

**PROJECT HEALING WATERS FLY FISHING, INC.**

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**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED DECEMBER 31, 2017 AND 2016**

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**Murphy & Murphy, CPA, LLC**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees of  
Project Healing Waters Fly Fishing, Inc.  
La Plata, Maryland

We have audited the accompanying financial statements of Project Healing Waters Fly Fishing, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**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 Project Healing Waters Fly Fishing, Inc. as of December 31, 2017 and 2016, 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.

*Murphy & Murphy, CPA, LLC*

La Plata, Maryland  
July 31, 2018

PROJECT HEALING WATERS FLY FISHING, INC.

STATEMENTS OF FINANCIAL POSITION

ASSETS

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and equivalents	\$ 2,190,082	\$ 1,638,582
Investments	143,225	129,522
Contributions receivable	134,003	229,617
Inventory	45,883	-
Prepaid insurance	19,808	8,105
Prepaid expenses	<u>91,087</u>	<u>25,134</u>
 Total current assets	 <u>2,624,088</u>	 <u>2,030,960</u>
Fixed assets, at cost:		
Autos	110,140	70,475
Computers and software	145,778	68,218
Boats	-	14,450
Furniture and equipment	22,471	5,093
Storage shed	<u>2,481</u>	<u>2,481</u>
	280,870	160,717
Less: accumulated depreciation	<u>(123,021)</u>	<u>(111,436)</u>
 Fixed assets, net	 <u>157,849</u>	 <u>49,281</u>
Other assets:		
Security deposit	<u>1,300</u>	<u>1,300</u>
 Total other assets	 <u>1,300</u>	 <u>1,300</u>
 Total assets	 <u>\$ 2,783,237</u>	 <u>\$ 2,081,541</u>

See accompanying notes.

PROJECT HEALING WATERS FLY FISHING, INC.

STATEMENTS OF FINANCIAL POSITION  
(CONTINUED)

LIABILITIES AND NET ASSETS

	December 31,	
	<u>2017</u>	<u>2016</u>
Current liabilities:		
Accounts payable	\$ 84,987	\$ 85,819
Accrued salaries and leave	49,655	42,799
Other current liability	275	19,885
Deferred Revenue	8,125	4,027
Retirement contributions payable	<u>741</u>	<u>796</u>
 Total liabilities	 <u>143,783</u>	 <u>153,326</u>
Net assets:		
Unrestricted - board designated	475,078	366,162
Unrestricted	1,388,002	723,607
Temporarily restricted	<u>776,374</u>	<u>838,446</u>
 Total net assets	 <u>2,639,454</u>	 <u>1,928,215</u>
 Total liabilities and net assets	 <u>\$ 2,783,237</u>	 <u>\$ 2,081,541</u>

See accompanying notes.

PROJECT HEALING WATERS FLY FISHING, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, gains, and other support:						
Contributions and grants	\$ 1,264,288	\$ 1,403,419	\$ 2,667,707	\$ 1,405,401	\$ 1,204,497	\$ 2,609,898
In-kind donations	1,290,221	-	1,290,221	966,984	-	966,984
Special events revenue	\$ 1,160,542	-	-	\$ 890,687	-	-
Special events expenses	(262,989)	-	-	(163,045)	-	-
Special events, net of expenses	897,553	-	897,553	727,642	-	727,642
Interest and dividends	2,652	-	2,652	2,219	-	2,219
Realized gains and losses	(37)	-	(37)	15	-	15
Other	53,311	-	53,311	-	-	-
Net assets released from restrictions	1,465,491	(1,465,491)	-	944,760	(944,760)	-
 Total revenues, gains, and other support	 4,973,479	 (62,072)	 4,911,407	 4,047,021	 259,737	 4,306,758
Expenses:						
Program services:						
National	1,150,872	-	1,150,872	973,726	-	973,726
Regional	2,299,266	-	2,299,266	2,168,433	-	2,168,433
Supporting services:						
Management and general	449,546	-	449,546	375,907	-	375,907
Fundraising	300,484	-	300,484	208,389	-	208,389
Total expenses	4,200,168	-	4,200,168	3,726,455	-	3,726,455
Other expenses:						
Loss on disposition of assets	-	-	-	(1,386)	-	(1,386)
Total other expenses	-	-	-	(1,386)	-	(1,386)
Change in net assets	773,311	(62,072)	711,239	319,180	259,737	578,917
Net assets - beginning of year	1,089,769	838,446	1,928,215	770,589	578,709	1,349,298
Net assets - end of year	\$ 1,863,080	\$ 776,374	\$ 2,639,454	\$ 1,089,769	\$ 838,446	\$ 1,928,215

See accompanying notes.

