

PROJECT HEALING WATERS FLY FISHING, INC.

FINANCIAL STATEMENTS

*FOR THE YEARS ENDED
DECEMBER 31, 2015 AND 2014*

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors 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 statement of financial position as of December 31, 2015, 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, 2015, 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 Project Healing Waters Fly Fishing, Inc.'s 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 7, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Asley, Asley and Associates
CERTIFIED PUBLIC ACCOUNTANTS

Leonardtown, Maryland
April 22, 2016

EXHIBIT A

PROJECT HEALING WATERS FLY FISHING, INC.
Statements of Financial Position
December 31, 2015 and 2014

	Assets	
	2015	2014
Current Assets		
Cash and Cash Equivalents	\$ 1,157,886	\$ 1,128,749
Investments	9,969	2,488
Contributions Receivable	181,745	78,078
Prepaid Expenses	91,147	92,637
Total Current Assets	1,440,747	1,301,952
Property and Equipment, Net	50,401	64,001
Other Assets		
Loan Receivable		20,000
Security Deposit	1,200	1,200
Total Other Assets	1,200	21,200
Total Assets	\$ 1,492,348	\$ 1,387,153
	Liabilities and Net Assets	
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 88,766	\$ 71,327
Accrued Payroll and Related Liabilities	37,484	18,483
Deferred Revenue	16,800	
Total Current Liabilities	143,050	89,810
Net Assets		
Unrestricted - Board Designated	300,311	135,041
Unrestricted	470,278	557,303
Temporarily Restricted	578,709	604,999
Total Net Assets	1,349,298	1,297,343
Total Liabilities and Net Assets	\$ 1,492,348	\$ 1,387,153

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, 2015

(with Summarized Comparative Information for the Year Ended December 31, 2014)

	2015		2014	
	Unrestricted	Temporarily Restricted	Total	Total
Support and Revenue				
Contributions	\$ 805,379	\$ 859,612	\$ 1,664,991	\$ 1,569,757
In-Kind Donations	989,958		989,958	651,897
Special Events Revenue				
Special Events Expenses				
Special Events, Net of Expenses	723,801		723,801	631,762
Interest Income	2,347		2,347	1,557
Other Income	3,000		3,000	10,015
Net Assets Released from Restrictions	885,902	(885,902)		
Total Support and Revenue	3,410,387	(26,290)	3,384,097	2,864,988
Expenses				
Program Services	2,794,446		2,794,446	1,958,373
Management and General	407,882		407,882	402,282
Fundraising	129,814		129,814	114,147
Total Expenses	3,332,142		3,332,142	2,474,802
Change in Net Assets				
Net Assets - Beginning of Year	78,245	(26,290)	51,955	390,186
Net Assets - End of Year	692,344	604,999	1,297,343	907,157
	\$ 770,589	\$ 578,709	\$ 1,349,298	\$ 1,297,343

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EXHIBIT C

PROJECT HEALING WATERS FLY FISHING, INC.

Statement of Functional Expenses

For the Year Ended December 31, 2015

(with Summarized Comparative Information for the Year Ended December 31, 2014)

	2015				2014		
	Program Activities		Total	Supporting Activities		Total	Total
	National	Regional		Management and General	Fundraising		
Travel, Meetings, and Trips	\$ 602,432	\$ 522,785	\$ 1,125,217	\$ 19,396	\$ 16,489	\$ 1,161,102	\$ 769,441
Materials and Supplies	100,075	820,912	920,987	3,078	980	925,045	669,403
Payroll Expense and Related Costs	18,024	252,244	270,268	206,914	57,964	535,146	435,688
Professional Fees	50,839	202,063	252,902	36,577	15,333	304,812	253,015
Outside Contract Services		28,070	28,070	63,367	4,318	95,755	76,946
Office Expense	993	31,105	32,098	40,121	14,013	86,232	92,453
Program Expenses	32,312	43,887	76,199		10	76,209	42,975
Occupancy and Facility Use	10,000	15,203	25,203	25,991	7,847	59,041	55,065
Insurance Expense	5,307	15,616	20,923	6,618		27,541	24,400
Depreciation Expense	266	15,176	15,442	2,823	5,336	23,601	20,661
Fly Fishing Shows and Fundraising	5,336	11,386	16,722		4,999	21,721	11,472
Other Miscellaneous Expenses	8,188	2,227	10,415	2,997	2,525	15,937	23,283
Total	\$ 833,772	\$ 1,960,674	\$ 2,794,446	\$ 407,882	\$ 129,814	\$ 3,332,142	\$ 2,474,802

