67,113
Less Contractual, board, or donor-imposed restrictions	<u>(57,797)</u>	<u>(23,966)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 76,584</u>	<u>\$ 43,147</u>

The Foundation's financial assets available to meet cash needs for general expenditures within one year represents funding for ongoing operational requirements and planned increase in program expenditures in fiscal year 2019.

The Board of Directors of the Foundation has designated a strategic operating reserve fund ("Strategic Reserves") to ensure the long-term stability of the mission, programs, and ongoing operations of the Foundation. The Strategic Reserves are intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. The Strategic Reserves may also be used for one-time, non-recurring expenses that will build long-term capacity, such as staff development, research and development or investment in technology and infrastructure. The Board of Directors is required to approve any request for use of the fund and authorize any transfer from the fund. The Strategic Reserves target minimum is equal to six months of average annual operating costs and the target maximum is equal to twelve months of average annual operating costs. Average monthly

Task Force Dagger Foundation

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

**4. Liquidity and Availability (continued)**

operating costs do not include depreciation, in-kind and other non-cash expenses, one-time or unusual expenditures or capital purchases.

**5. Fair market value of Financial Instruments**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Authoritative guidance provides the framework for measuring fair value.

The carrying value of cash and cash equivalents, grant receivables, accounts payable and accrued expenses approximates fair value due to the relatively short-term nature of the financial instruments.

The Foundation applies the provisions of FASB ASC 820, Fair Value Measurements, and Disclosures, for fair value measures of investments that are recognized and disclosed at fair value in the financial statements on a recurring basis. ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 – Quoted prices for identical instruments in active markets
- Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which significant value drivers are observable
- Level 3 – Valuations derived from valuation techniques in which significant value drivers are unobservable

The foundation had no investments as of June 30, 2018 and 2017

Task Force Dagger Foundation

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

**6. Property and Equipment**

Property and equipment and related accumulated depreciation consisted of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Competition firearms	\$ 26,172	\$ 26,172
Equipment	14,743	8,989
Office furniture and equipment	3,976	-0-
Software	6,761	1,606
Website	10,900	8,100
Accumulated depreciation	<u>(44,320)</u>	<u>(36,334)</u>
Property and equipment, net	<u>\$ 18,232</u>	<u>\$ 11,333</u>
Total annual depreciation expense	\$ 7,986	\$ 9,214

**7. Leases**

The Foundation leases office space and storage space primarily under non-cancelable operating leases. The leases provide for increases in scheduled rent, operating expenses, and real estate taxes attributable to the leased property. The leases expire in various years through 2023. At June 30, 2018, the Foundation recognized a deferred rent liability of \$95,248 in the accompanying statement of financial position which represents the cumulative difference between the rent expense recognized on the straight-line basis over the term of the lease and the actual rent paid. Total rent expense for the year ended June 30, 2018 totaled \$9,218.

Future minimum lease payments for operating leases with an initial or remaining lease term of twelve months or more at June 30, 2018 are as follows:

2019	\$ 17,411
2020	20,176
2021	21,405
2022	22,634
2023	13,622
Thereafter	-0-
Total Minimum lease payments	<u>\$ 95,248</u>

**9. Contingencies**

The Foundation may be subject to legal actions or claims in the ordinary course of its business. Management is not aware of any current legal matters pending which would have a material adverse impact on the consolidated financial statements of the Foundation

Task Force Dagger Foundation

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018 and 2017

**9. In-Kind Contributions**

The Foundation recognizes in-kind contributions at their estimated fair value. During the years ended June 30, 2018 and 2017, the Foundation received the following in-kind contributions:

	<u>2018</u>	<u>2017</u>
Lodging	\$ 24,573	\$ -0-
Meals	43,820	40,662
Medical Support	150	53,900
Professional Fees	14,353	20,053
Other	124,729	163,514
Total in-kind contributions	<u>\$ 207,625</u>	<u>\$ 278,129</u>

**10. Subsequent Events**

The Foundation has evaluated events and transactions occurring subsequent to June 30, 2018 as of December 14, 2018, which is the date the financial statements are available to be issued. The Foundation is not aware of any material events that require recognition or disclosure in the accompanying financial statements.

**11. Reclassifications**

There are some reclassifications in the 2017 financial statements in order to match the 2018 presentation.