

Project Healing Waters Fly Fishing, Inc.

Financial Statements

For the Years Ended December 31, 2018 and 2017



HERTZBACH
certified public accountants • consultants

Project Healing Waters Fly Fishing, Inc.

Table of Contents

For the Years Ended December 31, 2018 and 2017

Independent Auditor's Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to Financial Statements	9-16

Independent Auditor's Report

To the Board of Directors
Project Healing Waters Fly Fishing, Inc.
101 Charles Street, Suite 104
La Plata, Maryland 20646

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, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to 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 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 audits 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, 2018, 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.

Emphasis of Matter

As discussed in Note 3 of the financial statements, during the year ended December 31, 2018, Project Healing Waters Fly Fishing, Inc. adopted Financial Accounting Standards Board Update (ASU) No. 2016-14 – *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.

Prior Period Financial Statements

The financial statements of Project Healing Waters Fly Fishing, Inc. as of December 31, 2017 were audited by other auditors whose report dated July 31, 2018, expressed an unmodified opinion on those statements.

Hertzbach & Company

Rockville, Maryland
July 19, 2019

Project Healing Waters Fly Fishing, Inc.

Statements of Financial Position
As of December 31, 2018 and 2017

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	\$ 888,977	\$ 1,938,615
Contributions receivable	176,514	134,003
Inventory	70,176	45,883
Prepaid expenses	186,168	110,895
Total current assets	1,321,835	2,229,396
Property and equipment, net	192,073	157,849
Other assets		
Investments	932,794	394,692
Deposits	1,300	1,300
Total other assets	934,094	395,992
Total assets	\$ 2,448,002	\$ 2,783,237
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 91,815	\$ 85,262
Accrued liabilities	64,007	50,396
Deferred revenue	9,300	8,125
Total current liabilities	165,122	143,783
Net assets		
Without donor restrictions	1,628,854	1,863,080
With donor restrictions	654,026	776,374
Total net assets	2,282,880	2,639,454
Total liabilities and net assets	\$ 2,448,002	\$ 2,783,237

See independent auditor's report and notes to financial statements.

Project Healing Waters Fly Fishing, Inc.

Statement of Activities
For the Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and other support			
Special events:			
Revenues	\$ 1,369,311	\$ -	\$ 1,369,311
Less: donor benefit costs	<u>(316,247)</u>	<u>-</u>	<u>(316,247)</u>
Net support from special events	1,053,064	-	1,053,064
Grants and contributions	419,576	2,515,483	2,935,059
In-kind contributions	1,512,379	-	1,512,379
Investment income, net	9,702	-	9,702
Other income	11,771	-	11,771
Net assets released from donor restrictions	<u>2,637,831</u>	<u>(2,637,831)</u>	<u>-</u>
Total revenue and other support	<u>5,644,323</u>	<u>(122,348)</u>	<u>5,521,975</u>
Expenses			
Program services:			
National	1,753,937	-	1,753,937
Regional	<u>3,194,902</u>	<u>-</u>	<u>3,194,902</u>
Total program services	<u>4,948,839</u>	<u>-</u>	<u>4,948,839</u>
Supporting services:			
Management and general	438,338	-	438,338
Fundraising	<u>491,372</u>	<u>-</u>	<u>491,372</u>
Total supporting services	<u>929,710</u>	<u>-</u>	<u>929,710</u>
Total expenses	<u>5,878,549</u>	<u>-</u>	<u>5,878,549</u>
Change in net assets	(234,226)	(122,348)	(356,574)
Net assets, beginning of year	<u>1,863,080</u>	<u>776,374</u>	<u>2,639,454</u>
Net assets, end of year	<u>\$ 1,628,854</u>	<u>\$ 654,026</u>	<u>\$ 2,282,880</u>

See independent auditor's report and notes to financial statements.

Project Healing Waters Fly Fishing, Inc.

