

**Audited Financial Statements**  
**Task Force Dagger Foundation**  
**Years ended June 30, 2013 and 2012**

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**VAIL & KNAUTH, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS  
AUDIT, TAX AND ADVISORY SERVICES

Michael G. Vail, CPA  
Chris E. Knauth, CPA  
Don E. Graves, CPA  
Charles T. Gregg, CPA  
Cliff E. Wall, CPA  
Pamela C. Moore, CPA

Members:  
American Institute of  
CPAs  
Texas Society of CPAs

## Independent Auditors' Report

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

We have audited the accompanying statements of financial position of Task Force Dagger Foundation (a nonprofit Foundation) as of June 30, 2013, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of Task Force Dagger Foundation as of June 30, 2012 were audited by other auditors whose report dated December 3, 2012, expressed an unqualified opinion on those statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Vail + Knauth, LLP*

Dallas, Texas  
January 22, 2014

1801 Gateway Blvd., Suite 212  
Richardson, TX 75080  
(972) 234-3333

10300 N. Central Expy, Suite 460  
Dallas, TX 75231  
Voicemail (214) 660-2000

323 East Highway 199 – P.O. Box 1859  
Springtown, TX 76002  
(817) 220-8700

[www.vailknauth.com](http://www.vailknauth.com)

Task Force Dagger Foundation  
 STATEMENT OF FINANCIAL POSITION  
 June 30, 2013 and 2012

	<b>2013</b>	<b>2012</b>
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents (note 2)	\$ 85,381	\$ 70,360
Prepaid expenses	4,297	0
Inventory	24,408	0
Total current assets	114,086	70,360
Property and equipment, net of accumulated: depreciation (note 3)	24,855	16,334
<b>Total Assets</b>	<b>\$ 138,941</b>	<b>\$ 86,694</b>
 <b>Liabilities and Net Assets</b>		
Liabilities:		
Current Liabilities		
Accounts payable and accrued expense	\$ 6,529	\$ 37,779
Deferred Contributions	22,400	0
Total current liabilities	28,929	37,779
Total Liabilities	28,929	37,779
Net Assets:		
Unrestricted assets	110,012	48,915
Total net assets	110,012	48,915
<b>Total Liabilities and Net Assets</b>	<b>\$ 138,941</b>	<b>\$ 86,694</b>

The accompanying notes are an integral part of these statements.

Task Force Dagger Foundation  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
For the Year Ended June 30, 2013 and 2012

	<b>2013</b>	<b>2012</b>
<b>Public Support and Revenue:</b>		
Public support:		
Contributions (note 2)	\$ 99,674	\$ 173,572
Contributed goods and services (note 2)	38,419	33,934
Special events, net of direct costs	(698)	3,275
Total public support and revenue	137,395	210,781
<b>Expenses:</b>		
Program services	66,063	178,183
Supporting services:		
Management and general	10,139	7,768
Fundraising	96	3,192
Total expenses	76,298	189,143
Change in net assets	61,097	21,638
Net Assets, Beginning of Year	48,915	27,277
Net Assets, End of Year	\$ 110,012	\$ 48,915

The accompanying notes are an integral part of these statements.

Task Force Dagger Foundation  
**STATEMENT OF CASH FLOWS**  
For the Year Ended June 30, 2013 and 2012

	<b>2013</b>	<b>2012</b>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 61,097	\$ 21,638
Adjustments to reconcile change in net assets to net cash provided by operations:		
Depreciation expense	5,176	691
Changes in operating assets and liabilities:		
Prepaid Expense	(4,297)	-
Inventory	(24,408)	-
Accounts payable	(31,250)	22,468
Deferred Contributions	22,400	-
Total Adjustments	(32,379)	23,159
<b>Net cash provided by (used in) operating activities</b>	<b>28,718</b>	<b>44,797</b>
<b>Cash Flows From Investing Activities</b>		
Purchases of property and equipment	(13,697)	(17,025)
<b>Net cash provided by (used in) investing activities</b>	<b>(13,697)</b>	<b>(17,025)</b>
<b>Cash Flows From Financing Activities</b>		
<b>Net cash provided by (used in) financing activities</b>	<b>-</b>	<b>-</b>
<b>Net cash increase (decrease) for period</b>	15,021	27,772
<b>Beginning cash and cash equivalents</b>	70,360	42,588
<b>Ending cash and cash equivalents</b>	<b>\$ 85,381</b>	<b>\$ 70,360</b>
<b>Supplemental cash flow information:</b>		
Interest paid	\$ -	\$ -
Income tax paid	\$ -	\$ -

The accompanying notes are an integral part of these statements.