PROJECT HEALING WATERS FLY FISHING, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	Program Services		Supporting Services		Total Expenses
	National	Regional	Management & General	Fund-raising	
Salaries	\$ 51,254	\$ 221,761	\$ 235,501	\$ 151,183	\$ 659,699
Fringe benefits	3,117	13,632	12,990	4,782	34,521
Payroll taxes	4,524	19,149	21,639	11,698	57,010
Travel, meetings, and trips:					
Lodging	84,385	179,146	2,266	12,575	278,372
Airfare	93,722	52,359	4,240	4,519	154,840
Transportation	12,083	73,433	1,031	3,301	89,848
Meals	22,608	140,442	1,845	1,702	166,597
Other travel	10,632	2,550	-	-	13,182
In-kind travel and entertainment	186,118	226,900	-	10,000	423,018
Materials and supplies:					
Program supplies	121,697	432,666	2,382	1,848	558,593
Branded items	(10,775)	107,611	2,823	9,274	108,933
Appreciation items	967	10,004	2,426	376	13,773
In-kind materials and supplies	320,369	338,347	-	-	658,716
Professional fees:					
Outside contract services	2,975	20,550	56,326	-	79,851
Guide fees	9,086	109,436	-	-	118,522
Grant admin consultant	-	-	-	11,250	11,250
Audit fees	-	-	10,800	-	10,800
Graphic design services	-	1,876	4,700	3,074	9,650
In-kind services	4,335	184,827	500	18,825	208,487
Office expense:					
Computer services	133	6,012	6,844	2,062	15,051
Office supplies	1,894	7,799	8,430	203	18,326
Postage and shipping	1,177	4,657	9,552	279	15,665
Printing and copying	548	9,637	9,749	3,971	23,905
Bank and credit card fees	13	-	7,111	1	7,125
401K admin costs	-	-	2,040	-	2,040
Other office expenses	246	8,910	13,081	4,291	26,528
Program expenses	27,770	72,727	-	-	100,497
Occupancy and facility use	2,060	11,362	11,778	4,417	29,617
Insurance	5,256	15,644	3,601	-	24,501
Depreciation	-	17,733	8,302	-	26,035
Fly fishing shows and fundraising	5,423	8,919	-	40,774	55,116
Bad debt	-	-	-	-	-
Donations not-for-profits	189,095	-	75	-	189,170
State solicitation and registration	-	35	9,179	79	9,293
Corporate licenses and taxes	160	1,142	335	-	1,637
<b>Total</b>	<b>\$ 1,150,872</b>	<b>\$ 2,299,266</b>	<b>\$ 449,546</b>	<b>\$ 300,484</b>	<b>\$ 4,200,168</b>

See accompanying notes.



PROJECT HEALING WATERS FLY FISHING, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2016

	Program Services		Supporting Services		Total Expenses
	National	Regional	Management & General	Fund-raising	
Salaries	\$ 48,100	\$ 198,950	\$ 188,784	\$ 78,700	\$ 514,534
Fringe benefits	3,837	11,424	12,342	8,744	36,347
Payroll taxes	3,867	19,127	16,797	7,391	47,182
Travel, meetings, and trips:					
Lodging	104,075	189,973	2,411	7,197	303,656
Airfare	137,134	32,150	378	2,144	171,806
Transportation	15,551	53,210	627	4,393	73,781
Meals	52,941	105,208	1,226	4,099	163,474
Other travel	120,847	10,256	-	-	131,103
In-kind travel and entertainment	127,720	293,562	-	1,675	422,957
Materials and supplies:					
Program supplies	129,518	392,797	(450)	71	521,936
Branded items	40,955	102,943	951	1,599	146,448
Appreciation items	1,205	9,713	500	24	11,442
In-kind materials and supplies	9,707	363,122	1,186	-	374,015
Professional fees:					
Outside contract services	52,252	41,658	68,306	4,980	167,196
Guide fees	20,325	58,877	-	-	79,202
Grant admin consultant	-	-	-	12,000	12,000
Audit fees	-	-	11,600	-	11,600
Graphic design services	-	-	9,000	-	9,000
In-kind services	12,970	149,041	8,000	-	170,011
Office expense:					
Computer services	690	1,463	5,630	1,400	9,183
Office supplies	330	5,974	3,435	282	10,021
Postage and shipping	3,072	23,707	3,761	2,810	33,350
Printing and copying	1,215	5,705	2,571	5,738	15,229
Bank and credit card fees	39	1,175	6,185	-	7,399
401K admin costs	-	-	2,720	-	2,720
Other office expenses	1,207	2,181	11,219	4,272	18,879
Program expenses	35,561	42,528	-	-	78,089
Occupancy and facility use	2,103	10,817	12,019	5,108	30,047
Insurance	5,315	15,600	3,600	-	24,515
Depreciation	170	9,029	1,429	4,672	15,300
Fly fishing shows and fundraising	4,439	7,046	-	35,442	46,927
Bad debt	-	-	-	15,200	15,200
Donations not-for-profits	38,581	10,000	-	-	48,581
Corporate licenses and taxes	-	1,197	1,680	448	3,325
<b>Total</b>	<b>\$ 973,726</b>	<b>\$ 2,168,433</b>	<b>\$ 375,907</b>	<b>\$ 208,389</b>	<b>\$ 3,726,455</b>

