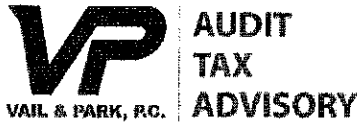


FINANCIAL STATEMENTS
AND INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS' REPORT
TASK FORCE DAGGER Foundation
June 30, 2019 and 2018

TABLE OF CONTENTS

Independent Auditors' Report.....	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities and Change in Net Assets	3
Statement of Functional Expenses	4-5
Statement of Cash Flows	6
Notes to Financial Statements.....	7-16



Michael G. Vail, CPA
Charlie Park, CPA
Charles T. Gregg, CPA
Don E. Graves, CPA
Dimesh J. Pai, CISA

Members
American Institute of CPAs
Texas Society of CPAs

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, 2019 and 2018, 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, 2019 and 2018, 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.

Vail + Park, P.C.

Richardson, Texas
November 11, 2019

Task Force Dagger Foundation

STATEMENT OF FINANCIAL POSITION

June 30,

ASSETS	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and cash equivalents	\$ 199,759	\$ 76,584
Restricted Cash	153,512	57,797
Total Cash	<u>353,271</u>	<u>134,381</u>
Accounts receivable other	1,279	8,224
Inventory	10,258	9,316
Prepaid expenses	<u>90,733</u>	<u>5,341</u>
Total current assets	455,541	157,262
Property and equipment, net of accumulated depreciation	56,053	18,232
Other assets		
Right-of-use-assets	77,837	95,248
Security Deposits	<u>1,946</u>	<u>1,946</u>
Total other assets	<u>79,783</u>	<u>97,194</u>
TOTAL ASSETS	<u><u>\$ 591,377</u></u>	<u><u>\$ 272,688</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	11,937	18,640
Lease liability	<u>77,837</u>	<u>95,248</u>
Total current liabilities	89,774	113,888
Deferred contributions	<u>136,447</u>	<u>6,825</u>
Total liabilities	226,221	120,713
Net assets:		
Total without donor restrictions	278,873	102,723
With donor restricted	<u>86,283</u>	<u>49,252</u>
Total Net Assets	<u>365,156</u>	<u>151,975</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 591,377</u></u>	<u><u>\$ 272,688</u></u>

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 2019</u>	<u>Total 2018</u>
PUBLIC SUPPORT AND REVENUE:				
Public support				
Contributions	\$ 787,918	\$ 462,529	\$ 1,250,447	\$ 649,072
Contributed goods and services	396,048	-	396,048	207,625
Special events, net of direct costs	-	-	-	(3,078)
Other Income, net of direct costs	716	-	716	40,836
Net assets released from restrictions	425,498	(425,498)	-	-
Total public support and revenue	<u>1,610,180</u>	<u>37,031</u>	<u>1,647,211</u>	<u>894,455</u>
EXPENSES:				
Program services	1,227,350	-	1,227,350	692,989
Supporting services:				
Management and general	207,356	-	207,356	97,546
Fundraising	-	-	-	33,731
Total supporting services	<u>207,356</u>	<u>-</u>	<u>207,356</u>	<u>131,277</u>
Total expenses	<u>1,434,706</u>	<u>-</u>	<u>1,434,706</u>	<u>824,266</u>
INVESTMENT INCOME				
Interest Income	676	-	676	52
Change in net assets	176,150	37,031	213,181	70,241
Net Assets at beginning of year	<u>102,723</u>	<u>49,252</u>	<u>151,975</u>	<u>81,734</u>
Net assets at end of year	<u>\$ 278,873</u>	<u>\$ 86,283</u>	<u>\$ 365,156</u>	<u>\$ 151,975</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, 2019