Statement of Activities
For the Year Ended December 31, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and other support			
Special events:			
Revenues	\$ 1,160,542	\$ -	\$ 1,160,542
Less: donor benefit costs	<u>(262,989)</u>	<u>-</u>	<u>(262,989)</u>
Net support from special events	897,553	-	897,553
Grants and contributions	1,264,288	1,403,419	2,667,707
In-kind contributions	1,290,221	-	1,290,221
Investment income, net	2,615	-	2,615
Other income	53,311	-	53,311
Net assets released from donor restrictions	<u>1,465,491</u>	<u>(1,465,491)</u>	<u>-</u>
Total revenue and other support	<u>4,973,479</u>	<u>(62,072)</u>	<u>4,911,407</u>
Expenses			
Program services:			
National	1,149,670	-	1,149,670
Regional	<u>2,300,468</u>	<u>-</u>	<u>2,300,468</u>
Total program services	<u>3,450,138</u>	<u>-</u>	<u>3,450,138</u>
Supporting services:			
Management and general	449,546	-	449,546
Fundraising	<u>300,484</u>	<u>-</u>	<u>300,484</u>
Total supporting services	<u>750,030</u>	<u>-</u>	<u>750,030</u>
Total expenses	<u>4,200,168</u>	<u>-</u>	<u>4,200,168</u>
Change in net assets	773,311	(62,072)	711,239
Net assets, beginning of year	<u>1,089,769</u>	<u>838,446</u>	<u>1,928,215</u>
Net assets, end of year	<u>\$ 1,863,080</u>	<u>\$ 776,374</u>	<u>\$ 2,639,454</u>

See independent auditor's report and notes to financial statements.

Project Healing Waters Fly Fishing, Inc.

Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program Services			Supporting Services			Total
	National	Regional	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Travel, meeting, and trips	\$ 1,155,415	\$ 791,118	\$ 1,946,533	\$ 8,015	\$ 28,086	\$ 36,101	\$ 1,982,634
Materials and supplies	140,323	1,161,247	1,301,570	3,155	9,186	12,341	1,313,911
Professional fees	232,563	684,504	917,067	98,655	95,295	193,950	1,111,017
Salaries, benefits, and payroll taxes	178,712	331,177	509,889	242,295	289,452	531,747	1,041,636
Office expense	9,662	66,200	75,862	52,003	33,983	85,986	161,848
Shows and fundraising	11,253	16,112	27,365	-	25,617	25,617	52,982
Depreciation	-	34,889	34,889	11,811	864	12,675	47,564
Insurance	11,340	23,220	34,560	7,250	651	7,901	42,461
Occupancy	5,467	20,065	25,532	8,995	7,232	16,227	41,759
Equipment rental	6,693	34,790	41,483	-	-	-	41,483
Fishing licenses	2,509	25,164	27,673	-	-	-	27,673
Other expenses	-	6,416	6,416	6,159	1,006	7,165	13,581
Total expenses	\$ 1,753,937	\$ 3,194,902	\$ 4,948,839	\$ 438,338	\$ 491,372	\$ 929,710	\$ 5,878,549

See independent auditor's report and notes to financial statements.

Project Healing Waters Fly Fishing, Inc.

Statement of Functional Expenses
For the Year Ended December 31, 2017

	Program Services			Supporting Services			Total
	National	Regional	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Materials and supplies	\$ 432,258	\$ 889,169	\$ 1,321,427	\$ 7,631	\$ 11,498	\$ 19,129	\$ 1,340,556
Travel, meeting, and trips	415,831	684,299	1,100,130	9,382	32,097	41,479	1,141,609
Salaries, benefits, and payroll taxes	58,895	254,542	313,437	270,130	167,663	437,793	751,230
Professional fees	16,396	318,689	335,085	72,326	33,149	105,475	440,560
Donations	189,095	-	189,095	75	-	75	189,170
Office expense	4,011	37,015	41,026	56,807	10,807	67,614	108,640
Shows and fundraising	5,423	8,919	14,342	-	40,774	40,774	55,116
Equipment rental	3,825	27,130	30,955	-	-	-	30,955
Occupancy	2,060	11,362	13,422	11,778	4,417	16,195	29,617
Other expenses	15,634	11,136	26,770	-	-	-	26,770
Depreciation	-	17,733	17,733	8,302	-	8,302	26,035
Insurance	5,256	15,644	20,900	3,601	-	3,601	24,501
Fishing licenses	826	23,653	24,479	-	-	-	24,479
Solicitation and registration	-	35	35	9,179	79	9,258	9,293
Licenses and taxes	160	1,142	1,302	335	-	335	1,637
Total expenses	\$ 1,149,670	\$ 2,300,468	\$ 3,450,138	\$ 449,546	\$ 300,484	\$ 750,030	\$ 4,200,168

See independent auditor's report and notes to financial statements.