See accompanying notes.

PROJECT HEALING WATERS FLY FISHING, INC.

STATEMENTS OF CASH FLOWS

	<u>Years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 711,239	\$ 578,917
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on sale of assets	-	1,386
In-kind donation of investments, net of sales proceeds	-	9,623
Depreciation expense	26,035	15,300
Change in operating assets and liabilities:		
Contributions receivable	95,614	(47,872)
Prepaid expenses	(77,656)	57,908
Inventory	(45,883)	-
Security deposit	-	(100)
Other current liability	(19,610)	19,885
Accounts payable	(834)	(2,947)
Deferred revenue	4,098	(12,773)
Accrued payroll and related liabilities	<u>6,801</u>	<u>6,111</u>
Net cash provided by operating activities	<u>699,804</u>	<u>625,438</u>
Cash flows from investing activities:		
Purchases of fixed assets	(134,601)	(16,691)
Purchases of certificates of deposit	(13,703)	(129,176)
Proceeds from sale of fixed assets	<u>-</u>	<u>1,125</u>
Net cash used by investing activities	<u>(148,304)</u>	<u>(144,742)</u>
Net increase in cash and cash equivalents	551,500	480,696
Cash and cash equivalents beginning of year	<u>1,638,582</u>	<u>1,157,886</u>
Cash and cash equivalents end of year	<u>\$ 2,190,082</u>	<u>\$ 1,638,582</u>

See accompanying notes.

# PROJECT HEALING WATERS FLY FISHING, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

### 1. History and nature of operations

#### *Nature of Organization*

Project Healing Waters Fly Fishing, Inc. (the Organization) is a non-profit organization dedicated to the physical and emotional rehabilitation of disabled active military service personnel and disabled veterans through fly fishing and associated activities including education and outings. The Organization receives substantially all of its support from the public in the form of cash, in-kind donations of goods and services, and grants from foundations and other donors.

#### *Description of Programs*

The Organization operates two programs, regional and national. The regional program provides basic fly fishing, fly casting, and fly tying classes and clinics for disabled active military service personnel and disabled veterans. Class curriculum ranges from lessons for beginners to those with prior fishing and tying experience who are adapting their skills to their new abilities. The national program provides supply and material support, as well as volunteer training and enrichment opportunities for participants, and activities including high-value, once in a lifetime fly fishing trips for motivated and deserving participants. The national program also includes rod building and fly tying contests. The two programs are separated and outlined in the statements of functional expenses by national activity and region specific activity.

All activities and services are provided to participants at no cost. Fly fishing and tying equipment and materials are provided to the participants for their use, including equipment that accommodates their special needs.

### 2. Summary of significant accounting policies

This summary of significant accounting policies of Project Healing Waters Fly Fishing, Inc. is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's Board of Trustees, which is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to U.S. generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

PROJECT HEALING WATERS FLY FISHING, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

2. Summary of significant accounting policies (continued)

Basis of accounting

The financial statements of Project Healing Waters Fly Fishing, Inc. have been prepared in accordance with U.S. generally accepted accounting principles on the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recognized when incurred.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Organization's unspent contributions are reported in this class if the donor limited their use, as are promised contributions that are not yet due.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets.

Permanently restricted net assets are resources whose use is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time.

PROJECT HEALING WATERS FLY FISHING, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

2. Summary of significant accounting policies (continued)

Cash and cash equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments

Investments are reported at fair value in the statement of financial position, and realized and unrealized gains and losses are reported in the statement of activities in accordance with FASB ASC 958-320, accounting for certain investments held by not-for-profit organizations.