Task Force Dagger Foundation  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended June 30, 2013

	Program			Operation Cruise	Other Recreational Therapy Events	Total Program Service	Management and General	Fundraising	Total Supporting Services	Total Expenses
	3 Gun Team	Immediate Need	Dagger Dive							
Amunition	\$ 2,000	\$ -	\$ -	\$ -	\$ -	\$ 2,000	\$ -	\$ -	\$ -	\$ 2,000
Bank charges	-	-	-	-	-	-	175	-	175	175
Banners & Signs	-	-	-	-	-	-	669	-	669	669
Books, Subscriptions, Refer	-	-	-	-	-	-	175	-	175	175
Career Transition	-	2,825	-	-	-	2,825	-	-	-	2,825
Career Transition	-	-	-	-	-	-	-	-	-	-
Depreciation Expense	4,175	-	-	-	-	4,175	1,001	-	1,001	5,176
Dive Boats	-	-	-	-	-	-	-	-	-	-
Funeral Support	-	5,030	-	-	-	5,030	-	-	-	5,030
Grants and Scholarships	-	2,500	-	-	-	2,500	-	-	-	2,500
Licenses and Fees	-	-	-	-	-	-	400	-	400	400
Living Expense Support	-	7,152	-	-	-	7,152	-	-	-	7,152
Lodging	2,418	12,241	-	-	337	14,996	-	-	-	14,996
Medical Care and Devices	-	8,892	-	-	-	8,892	-	-	-	8,892
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Operation Cruise	-	-	-	-	-	-	-	-	-	-
Postage and Shipping	119	251	-	-	35	405	355	96	451	856
Printing and Copying	-	-	-	-	-	-	580	-	580	580
Professional Fees	-	-	-	-	-	-	5,340	-	5,340	5,340
Promotional	-	-	-	-	-	-	-	-	-	-
Rations	112	70	-	-	-	182	-	-	-	182
Rock Castle	-	-	-	-	-	-	-	-	-	-
Supplies	584	-	-	-	-	584	76	-	76	660
Transportation	4,805	7,704	-	-	304	12,813	-	-	-	12,813
Warrior Events	-	4,509	-	-	-	4,509	-	-	-	4,509
<b>Total Expenses</b>	<b>\$ 14,213</b>	<b>\$ 51,334</b>	<b>\$ (160)</b>	<b>\$ -</b>	<b>\$ 676</b>	<b>\$ 66,063</b>	<b>\$ 10,139</b>	<b>\$ 96</b>	<b>\$ 10,235</b>	<b>\$ 76,298</b>

The accompanying notes are an integral part of these statements.

Task Force Dagger Foundation  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended June 30, 2012

	Program				Other Recreational Therapy Events	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
	3 Gun Team	Immediate Need	Dagger Dive	Operation Cruise						
Amunition	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Banners & Signs	-	-	658	-	-	658	-	-	-	658
Books, Subscriptions, Refer	-	-	-	-	-	-	-	-	-	-
Dagger Dive III	-	-	-	-	-	-	-	-	-	-
Dive Boats	-	-	5,473	-	-	5,473	-	-	-	5,473
Drive Gear	-	-	7,200	-	-	7,200	-	-	-	7,200
Drive Training	-	650	1,538	-	-	2,188	-	-	-	2,188
Facilities and Equipment	-	-	1,643	-	-	1,643	-	-	-	1,643
Flowers	-	68	-	-	-	68	-	-	-	68
Funeral Support	-	1,429	-	-	-	1,429	-	-	-	1,429
Grants and Scholarships	-	4,780	-	-	-	4,780	-	-	-	4,780
Licenses and Fees	-	-	-	-	-	-	-	-	-	-
Lodging	141	3,176	10,276	-	-	13,593	-	-	-	13,593
Medical Care and Devices	-	6,397	-	-	-	6,397	-	-	-	6,397
Miscellaneous	-	-	113	-	-	113	-	-	-	113
Office Supplies	-	-	226	-	-	226	2,219	-	2,219	2,445
Operation Cruise Gala	-	-	-	79,461	-	79,461	-	593	593	80,054
Postage and Shipping	-	308	285	74	-	667	270	-	270	937
Printing and Copying	-	-	-	-	-	-	357	-	357	357
Professional Fees	-	-	-	-	-	-	3,886	-	3,886	3,886
Promotional/Givaways	-	-	4,002	-	-	4,002	-	-	-	4,002
Rations	143	-	10,877	-	-	11,020	-	-	-	11,020
Rock Castle	-	-	-	-	-	-	-	268	268	268
Stickers, T-Shirts, Patches,	-	-	-	-	-	-	-	2,101	2,101	2,101
Supplies	-	-	-	1,369	-	1,369	-	483	483	1,852
Transportation	-	422	11,593	8,196	9,271	29,482	-	-	-	29,482
Warrior Events	-	-	250	-	-	250	-	230	230	480
<b>Total Expenses</b>	<b>\$ 673</b>	<b>\$ 25,005</b>	<b>\$ 54,134</b>	<b>\$ 89,100</b>	<b>\$ 9,271</b>	<b>\$ 178,183</b>	<b>\$ 7,285</b>	<b>\$ 3,675</b>	<b>\$ 10,960</b>	<b>\$ 189,143</b>

