

PROJECT HEALING WATERS FLY FISHING, INC.

FINANCIAL STATEMENTS

***FOR THE YEARS ENDED
DECEMBER 31, 2014 AND 2013***

TABLE OF CONTENTS

Independent Auditors' Report	2-3
Financial Statements:	
Statements of Financial Position (Exhibit A)	4
Statements of Activities and Changes in Net Assets (Exhibit B)	5
Statements of Functional Expenses (Exhibit C)	6
Statements of Cash Flows (Exhibit D)	7
Notes to Financial Statements.....	8-12



Askey, Askey & Associates, CPA, LLC

P.O. Box 662, 23507 Hollywood Road • Leonardtown, Maryland 20650
(301) 475-5671 • FAX (301) 475-9108

105 Centennial Street, Suite D • La Plata, Maryland 20646
(301) 934-5780 • FAX (301) 934-9162

2 Industrial Park Drive, Suite D • Waldorf, Maryland 20602
(301) 645-8588 or (301) 843-8222 • FAX (301) 843-4084

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Project Healing Waters Fly Fishing, Inc.
Waldorf, Maryland

We have audited the accompanying financial statements of Project Healing Waters Fly Fishing, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Project Healing Waters Fly Fishing, Inc.'s 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 9, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.


CERTIFIED PUBLIC ACCOUNTANTS

Leonardtown, Maryland
May 7, 2015

EXHIBIT A

PROJECT HEALING WATERS FLY FISHING, INC.
Statements of Financial Position
December 31, 2014 and 2013

Assets		<u>2014</u>	<u>2013</u>
Current Assets			
Cash and Cash Equivalents	\$	1,128,749	\$ 836,271
Investments		2,488	
Contributions Receivable		78,078	55,761
Prepaid Expenses		<u>92,637</u>	<u>55,766</u>
Total Current Assets		<u>1,301,952</u>	<u>947,798</u>
Property and Equipment, Net		<u>64,001</u>	<u>40,618</u>
Other Assets			
Loan Receivable		20,000	
Security Deposit		<u>1,200</u>	<u>1,200</u>
Total Other Assets		<u>21,200</u>	<u>1,200</u>
Total Assets	\$	<u><u>1,387,153</u></u>	\$ <u><u>989,616</u></u>
Liabilities and Net Assets			
Current Liabilities			
Accounts Payable and	penses	\$ 71,327	\$ 52,658
Accrued Payroll and R	lities	<u>18,483</u>	<u>29,801</u>
Total Current Liab		<u>89,810</u>	<u>82,459</u>
Net Assets			
Unrestricted - Board Designated		135,041	40,181
Unrestricted		557,303	428,931
Temporarily Restricted		<u>604,999</u>	<u>438,045</u>
Total Net Assets		<u>1,297,343</u>	<u>907,157</u>
Total Liabilities and Net Assets	\$	<u><u>1,387,153</u></u>	\$ <u><u>989,616</u></u>

The Accompanying Notes to Financial Statements
Are an Integral Part of These Financial Statements

EXHIBIT B

PROJECT HEALING WATERS FLY FISHING, INC.
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2014
(with Summarized Comparative Information for the Year Ended December 31, 2013)

	2014		2013	
	Unrestricted	Temporarily Restricted	Total	Total
Support and Revenue				
Contributions	\$ 701,397	\$ 868,360	\$ 1,569,757	\$ 1,305,871
In-Kind Donations	651,897		651,897	461,464
Special Events Revenue		\$ 955,678		
Special Events Expenses	631,762	(323,916)	631,762	370,045
Special Events, Net of Expenses	1,557		1,557	1,086
Interest Income	10,015		10,015	
Other Income	701,406	(701,406)		
Net Assets Released from Restrictions				
Total Support and Revenue	2,698,034	166,954	2,864,988	2,138,466
Expenses				
Program Services	1,958,373		1,958,373	1,606,251
Management and General	402,282		402,282	325,371
Fundraising	114,147		114,147	97,587
Total Expenses	2,474,802		2,474,802	2,029,209
Change in Net Assets				
Net Assets - Beginning of Year	223,232	166,954	390,186	109,257
Net Assets - End of Year	469,112	438,045	907,157	797,900
	\$ 692,344	\$ 604,999	\$ 1,297,343	\$ 907,157

The Accompanying Notes to Financial Statements
Are an Integral Part of These Financial Statements

EXHIBIT C

PROJECT HEALING WATERS FLY FISHING, INC.