The Organization occasionally receives donations of stocks and other publicly traded securities. These donations are recorded as contributions at their estimated fair market value on the date of donation. The Organization's policy is to convert such donations to cash and cash equivalents as soon as reasonably possible.

Fair value of financial instruments

The carrying value of cash, receivables and accounts payable approximate fair value due to the short maturity of these instruments. The carrying value of short-term and long-term debt approximates fair value based upon discounting the projected cash flows using market rates available for similar maturities.

Contributions receivable

Contributions receivable consist of donations received online via the Organization's and third party service providers' websites before year end that have not been transferred to operating funds and pledges receivable from donors. Management considers all contributions to be fully collectible; accordingly, no allowance for bad debts has been recorded in these financial statements. All contributions receivable are expected to be received within one year of the financial statement date.

PROJECT HEALING WATERS FLY FISHING, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

2. Summary of significant accounting policies (continued)

Property and equipment

Property and equipment acquisitions over \$1,000 with an estimated useful life of more than one year are recorded at cost as of the date of acquisition or fair value as of the date of donation. Depreciation of property and equipment is computed using the straight-line method for financial reporting purposes at rates based on the following estimated useful lives:

	<u>Estimated Life</u>
Autos and boats	5 years
Computers and software	3-5 years
Office equipment	5 years
Furniture and equipment	10 years

Contributions

The Organization accounts for contributions in accordance with the requirements of the Financial Accounting Standards Board. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

Contributed services

Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by peoples with those skills, and would otherwise be purchased by the Organization.

Functional expenses

The costs of providing the main program of serving disabled active military service personnel and disabled veterans, and other supporting activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

PROJECT HEALING WATERS FLY FISHING, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

2. Summary of significant accounting policies (continued)

Income taxes

The Organization is a not-for-profit organization that is exempt from income taxes under IRC §501(c)(3) and classified by the Internal Revenue Service as other than a private foundation.

The Organization may recognize the tax benefit from a tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income. The Organization has analyzed its tax positions taken for filings with the Internal Revenue Service. The Organization believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations, or cash flows. Accordingly, the Organization has not recorded any tax assets or liabilities, or related accruals for interest and penalties, for uncertain income tax positions at December 31, 2017 and 2016. Generally, the Organization is no longer subject to income tax examinations for fiscal years before 2015.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

3. Concentrations of credit risk

The Organization maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The amount held in excess of the insured limit was approximately \$1,381,916 and \$975,307, respectively, at December 31, 2017 and 2016.

PROJECT HEALING WATERS FLY FISHING, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

4. Investments

Certificates of deposit:

The Organization's certificates of deposit are reported at cost plus interest earned, which approximates fair value. The Organization held the following certificates of deposit at December 31, 2017 and 2016:

<u>Bank</u>	<u>Interest rate</u>	<u>Maturity date</u>	<u>2017</u>	<u>2016</u>
Community Bank of the Chesapeake	1.045%	08/22/18	\$ 130,532	\$ 129,176
			<u>\$ 130,532</u>	<u>\$ 129,176</u>

Equity securities:

The Organization held the following equity securities at December 31, 2017:

<u>Financial Institution</u>	<u>Invested in</u>	<u>Cost</u>	<u>Fair value</u>	<u>Unrealized gains (losses)</u>
Edward Jones	Cash	\$ 7,000	\$ 7,000	\$ -
Edward Jones	Equity securities	<u>5,693</u>	<u>5,693</u>	<u>-</u>
		<u>\$ 12,693</u>	<u>\$ 12,693</u>	<u>\$ -</u>

The Organization held the following equity securities at December 31, 2016:

<u>Financial Institution</u>	<u>Invested in</u>	<u>Cost</u>	<u>Fair value</u>	<u>Unrealized gains (losses)</u>
Edward Jones	Equity securities	<u>\$ 346</u>	<u>\$ 346</u>	<u>\$ -</u>



PROJECT HEALING WATERS FLY FISHING, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

4. Investments (continued)

The following schedule summarizes investment returns and their classification in the Statements of Activities for the years ended December 31, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 2,652	\$ 2,219
Realized gains and losses	<u>(37)</u>	<u>15</u>
Total investment return	<u>\$ 2,615</u>	<u>\$ 2,234</u>