Project Healing Waters Fly Fishing, Inc.

Statements of Cash Flows

For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ (356,574)	\$ 711,239
Adjustments to reconcile change in net assets to net cash and cash equivalents (used in) provided by operating activities:		
Depreciation	47,564	26,035
Unrealized losses	2,268	-
Change in operating assets:		
Contributions receivable	(42,511)	95,614
Inventory	(24,293)	(45,883)
Prepaid expenses	(75,273)	(77,656)
Change in operating liabilities:		
Accounts payable	6,553	(20,444)
Accrued liabilities	13,611	6,801
Deferred revenue	1,175	4,098
Net cash and cash equivalents (used in) provided by operating activities	<u>(427,480)</u>	<u>699,804</u>
Cash flows from investing activities		
Purchases of property and equipment	(81,788)	(134,601)
Purchases of investments	(1,300,904)	(265,170)
Proceeds from sales of investments	760,534	-
Net cash and cash equivalents used in investing activities	<u>(622,158)</u>	<u>(399,771)</u>
Net change in cash and cash equivalents	(1,049,638)	300,033
Cash and cash equivalents, beginning of year	<u>1,938,615</u>	<u>1,638,582</u>
Cash and cash equivalents, end of year	<u>\$ 888,977</u>	<u>\$ 1,938,615</u>

See independent auditor's report and notes to financial statements.

Project Healing Waters Fly Fishing, Inc.

Notes to Financial Statements
For the Years Ended December 31, 2018 and 2017

1) 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 contributions of goods and services, and grants from foundations and other donors.

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

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized in the period in which they are earned. Expenses are recognized when the obligation is incurred.

Cash and Cash Equivalents

The Organization considers all highly liquid instruments, which are to be used for current operations and have an original maturity of three months or less, to be cash equivalents.

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 uncollected pledges from donors. Management is of the opinion that all contributions receivable are fully collectible and therefore no allowance for doubtful accounts is provided.

Inventory

Inventory is stated at the lower of cost or market.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed over the estimated useful lives of three to ten years. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Major renewals, betterments and additions in excess of \$1,000, and a useful life greater than one year, are capitalized.

See independent auditor's report.

Project Healing Waters Fly Fishing, Inc.

Notes to Financial Statements (Continued)
For the Years Ended December 31, 2018 and 2017

2) Summary of Significant Accounting Policies (Continued)

Investments

Investments with readily determinable fair values are reflected at fair market value. Income is recognized from interest and dividends as earned. Marketable securities consist of equity and fixed income mutual funds. Certificates of deposit are recorded at cost, which approximates fair value. The Organization's marketable securities are available-for-sale securities carried at fair value based on quoted market prices (Level 1) at the date nearest the financial position date. Unrealized gains or losses are included in the accompanying statements of activities.

Basis of Presentation

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization are classified in the following two classes:

Net assets without donor restrictions represents funds that are available for support of the operations of the Organization, and that are not subject to donor restrictions.

Net assets with donor restrictions consist of contributions that have been restricted by the donor for specific purposes or are time restricted, including contributions that have been restricted by the donor that stipulate the resources be maintained in perpetuity, but permit the Organization to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets. Donor-imposed restrictions are initially reported in the net assets with donor restrictions class, even if it is anticipated such restrictions will be met in the current reporting period.

Board-designated net assets are net assets without donor restrictions that are used only for the specific purpose by Board resolution.

In-kind Contributions

Contributed goods are recorded at their fair value at the date of receipt. 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. During the years ended December 31, 2018 and 2017, the Organization recorded in-kind contributions totaling \$1,512,379 and \$1,290,221, respectively. In addition, during the years ending December 31, 2018 and 2017, the Organization received volunteer hours that did not meet the criteria for recognition totaling 309,151 and 269,494, respectively, with an estimated fair value of \$7,861,710 and \$6,505,585, respectively.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of the Organization are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

See independent auditor's report.

Project Healing Waters Fly Fishing, Inc.