Statement of Functional Expenses

For the Year Ended December 31, 2014

(with Summarized Comparative Information for the Year Ended December 31, 2013)

	2014				2013				
	Program Activities		Supporting Activities		Management		Fundraising		Total
	National	Regional	Total	and General	Fundraising	Total	Total	Total	
Travel and Lodging	\$ 386,683	\$ 361,179	\$ 747,862	\$ 11,015	\$ 14,868	\$ 773,745	\$ 617,295	\$ 541,408	
Fishing Supplies	78,586	499,798	578,384	4,952	791	584,127	379,620	160,012	
Payroll Expense and Related Costs	51,377	137,258	188,635	189,266	59,704	277,107	75,146	63,386	
Professional Fees	59,231	151,326	210,557	61,550	5,000	98,251	59,355	23,544	
Materials and Supplies	36,048	60,864	96,912	1,334	5	65,399	56,782	24,400	
Occupancy and Facility Use	4,908	17,931	22,839	29,841	12,719	27,307	18,290	18,190	
Outside Contract Services	750		750	44,723	11,309	19,886	13,106	10,440	
Insurance	5,200	15,600	20,800	3,600	2,527	20,450	8,670	8,456	
Office Expense	330	10,618	10,948	13,832	68	20,661	13,106	10,440	
Postage and Shipping	8,592	4,520	13,112	6,706	5,127	20,450	18,290	18,190	
Depreciation Expense	158	12,957	13,115	2,419		20,450	13,106	10,440	
Donations	20,000		20,000	450	562	8,697	8,670	8,456	
Telephone and Internet	2,170	1,761	3,93	4,204	1,459	19,212	8,456	7,383	
Printing and Copying	985	2,567	3,552	14,201	8	11,374	7,383	7,371	
Bank and Credit Card Fees				11,366		11,472	7,371	6,776	
Fly Fishing Shows	1,833	9,339	11,172	300		17,206	6,776	6,000	
Miscellaneous	133	14,550	14,683	2,523					
Grants to Others						1,121	4,761		
Equipment Rental	250	871	1,121			1,121			
Total	\$ 657,234	\$ 1,301,139	\$ 1,958,373	\$ 402,282	\$ 114,147	\$ 2,474,802	\$ 2,029,209	\$ 2,029,209	

The Accompanying Notes to Financial Statements
Are an Integral Part of These Financial Statements

EXHIBIT D

PROJECT HEALING WATERS FLY FISHING, INC.
Statements of Cash Flows
For the Years Ended December 31, 2014 and 2013

Cash Flows From Operating Activities	<u>2014</u>	<u>2013</u>
Change in Net Assets	\$ 390,186	\$ 109,257
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation Expense	20,661	13,106
In-Kind Donation of Investments	(2,488)	
(Increase) Decrease in Operating Assets:		
Contributions R	(22,317)	(34,952)
Prepaid Expens	(36,871)	(34,273)
Loan Receivabl	(20,000)	
Increase (Decrease) in		
Accounts Payab	18,669	(17,990)
Payroll Taxes P		(9,661)
Accrued Payrol	<u>(11,318)</u>	<u>7,957</u>
Net Cash Provided by Ope	336,522	33,444
Cash Flows from Investin		
Purchase of Property	<u>(44,044)</u>	<u>(25,602)</u>
Net Increase in Cash and Cash Equivalents	292,478	7,842
Cash and Cash Equivalents at the Beginning of Year	<u>836,271</u>	<u>828,429</u>
Cash and Cash Equivalents at the End of Year	<u>\$ 1,128,749</u>	<u>\$ 836,271</u>

The Accompanying Notes to Financial Statements
Are an Integral Part of These Financial Statements

PROJECT HEALING WATERS FLY FISHING, INC.
Notes to Financial Statements
December 31, 2014 and 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Project Healing Waters Fly Fishing, Inc. (the Organization) is a non-profit organization whose mission is to serve military personnel who have been wounded, injured, or disabled and to aid their physical and emotional recovery by introducing or rebuilding the skills of fly fishing and fly tying and by using and enjoying these skills on fishing outings and as lifelong recreation. 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 Program

The Organization operates two programs, regional and national. The regional program provides basic fly fishing, fly casting, and fly tying classes and clinics for wounded veterans and active military personnel. 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 statement of functional expenses by national activity and region specific activity.

All activities and services are provided to the 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.

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

Financial statement presentation follows the requirements of the Financial Accounting Standards Board. As such, the Organization reports its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based on the existence or absence of donor-imposed restrictions.

Contributions

Project Healing Waters Fly Fishing, Inc. 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 support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents consist of interest bearing and non-interest bearing demand deposits and certificates of deposit.

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, pledges receivable from donors, and donations received but not yet deposited into the Organization's bank accounts. 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.

Investments

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

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 contribution. Depreciation is calculated using the straight-line method of accounting based on the estimated useful lives of the assets as follows.