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, 2015 and 2014

	2015	2014
Cash Flows From Operating Activities		
Change in Net Assets	\$ 51,955	\$ 390,186
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation Expense	23,601	20,661
In-Kind Donation of Investments, Net of Sales Proceeds	(7,481)	(2,488)
(Increase) Decrease in Operating Assets:		
Contributions Receivable	(103,667)	(22,317)
Prepaid Expenses	1,490	(36,871)
Loan Receivable	20,000	(20,000)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	17,439	18,669
Deferred Revenue	16,800	
Accrued Payroll and Related Liabilities	19,001	(11,318)
Net Cash Provided by Operating Activities	39,138	336,522
Cash Flows from Investing Activities		
Purchase of Property and Equipment	(10,001)	(44,044)
Net Increase in Cash and Cash Equivalents	29,137	292,478
Cash and Cash Equivalents at the Beginning of Year	1,128,749	836,271
Cash and Cash Equivalents at the End of Year	\$ 1,157,886	\$ 1,128,749

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, 2015 and 2014

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 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 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, 2015 and 2014, 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

Expenses in the financial statements for the year ending December 31, 2014 have been reclassified to conform to the current year presentation. The reclassifications had no effect on the change in net assets for the year ending December 31, 2014.

2. CONCENTRATION OF CREDIT RISK

At December 31, 2015 and 2014, 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 \$478,000 and \$441,000, respectively, at December 31, 2015 and 2014.

3. *PROPERTY AND EQUIPMENT*

Property and equipment consists of the following at December 31:

	Estimated Lives (in years)	<u>2015</u>	<u>2014</u>
Furniture and Equipment	3-10	\$ 8,171	\$ 8,171
Computers and Software Costs	3	53,913	43,913
Storage Shed	3	2,481	2,481
Boats	5	14,450	14,450
Vehicles	5	<u>68,548</u>	<u>68,548</u>
		\$ 147,563	\$ 137,563
Less accumulated depreciation		<u>(97,162)</u>	<u>(73,562)</u>
		<u>\$ 50,401</u>	<u>\$ 64,001</u>

Depreciation expense for the years ended December 31, 2015 and 2014 was \$23,601 and \$20,661, 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:

	<u>2015</u>	<u>2014</u>
Trips	\$ 203,040	\$ 253,772
Region / Local Program Specific Funds	345,669	276,074
Restricted Grants	<u>30,000</u>	<u>75,153</u>
Total Temporarily Restricted Net Assets	<u>\$ 578,709</u>	<u>\$ 604,999</u>

5. *BOARD DESIGNATED NET ASSETS & CASH RESTRICTIONS*

At December 31, 2015 and 2014 the Board of Directors of the Organization has designated \$300,311 and \$135,041, 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, 2015 and 2014 the Organization recorded donated legal services totaling \$80,421 and \$51,295, respectively. These amounts have been included in professional fees in the accompanying statements of functional expenses. During the years ending December 31, 2015 and 2014 the Organization also received donated guide fees / trips totaling \$101,018 and \$122,224, respectively. These amounts have been included in professional fees in the accompanying statements of functional expenses.

During the years ending December 31, 2015 and 2014, the Organization also received donated office space with an annual estimated fair market value of \$34,000 and \$36,000, respectively. 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, 2015 and 2014, the Organization received volunteer hours that did not meet the criteria for recognition totaling approximately 226,000 and 150,000. These volunteer hours have an estimated fair value of \$5,200,000 and \$3,400,000, respectively for the years ending December 31, 2015 and 2014.

7. CONTRIBUTED MATERIALS AND SUPPLIES

Donated goods for use in the Organization's programs with a fair market value of \$774,519 and \$442,378 have been recorded in the accompanying financial statements for the years ending December 31, 2015 and 2014, 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 \$34,551 and \$105,390 have been recorded in the accompanying financial statements for the years ending December 31, 2015 and 2014, respectively. 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 was repaid during the year ending December 31, 2015.

9. *RETIREMENT PLAN*

During the year ending December 31, 2015, the Organization established a SIMPLE IRA Plan for the benefit of its employees. The plan allows for both employee contributions and employer matching contributions. Total employer matching contributions for the year ending December 31, 2015 were \$7,319.

10. *SUBSEQUENT EVENTS*

Subsequent to year end the Organization entered into a three year lease for office space in La Plata, Maryland under a non-cancelable lease date January 2016. The lease of the office is for a 3 year period and currently expires in January 2019. Current monthly lease payments are approximately \$1,300.

Aggregate minimum rental commitments under non-cancelable terms of the above lease are as follows for the future years ending December 31:

2016	\$ 14,300
2017	16,029
2018	16,510
2019	<u>1,379</u>
Total	\$ <u>48,218</u>

Management has considered and evaluated subsequent events through April 22, 2016, the date the financial statements were available to be issued.