The accompanying notes are an integral part of these statements.



Task Force Dagger Foundation  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013 and 2012

**1. Nature of Foundation**

**Mission Statement**

The Task Force Dagger Foundation (the Foundation) is a 501(c)(3) Not for Profit Foundation, founded in September 2009 and is dedicated to providing immediate financial assistance to wounded, ill, or injured members of the United States Army Special Operations Command and their families.. Additionally, The Task Force Dagger Foundation also sponsors and organizes recreational therapy activities that foster a sense of well-being, offer encouragement, and assists the service member's recovery from wounds or injuries sustained in the line of duty.

**Foundation and Activities**

The Foundation is governed by a board of directors (up to 5 members). The Foundation office is located at 5900 South Lake Forest Drive Suite 200, McKinney, Texas 75070. The Foundation has no full-time or salaried employees. The Foundation relies solely on the many supporting volunteers located throughout the United States.

Support for Immediate Needs - The Foundation supports immediate needs as requested by the SOCOM Care Coalition or by a US Army Special Operations Command unit. In fiscal year 2013, we provided over \$50,600 in support of 54 soldiers and family members. To date in fiscal year 2014, we have provided over \$91,000 to 92 soldiers and family members.

Recreational Therapy Events - The Foundation's Recreational Therapy Events (RTE) Program takes wounded, ill, or injured Soldiers 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 soldier 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 2013, the Foundation provided soldiers and family members with nearly \$15,000 in support during three different events. Our popular Dagger Dive event was not included in this year's financial presentation. If the event had not occurred after the close of the current fiscal year, the total expenditure for the Recreational Therapy Events would have exceeded \$100,000.

**2. Summary of Significant Accounting Policies**

The summary of significant accounting policies of the Foundation is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Foundation's management, who is responsible for the fairness and objectivity embodied in the financial statements.

**Basis of Accounting**

The accompanying financial statements, presented on the accrual basis of accounting, have been prepared to focus on the Foundation as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classifying assets, liabilities and net assets into classifications of restricted and unrestricted.

Task Force Dagger Foundation  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013 and 2012

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

**Financial Statements Presentation**

The Foundation adheres to the provisions of the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC"). FASB ASC 958-205 establishes standards for general purpose external financial statements of not-for-profit Foundations and requires a statement of financial position, a statement of activities and a statement of cash flows.

FASB ASC 958-605 requires the Foundation to distinguish between contributions that increase permanently restricted net assets, temporarily restricted net assets and unrestricted net assets. Additionally, it requires the recognition of contributed services meeting certain criteria at fair values.

The three classifications are defined as follows:

- Unrestricted net assets - not subject to donor-imposed restrictions or the restrictions have expired.
- Temporarily restricted net assets - subject to donor-imposed stipulations that may be fulfilled by actions of the Foundation to meet the stipulations or become unrestricted by the passage of time. Currently the Foundation has no temporarily restricted net assets.
- Permanently restricted net assets - subject to donor-imposed stipulations that they be retained and invested permanently by the Foundation. Currently the Foundation has no permanently restricted net assets.