Computers	3 years
Office Equipment	5 years
Vehicles, Boats	5 years
Furniture	10 years

Use of Estimates

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

Fair Value of Financial Instruments

Unless otherwise indicated, the fair value of all reported assets and liabilities which represent financial instruments (none of which are held for trading purposes) approximate the carrying values of such amounts.

Income Taxes

The Organization is exempt under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. The Organization is exempt from paying federal income tax on any income except unrelated business income. No provision has been made for income taxes in the financial statements for the years ending December 31, 2014 and 2013, as the Organization has had no unrelated business income. The Organization's federal information returns are generally subject to examination by the Internal Revenue Service for three years after the date they are filed.

Functional Allocation of Expenses

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

Reclassifications

Certain immaterial balances in the financial statements for the year ending December 31, 2013 have been reclassified to conform to the current year presentation.

2. *CONCENTRATION OF CREDIT RISK*

At December 31, 2014 and 2013, and at various times during the year, the Organization maintained cash-in-bank balances in excess of the federally insured limit of \$250,000. The amount held in excess of the insured limit was approximately \$441,000 and \$170,000, respectively, at December 31, 2014 and 2013.

3. **PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31:

	Estimated Lives (in years)	2014	2013
Furniture and Equipment	3-10	\$ 8,171	\$ 6,611
Computers and Software Costs	3	43,913	42,484
Storage Shed	3	2,481	2,481
Boats	5	14,450	14,450
Vehicles	5	<u>68,548</u>	<u>29,266</u>
		\$ 137,563	\$ 95,292
Less accumulated depreciation		<u>(73,562)</u>	<u>(54,674)</u>
		<u>\$ 64,001</u>	<u>\$ 40,618</u>

Depreciation expense for the years ended December 31, 2014 and 2013 was \$20,661 and \$13,106, respectively.

4. **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:

	2014	2013
Trips	\$ 253,772	\$ 136,472
Region / Local Program Specific Funds	276,074	234,573
Restricted Grants	<u>75,153</u>	<u>67,000</u>
Total Temporarily Restricted Net Assets	<u>\$ 604,999</u>	<u>\$ 438,045</u>

5. **BOARD DESIGNATED NET ASSETS & CASH RESTRICTIONS**

At December 31, 2014 and 2013 the Board of Directors of the Organization has designated \$135,041 and \$40,181, respectively of the Organization's unrestricted net assets to be used to support future regional program expenses.

6. **CONTRIBUTED SERVICES & CONTRIBUTED FACILITIES**

The Organization records the value of donated goods and services when they meet the criteria for recognition in the financial statements. During the years ending December 31, 2014 and 2013 the Organization recorded donated legal services totaling \$51,295 and \$20,000, respectively. These

amounts have been included in professional fees in the accompanying statements of functional expenses. During the years ending December 31, 2014 and 2013 the Organization also received donated guide fees / trips totaling \$122,224 and \$33,888, respectively. These amounts have been included in professional fees in the accompanying statements of functional expenses.

During the years ending December 31, 2014 and 2013, the Organization also received donated office space with an annual estimated fair market value of \$36,000. These amounts have been included in occupancy and facility use in the accompanying statements of functional expenses.

In addition, the Organization operates with the assistance of a number of unpaid volunteers in running its programs. The value of this contributed time spent by these volunteers has not been recorded in these financial statements since they do not meet the criteria for recognition. During the years ending December 31, 2014 and 2013, the Organization received volunteer hours that did not meet the criteria for recognition totaling approximately 150,000 and 130,000. These volunteer hours have an estimated fair value of \$3,400,000 and \$2,900,000, respectively for the years ending December 31, 2014 and 2013.

7. CONTRIBUTED MATERIALS AND SUPPLIES

Donated goods for use in the Organization's programs with a fair market value of \$442,378 and \$371,576 have been recorded in the accompanying financial statements for the years ending December 31, 2014 and 2013, respectively. Donated goods consist of donated fishing supplies, lodging, travel and other materials. These items have been recorded as in-kind donations in the statement of activities and have been included with similar expenditures in the accompanying statement of functional expenses.

Donated goods for use in the Organization's special events with a fair market value of \$105,390 have been recorded in the accompanying financial statements for the year ending December 31, 2014. Donated goods consist of donated supplies and other materials. These items have been recorded as special events revenues and special events expenses in the accompanying statement of activities.

8. LOAN RECEIVABLE

During the year ending December 31, 2014, the Organization loaned \$20,000 to an unrelated nonprofit organization. The loan is unsecured and bears no interest. The loan is expected to be repaid during the year ending December 31, 2015.

9. SUBSEQUENT EVENTS

Management has considered and evaluated subsequent events through May 7, 2015, the date the financial statements were available to be issued.