Expense	Immediate Need	SOF Health Initiative	3 Gun Team	Dagger Dive	Joint Recovery	Montana Events	Other Recreational Events	Total Program Services	Management and General	Total Supporting Services	Total
3rd SFG Support	\$ 39,807	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,807	\$ -	\$ -	\$ 39,807
Bank Charges	-	-	-	-	-	-	-	-	244	244	244
Books, Subscriptions, Reference	-	-	-	800	-	-	-	800	143	143	943
Care Packages	24,115	-	-	-	-	-	-	24,115	-	-	24,115
Career Transition	766	-	-	-	-	-	-	766	-	-	766
Catering	-	-	-	5,057	-	-	-	5,057	-	-	5,057
Conference, Convention, Meeting	-	-	-	-	-	-	-	-	-	-	-
Contract Services	730	251	7	200	216	125	17	1,758	2,149	2,149	3,907
Data Processing	-	-	-	412	4,082	-	-	4,082	7,897	7,897	11,979
Depreciation expense	-	-	-	-	-	-	-	-	-	-	-
Dive Boats	-	-	-	13,496	-	-	-	13,496	-	-	13,496
Dive Gear	-	-	-	10,658	4,184	-	229	15,071	-	-	15,071
Dive Training	-	-	-	12,152	-	-	-	12,152	-	-	12,152
Dues, Fees, and Subscriptions	2,041	702	19	1,152	603	350	46	4,913	6,004	6,004	10,917
Event Apperal	-	-	-	7,341	798	-	224	8,363	-	-	8,363
Total Facilities and Equipment	4,332	1,491	40	13,952	1,280	743	-	21,936	12,747	12,747	34,683
Family Excursions	-	-	-	11,512	-	-	-	11,512	-	-	11,512
Flowers	317	-	-	-	-	-	-	317	301	301	618
Funeral Support	25,998	-	-	-	-	-	-	25,998	-	-	25,998
Gift Cards	19,535	1,586	-	-	-	-	512	21,633	-	-	21,633
Grants and Scholarships	3,593	-	-	-	-	-	-	3,593	-	-	3,593
Insurance - Liability, D and O	-	-	656	2,245	-	-	-	2,901	-	-	2,901
Licenses & Fees	-	-	750	-	-	-	-	750	-	-	750
Living Expense Support	115,498	-	-	-	-	-	-	115,498	-	-	115,498
Lodging	22,747	11,328	743	77,208	27,595	255	543	140,419	4,632	4,632	145,051
Marketing	1,001	345	9	565	296	172	23	2,411	2,946	2,946	5,357
Total Medical Care and Devices	22,055	115,280	-	1,439	-	-	-	138,774	-	-	138,774
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-
Office Supplies	1,722	592	16	1,412	622	295	39	4,698	5,066	5,066	9,764
Payroll Expenses	21,426	7,373	199	12,095	6,331	3,674	485	51,583	63,047	63,047	114,630
Pass-through Expenses	103,245	-	-	-	-	-	-	103,245	34,507	34,507	137,752
Postal Service and Shipping	1,122	386	10	634	22,205	192	25	24,574	3,302	3,302	27,876
Printing and Copying	-	-	-	2	-	-	-	2	706	706	708
Total Professional Fees	9,914	3,412	92	5,597	2,929	1,700	-	23,869	29,173	29,173	53,042
Promotional/Giveaways	4,501	1,549	42	6,079	1,514	772	102	14,559	13,244	13,244	27,803
Rations	1,479	1,128	-	67,393	25,575	-	596	96,171	2,767	2,767	98,938
Safety Gear	-	-	-	26	-	-	-	26	-	-	26
Sound, Stage & Video Expense	-	-	-	850	1,120	-	-	1,970	-	-	1,970
Special Celebrations	1,000	-	-	-	-	-	1,258	2,258	2,378	2,378	4,636
Supplies	-	-	-	3,165	3,396	140	-	6,701	103	103	6,804
Taxes	-	-	-	-	-	-	-	-	594	594	594
Telephone	1,273	438	12	718	376	218	29	3,064	3,743	3,743	6,807
Total Transportation	81,577	29,574	2,136	31,623	47,511	10,782	-	205,015	10,285	10,285	215,300
Travel and Meetings	-	-	-	-	-	-	-	-	1,378	1,378	1,378
Total Warrior Events	-	-	-	-	-	68,007	5,286	73,293	-	-	73,293
Total Expense	509,794	175,435	4,731	287,783	150,633	87,425	11,549	1,227,350	207,356	207,356	1,434,706

Management & Fund Raising Percentage

12.588%

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	-	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 Appraisal	-	-	-	449	-	1,500	-	1,949	2,629	-	2,629	4,578
Total Facilities and Equipment	3,293	894	330	19,529	1,025	21	-	25,222	5,782	3,525	9,307	28,861
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	2,492	2,762	8,307
Total Medical Care and Devices	24,268	29,038	-	733	-	-	-	54,039	-	-	-	54,039
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	8,060	2,969	27,245	9,233	191	1,170	70,608	3,437	31,733	35,170	105,778
Postal Service and Shipping	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	3,088	1,143	10,485	3,553	74	-	27,174	1,323	12,214	13,537	40,711
Promotional/Giveaways	5,034	1,863	687	8,013	2,137	44	271	18,049	795	7,344	8,139	26,188
Public Service Activities	1,863	-	-	-	-	-	-	1,863	-	554	554	2,417
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
Supplies	316	-	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	-	-	139,921	4,882	7,862	12,744	152,665

The accompanying notes are an integral part of these statements.