**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.

**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 amount 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.

**Investment**

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 not investments in marketable securities.

Task Force Dagger Foundation  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013 and 2012

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

**Pledges Receivable**

Pledges receivable is recorded at estimated realizable value. The Foundation had no pledges receivable as of June 30, 2013.

**Property and Equipment**

All property and equipment is stated at cost, less accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the related assets. The FOUNDATION capitalizes all purchases that exceed \$500.

Maintenance, repairs and replacements, which do not improve or extend the lives of the respective assets, are charged to operations when incurred. When property or equipment is sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed, and any gain or loss is included in operations. Depreciation and amortization has been calculated as follows:

Furniture and equipment	5 years
Office computers	3 years

**Contribution**

Contributions, including unconditional promises to give, are recognized in the period received. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. 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.

**Income Tax Status**

The Foundation has received a determination of tax exempt status under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

The Task Force Dagger Foundation wishes to receive support grants from Governments and other private foundations; however, its' current status precludes such types of support.

Task Force Dagger Foundation  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2013 and 2012

**Income Tax Status**

The Foundation has requested a retroactive change of its' current classification of 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 was erroneously classified as a private foundation rather than a public charity when it received its' determination letter effective September 28, 2009. The foundation has actually qualified and has continued to qualify as a public charity since its' inception. Accordingly, an organization is publicly supported so as to qualify under IRC 170(b)(1)(A)(vi) if it "normally" receives at least 33 1/3% of its' total "support" from governmental units, direct or indirect contributions from the general public, or a combination of these sources. The Foundation meets the preview of section 170(b)(1)(A)(vi) as it pertains to the clause of other Foundations that receive a significant part of their support from government grants and/or contributions from the general public. Reg. 1.170A-9(e)(1). Further, the foundation has easily met the 33 1/3 percent-of-support test.

The outcome is still pending.

The Foundation is not aware of any tax positions it has taken that are subject to a significant degree of uncertainty. Tax years starting in 2010 remain subject to examination by federal taxing authorities.

**Reclassification**

Certain amounts from the June 30, 2012 financial statements have been reclassified to conform to the June 30, 2013 presentation.

**3. Property and Equipment**

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

	<u>2013</u>	<u>2012</u>
Equipment	\$ 1,700	\$ 1,450
Competition Firearms	26,172	15,575
Website	2,850	0
Less: Accumulated depreciation	<u>(5,867)</u>	<u>(691)</u>
Property and equipment, net	<u>\$ 24,855</u>	<u>\$ 16,334</u>
 Total annual depreciation expense	 \$ 5,176	 \$ 691

**4. Concentrations of Risk**

The Foundation's support is derived primarily from donations. In times of sharp economic downturns those donations can be at risk. In its' effort to attract public and governmental support on a continuing basis, the Foundation applied and is now approved to participate in the Combined Federal Campaign (CFC) as a national/international Independent Organization.

Task Force Dagger Foundation  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013 and 2012

**5. Concentration of Credit Risk**

Funds deposited in banks are federally insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2013, the Foundation maintains its cash in account at amounts which are below the federally insured limit.

**6. Special Events**

The Foundation holds a number of special events in order to generate awareness and raise funds.

Special events consisted of the following for the year ended June 30,:

	<u>2013</u>	<u>2012</u>
Gross receipts	\$ 8,423	\$ 4,000
Less: Contributions Received	-	-
Less: Direct Expenses	<u>(9,121)</u>	<u>(725)</u>
Net	<u>\$ (698)</u>	<u>\$ 3,275</u>

**7. Fair Value of Financial Instruments**

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

Task Force Dagger Foundation  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2013 and 2012

**7. Fair Value of Financial Instruments (continued)**

Fair values of assets measured on a recurring basis at June 30, 2013 are as follows:

For the Year Ended June, 30, 2013

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Assets				
Cash and cash equivalents	\$ 85,381.00			\$ 85,381.00
Liabilities	\$ -			\$ -

For the Year Ended June, 30, 2013

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Assets				
Cash and cash equivalents	\$ 70,360.00			\$ 70,360.00
Liabilities	\$ -			\$ -

**8. Subsequent Events**

The Foundation has evaluated events and transactions occurring subsequent to June 30, 2013 as of January 22, 2014, the financial issuance date.