Notes to Financial Statements (Continued)
For the Years Ended December 31, 2018 and 2017

2) Summary of Significant Accounting Policies (Continued)

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 assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Organization is a non-profit organization and is exempt from the payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code. No provision for income taxes is required for the years ended December 31, 2018 and 2017, as the Organization had no significant net unrelated business income.

Reclassification

Certain amounts in 2017 have been reclassified to conform to the 2018 presentation. There was no effect on the 2017 change in net assets as a result of these reclassifications.

3) Accounting Pronouncements Adopted

In 2018, the Organization adopted ASU No. 2016-14 – *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. The main provisions of this update include: presentation of two classes of net assets (reduced from three classes); reporting investment return net of external and direct internal investment expenses; qualitative information about management of liquidity; quantitative information about financial assets available within one year; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions.

The Organization's December 31, 2017 net assets previously reported as temporarily restricted are now reported as net assets with donor restrictions. Likewise, the Organization's December 31, 2017 net assets previously reported as unrestricted are now reported as net assets without donor restrictions. The Organization did not have any permanently restricted net assets as of December 31, 2017.

4) Investments and Fair Value Measurements

The Financial Accounting Standards Board (FASB), Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value for assets and liabilities subject to fair value measurement. That framework provides 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 unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

See independent auditor's report.

Project Healing Waters Fly Fishing, Inc.

Notes to Financial Statements (Continued)
For the Years Ended December 31, 2018 and 2017

4) Investments and Fair Value Measurements (Continued)

Level 2 Inputs to the valuation methodology include the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level with the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used as of December 31, 2018 and 2017.

Mutual Funds

Valued at quoted market prices in an exchange and active market.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation method is 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.

The following table sets forth by level the Organization's investments at fair value as of December 31, 2018:

	<u>Total</u>
Certificates of deposit	<u>932,794</u>
Total investments, at fair value	<u>\$ 932,794</u>

As of December 31, 2018, there were no assets valued within the fair value hierarchy.

See independent auditor's report.

Project Healing Waters Fly Fishing, Inc.

Notes to Financial Statements (Continued)
For the Years Ended December 31, 2018 and 2017

4) Investments and Fair Value Measurements (Continued)

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Mutual funds	<u>\$ 12,693</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,693</u>
Total investments, in the fair value hierarchy	<u>\$ 12,693</u>	<u>\$ -</u>	<u>\$ -</u>	12,693
Certificates of deposit				<u>381,999</u>
Total investments, at fair value				<u>\$ 394,692</u>

5) Property and Equipment

Property and equipment at December 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Vehicles	\$ 153,340	\$ 110,140
Computers and software	147,249	145,778
Furniture and equipment	59,588	22,471
Storage shed	<u>2,481</u>	<u>2,481</u>
	362,658	280,870
Less: accumulated depreciation	<u>(170,585)</u>	<u>(123,021)</u>
Property and equipment, net	<u>\$ 192,073</u>	<u>\$ 157,849</u>

During the years ended December 31, 2018 and 2017, the Organization recorded depreciation expense related to property and equipment of \$47,564 and \$26,035, respectively.

6) Retirement Plan

The Organization has a 401(k) defined contribution retirement plan that covers all employees over 21 years of age. Employees become eligible for the retirement plan upon completion of six months of service. Employees are fully vested in salary deferral, employer matching contributions, and non-elective contributions. Total employer matching contributions for the years ended December 31, 2018 and 2017 were \$27,067 and \$21,491, respectively.

See independent auditor's report.

Project Healing Waters Fly Fishing, Inc.

Notes to Financial Statements (Continued)
For the Years Ended December 31, 2018 and 2017

7) Concentration of Risk

The Organization maintains its cash and investment balances at various financial institutions and at times, these balances may exceed federally insured limits. The Organization has not experienced any losses with respect to its bank and investment balances in excess of government provided insurance and management believes that there are no significant concentration of credit risk as a result of maintaining these accounts.

8) Board Designated Net Assets

As of December 31, 2018 and 2017, \$534,347 and \$475,078 of net assets have been designated by the Board of Directors to be used to support future regional program expenses, respectively. Board designated net assets are classified under the net assets without donor restrictions.

9) Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at December 31, 2018:

	Beginning balance	Additions	Released from restriction	Ending balance
National programs	\$ 95,531	\$ 847,106	\$ (871,485)	\$ 71,152
Regional/local programs	494,018	972,479	(1,041,743)	424,754
Restricted national grants	186,825	695,898	(724,603)	158,120
Total	<u>\$ 776,374</u>	<u>\$ 2,515,483</u>	<u>\$(2,637,831)</u>	<u>\$ 654,026</u>

Net assets with donor restrictions consisted of the following at December 31, 2017:

	Beginning balance	Additions	Released from restriction	Ending balance
National programs	\$ 227,048	\$ 164,387	\$ (295,904)	\$ 95,531
Regional/local programs	480,761	896,493	(883,236)	494,018
Restricted national grants	130,637	342,539	(286,351)	186,825
Total	<u>\$ 838,446</u>	<u>\$ 1,403,419</u>	<u>\$(1,465,491)</u>	<u>\$ 776,374</u>

See independent auditor's report.

Project Healing Waters Fly Fishing, Inc.

Notes to Financial Statements (Continued)
For the Years Ended December 31, 2018 and 2017

10) Operating Leases

The Organization entered into a lease agreement in January 2016 for office space in La Plata, Maryland. The lease commenced on February 1, 2016 and expires January 31, 2019. The lease provides for annual rent escalations. Subsequent to December 31, 2018, the Organization entered into a lease agreement for office space in La Plata, Maryland (Note 12).

The Organization also entered into a lease agreement in September 2015 for office space in Colorado Springs, Colorado. The lease expired November 30, 2018. Subsequent to December 31, 2018, the Organization entered into a lease agreement for office space in Colorado Springs, Colorado (Note 12).

The Organization has a future minimum lease payment totaling \$1,379 for the year ending December 31, 2019.

Rent expense for the years ended December 31, 2018 and 2017, which is inclusive of some common area maintenance, taxes, and insurance fees totaled \$36,260 and \$28,446, respectively.

11) Liquidity Analysis

The following reflects the Organization's financial assets as of December 31, 2018, reduced by amounts not available for general use within one year because of donor-imposed and board designated restrictions.

Financial assets as of December 31, 2018

Cash and cash equivalents	\$	888,977
Accounts receivable		176,514
Investments		<u>932,794</u>
Total financial assets		1,998,285
Less those unavailable for general expenditure within one year due to:		
Donor-imposed restrictions		(654,026)
Board designations		<u>(534,347)</u>
Financial assets available to meet cash needs for general expenditure within one year	\$	<u><u>809,912</u></u>

As part of the Organization's liquidity management, the Organization has a policy to structure its financial assets to be available and liquid as its obligations become due. The Organization has no debt on the statement of financial position as of December 31, 2018 and typically pays its obligations using cash.

See independent auditor's report.

Project Healing Waters Fly Fishing, Inc.

Notes to Financial Statements (Continued)
For the Years Ended December 31, 2018 and 2017

11) Liquidity Analysis (Continued)

As of December 31, 2018, the Organization has financial assets equal to approximately 3 months of operating expenses. Operating expenses are defined as total budgeted 2019 expenses reduced by the following: depreciation expenses, in-kind expenses, expenditures to be funded by contributions with donor restrictions and board designated funds, and conditional expenses. Conditional expenses are those that are approved by the Board of Trustees during the annual budget review and approval process, and are based upon the local program, region, or headquarters raising the funds to support the expenses prior to incurring any expense.

12) Subsequent Events

Management has evaluated subsequent events and transactions subsequent to the statement of financial position date for potential recognition or disclosure through July 19, 2019, the date the financial statements were available to be issued. There were no events that required recognition or disclosure in the financial statements, except as noted below.

New Lease Agreements: Subsequent to December 31, 2018, the Organization entered into a lease agreement for office space in La Plata, Maryland. The lease commences February 1, 2019 and expires January 31, 2022. The lease calls for monthly payments of \$6,361 subject to a 3% increase each February.

Subsequent to December 31, 2018, the Organization also entered into a lease agreement for office space in Colorado Springs, Colorado. The lease commences March 1, 2019 and expires on February 28, 2020. The lease calls for monthly payments of \$633.

See independent auditor's report.