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
Travel and Meetings	-	-	-	-	-	-	-	-	-	-	-	-
Total Warrior Events	-	-	-	-	58,922	-	-	59,177	-	5,348	5,348	5,348
Total Expense	\$ 213,470	\$ 79,008	\$ 29,143	\$ 267,395	\$ 90,615	\$ 1,877	\$ 11,481	\$ 692,989	\$ 33,731	\$ 97,546	\$ 131,277	\$ 824,266

Management & Fund Raising Percentage

14.677%

Task Force Dagger Foundation
STATEMENT OF CASH FLOWS
For the years ended June 30,

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 213,181	\$ 70,241
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation Expense	11,979	7,986
Changes in operating assets and liabilities		
Accounts Receivable Other	6,945	16,691
Prepaid expense	(85,391)	(824)
Inventory	(942)	(347)
Accounts payable	(6,703)	8,441
Lease liability	(17,411)	95,248
Deferred contributions	129,622	6,825
Total adjustments	38,099	134,020
Net cash provided by (used in) operating activities	251,280	204,261
Cash flows from investing activities		
Other Assets	-	(1,945)
Right-of-use-assets	17,411	(95,248)
Purchases of property and equipment	(51,405)	(14,885)
Retirement of property and equipment	1,604	-
Net cash provided by (used in) investing activities	(32,390)	(112,078)
Net increase in cash and cash equivalents	218,890	92,183
Cash and cash equivalents at beginning of year	134,381	42,198
Cash and cash equivalents at end of year	\$ 353,271	\$ 134,381
Supplemental disclosures of cash flow information		
Taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -

The accompanying notes are an integral part of these statements.

Task Force Dagger Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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, 2019

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 2019, we provided nearly \$509,800 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 2019, we provided nearly \$175,450 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 2019, the Foundation provided nearly \$542,120 in support during different events. Additionally, our popular Dagger dive event expenditure exceeded \$287,780.

As a result of sponsoring these key programs in 2019, the Foundation provided desperately needed assistance to 800 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, 2019

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.

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.

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

Task Force Dagger Foundation

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

2. Summary of Significant Accounting Policies (continued)

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 receivables as of June 30, 2019.

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

Task Force Dagger Foundation

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

2. Summary of Significant Accounting Policies (continued)

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 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

Task Force Dagger Foundation

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

2. Summary of Significant Accounting Policies (continued)

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, 2019, 2018, 2017, and 2016 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 has elected to early adopt ASU 2016-02 for the purpose of preparing the accompanying consolidated financial statements.

3. Net Assets with Donor Restrictions

As of June 30, 2019, the Foundation had \$86,283 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.

Task Force Dagger Foundation

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

3. Net Assets with Donor Restrictions (continued)

As of June 30, 2019, the Foundation, had several 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, 2019:

	<u>2019</u>	<u>2018</u>
Immediate Needs program	\$ 71,465	\$ 38,034
3 rd Special Forces Warriors	9,818	1,485
Kirkwald 3 Gun Event	-0-	9,733
Rehabilitative Therapy Events	<u>5,000</u>	<u>-0-</u>
Total subject to Purpose restrictions	<u>\$ 86,283</u>	<u>\$ 49,252</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, 2019, reduced by amounts not available for general use within one year of June 30, 2019 because of contractual or donor-imposed restrictions, as well the Board-Designated Strategic Operating Reserve Fund:

	<u>2019</u>	<u>2019</u>
Financial Assets as of June 30, 2019	\$ 353,271	\$ 134,381
Less Contractual, board, or donor-imposed restrictions	<u>(153,512)</u>	<u>(57,797)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 199,759</u>	<u>\$ 76,584</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 ending June 30, 2020.

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, 2019

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.

5. Fair market value of Financial Instruments (continued)

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, 2019.

Task Force Dagger Foundation

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

6. Property and Equipment

Property and equipment and related accumulated depreciation consisted of the following at June 30, 2019:

	<u>2019</u>	<u>2018</u>
Competition firearms	\$ 26,172	\$ 26,172
Equipment	57,647	14,743
Office furniture and equipment	3,976	3,976
Software	6,761	6,761
Website	8,500	10,900
Accumulated depreciation	<u>(46,003)</u>	<u>(44,320)</u>
Property and equipment, net	<u>\$ 56,053</u>	<u>\$ 18,232</u>
Total annual depreciation expense	<u>\$ 11,979</u>	<u>\$ 7,686</u>

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, 2019, the Foundation recognized a deferred rent liability of \$77,837 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 twelve months ended June 30, 2019 totaled \$17,411.

Future minimum lease payments for operating leases with an initial or remaining lease term of twelve months or more at June 30, 2019 are as follows:

2020	\$ 20,176
2021	21,405
2022	22,634
2023	13,622
Thereafter	<u>-0-</u>
Total Minimum lease payments	<u>\$ 77,837</u>

8. 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, 2019

9. In-Kind Contributions

The Foundation recognizes in-kind contributions at their estimated fair value. During the twelve months ended June 30, 2019, the Foundation received the following in-kind contributions:

	<u>2019</u>	<u>2018</u>
Lodging	\$ 30,836	\$ 24,573
Meals	57,075	43,820
Equipment and Other Goods	168,534	-0-
Medical Support	1,808	150
Professional Fees	16,442	14,353
Other Services	<u>121,353</u>	<u>124,729</u>
Total in-kind contributions	<u>\$ 396,048</u>	<u>\$ 207,625</u>

10. Subsequent Events

The Foundation has evaluated events and transactions occurring subsequent to June 30, 2019 as of November 11, 2019, 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.