5. Fair value measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820 "Fair Value Measurements and Disclosures" establishes a framework for measuring fair value. The framework establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 are inputs other than quoted prices included within level 1 that are observable for the asset, either directly or indirectly. Level 3 inputs have the lowest priority, as inputs are unobservable for the asset or liability. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. The fair value of the government securities, equities, and mutual funds are determined by reference to quoted market prices and other relevant information generated by market transactions. No Level 2 inputs were available to the Organization, and Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

The Organization's investments are reported at fair value in the accompanying statement of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

PROJECT HEALING WATERS FLY FISHING, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

5. Fair value measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value at December 31, 2017 and 2016:

<u>December 31, 2017</u>	<b>Investments at fair value</b>			
	Level 1	Level 2	Level 3	Fair Value
Mutual funds	<u>\$ 143,225</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 143,225</u>
Total marketable securities	<u>\$ 143,225</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 143,225</u>

<u>December 31, 2016</u>	<b>Investments at fair value</b>			
	Level 1	Level 2	Level 3	Fair Value
Mutual funds	<u>\$ 129,522</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 129,522</u>
Total marketable securities	<u>\$ 129,522</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 129,522</u>

6. Temporarily restricted net assets

Temporarily restricted net assets consist of funds restricted by grantors and donors to be used for specific purposes. The Organization receives donations that are restricted to be used for specific fly-fishing trips and for the activities of specific regions and local programs. In addition, the Organization receives restricted grants to be used for specific purposes and projects at the national level. Temporarily restricted net assets are summarized as follows at December 31:

	<u>2017</u>	<u>2016</u>
Trips and Special Programs	\$ 95,531	\$ 227,048
Regional/Local program specific funds	494,018	480,761
Restricted grants	<u>186,825</u>	<u>130,637</u>
Total temporarily restricted net assets	<u>\$ 776,374</u>	<u>\$ 838,446</u>

PROJECT HEALING WATERS FLY FISHING, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

7. Board designated net assets & cash restrictions

At December 31, 2017 and 2016, the Board of Trustees of the Organization designated \$475,078 and \$366,162, respectively, of the Organization's unrestricted net assets to be used to support future regional program expenses.

8. Retirement plan

On January 1, 2016, the Organization established a 401k plan for the benefit of its employees. The plan allows for both employee contributions and employer matching contributions. The total employer matching contributions for the years ended December 31, 2017 and 2016 were \$21,491 and \$24,347, respectively.

9. Contributed services and facilities

The Organization records the value of donated goods and services when they meet the criteria for recognition in the financial statements. The fair value of donated services and facilities included as contributions in the financial statements and corresponding expenses for the years ended December 31, 2017 and 2016, are as follows:

	<u>2017</u>	<u>2016</u>
Legal expenses	\$ 18,825	\$ 42,249
Guide fees/trips	<u>189,662</u>	<u>127,762</u>
Total donated services and facilities	<u>\$ 208,487</u>	<u>\$ 170,011</u>

In addition, the Organization operates with the assistance of a number of volunteers in running its programs. The value of this contributed time spent by these volunteers has not been recorded in these financial statements since it does not meet the criteria for recognition. During the years ended December 31, 2017 and 2016, the Organization received volunteer hours that did not meet the criteria for recognition totaling 269,494 and 262,768, respectively. These volunteer hours have an estimated fair value of \$6,505,585 and \$6,343,220, respectively for the years ended December 31, 2017 and 2016.

PROJECT HEALING WATERS FLY FISHING, INC.

NOTES TO FINANCIAL STATEMENTS

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10. Contributed materials and supplies

Contributed materials and supplies consist of donated fishing supplies, lodging, travel and other materials. These items have been recorded as in-kind donations in the statements of activities and have been included with similar expenditures in the accompanying statements of functional expenses. Donated material and supplies of \$1,081,734 and \$796,973 have been recorded in the accompanying financial statements for the years ended December 31, 2017 and 2016, respectively.

In addition, contributed materials and supplies for use in the Organization's special events with a fair market value of \$42,590 and \$20,428 have been recorded in the accompanying financial statements for the years ended December 31, 2017 and 2016, respectively. These items have been recorded as special events revenues and special events expenses in the accompanying statements of activities.

11. Operating lease

The Organization entered into a three-year non-cancelable lease in January 2016 for office space in La Plata, Maryland. Future minimum lease payments under the operating lease are as follows for the future years ending:

December 31, 2018	\$ 16,510
December 31, 2019	1,379
December 31, 2020	<u>-</u>
Total	<u>\$ 17,889</u>

12. Subsequent events

Management has considered and evaluated subsequent events through July 31, 2018, which is the date the financial statements were available to be issued.