

Project Healing Waters Fly Fishing, Inc.

Financial Statements

For the Years Ended December 31, 2019 and 2018



HERTZBACH
certified public accountants · consultants

Project Healing Waters Fly Fishing, Inc.

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For the Years Ended December 31, 2019 and 2018

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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 statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years 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 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 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, 2019 and 2018, 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.

Emphasis of Matter – Accounting Pronouncements Adopted

As discussed in Note 3 of the financial statements, during the year ended December 31, 2019, Project Healing Waters Fly Fishing, Inc. adopted Financial Accounting Standards Board Update (ASU) No. 2018-08 – *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

Hertzbach & Company, P.A.

Potomac, Maryland
July 16, 2020

Project Healing Waters Fly Fishing, Inc.

Statements of Financial Position

As of December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 722,443	\$ 888,977
Contributions receivable	330,032	176,514
Inventory	42,290	70,176
Prepaid expenses	94,714	186,168
Total current assets	<u>1,189,479</u>	<u>1,321,835</u>
Property and equipment, net	253,213	192,073
Other assets		
Investments	512,918	932,794
Deposits	1,300	1,300
Total other assets	<u>514,218</u>	<u>934,094</u>
Total assets	<u><u>\$ 1,956,910</u></u>	<u><u>\$ 2,448,002</u></u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 343,675	\$ 91,815
Accrued liabilities	67,551	64,007
Deferred revenue	-	9,300
Total current liabilities	<u>411,226</u>	<u>165,122</u>
Net assets		
Without donor restrictions	1,014,514	1,628,854
With donor restrictions	531,170	654,026
Total net assets	<u>1,545,684</u>	<u>2,282,880</u>
Total liabilities and net assets	<u><u>\$ 1,956,910</u></u>	<u><u>\$ 2,448,002</u></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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support			
Special events:			
Revenues	\$ 1,271,147	\$ -	\$ 1,271,147
Less: donor benefit costs	(249,540)	-	(249,540)
Net support from special events	1,021,607	-	1,021,607
Grants and contributions	1,477,402	1,922,400	3,399,802
In-kind contributions	1,276,429	-	1,276,429
Investment income, net	30,934	-	30,934
Other income	13,791	-	13,791
Net assets released from donor restrictions	2,045,256	(2,045,256)	-
Total revenue and other support	5,865,419	(122,856)	5,742,563
Expenses			
Program services:			
National	1,776,906	-	1,776,906
Regional	3,573,862	-	3,573,862
Total program services	5,350,768	-	5,350,768
Supporting services:			
Management and general	721,967	-	721,967
Fundraising	407,024	-	407,024
Total supporting services	1,128,991	-	1,128,991
Total expenses	6,479,759	-	6,479,759
Change in net assets	(614,340)	(122,856)	(737,196)
Net assets, beginning of year	1,628,854	654,026	2,282,880
Net assets, end of year	\$ 1,014,514	\$ 531,170	\$ 1,545,684

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

	Without Donor Restrictions	With Donor Restrictions	Total
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 Functional Expenses
For the Year Ended December 31, 2019

	Program Services			Supporting Services			Total
	National	Regional	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Travel, meeting, and trips	\$ 1,099,588	\$ 1,022,823	\$ 2,122,411	\$ 9,930	\$ 32,651	\$ 42,581	\$ 2,164,992
Materials and supplies	131,215	1,176,037	1,307,252	92,381	5,811	98,192	1,405,444
Salaries, benefits, and payroll taxes	205,288	472,227	677,515	341,077	287,509	628,586	1,306,101
Professional fees	240,425	527,544	767,969	173,619	5,670	179,289	947,258
Office expense	26,612	70,469	97,081	48,525	26,946	75,471	172,552
Occupancy	16,045	48,934	64,979	24,759	20,881	45,640	110,619
Equipment rental	30,508	41,944	72,452	-	-	-	72,452
Contributions to other organizations	-	70,200	70,200	-	-	-	70,200
Depreciation and amortization	-	51,632	51,632	12,943	1,463	14,406	66,038
Shows and fundraising	13,101	21,572	34,673	-	25,348	25,348	60,021
Insurance	8,355	28,207	36,562	11,851	745	12,596	49,158
Fishing licenses	3,609	29,069	32,678	-	-	-	32,678
Other expenses	2,160	13,204	15,364	6,882	-	6,882	22,246
Total expenses	\$ 1,776,906	\$ 3,573,862	\$ 5,350,768	\$ 721,967	\$ 407,024	\$ 1,128,991	\$ 6,479,759

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.

Statements of Cash Flows

For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ (737,196)	\$ (356,574)
Adjustments to reconcile change in net assets to net cash and cash equivalents used in operating activities:		
Depreciation and amortization	66,038	47,564
Unrealized (gains) losses	(568)	2,268
Donated stock	(100,277)	-
Change in operating assets:		
Contributions receivable	(153,518)	(42,511)
Inventory	27,886	(24,293)
Prepaid expenses	91,454	(75,273)
Change in operating liabilities:		
Accounts payable	251,860	6,553
Accrued liabilities	3,544	13,611
Deferred revenue	(9,300)	1,175
Net cash and cash equivalents used in operating activities	<u>(560,077)</u>	<u>(427,480)</u>
Cash flows from investing activities		
Purchases of property and equipment	(127,178)	(81,788)
Purchases of investments	(152,279)	(1,300,904)
Proceeds from sales of investments	<u>673,000</u>	<u>760,534</u>
Net cash and cash equivalents provided by (used in) investing activities	<u>393,543</u>	<u>(622,158)</u>
Net change in cash and cash equivalents	(166,534)	(1,049,638)
Cash and cash equivalents, beginning of year	<u>888,977</u>	<u>1,938,615</u>
Cash and cash equivalents, end of year	<u><u>\$ 722,443</u></u>	<u><u>\$ 888,977</u></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, 2019 and 2018

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 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 four programs: Local Programs, National Destinations Program, National Competitions Program, and National Training Program. The Local Program provides five core program activities: fly tying, fly rod building, fly casting, fly fishing education, and fly fishing outings 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 headquarters staff provides program, supply, and material support, as well as volunteer training, fly fishing destination outings, and fly casting and fly rod building competitions for selected participants. The four programs are separated and outlined in the statements of functional expenses.

The Organization provides all activities and services to participants at no cost. The Organization provides all equipment and materials to the participants for their use, including adaptive 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.

See independent auditor's report.

Project Healing Waters Fly Fishing, Inc.

Notes to Financial Statements (Continued)
For the Years Ended December 31, 2019 and 2018

2) Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are stated at cost, or if donated, the assets are capitalized at the estimated fair value at the date of receipt, less accumulated depreciation and amortization. Depreciation and amortization are 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 and amortization 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 \$500, and a useful life greater than one year, are capitalized with certain exceptions based on the expected length of use of the asset.

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 securities. 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.

See independent auditor's report.

Project Healing Waters Fly Fishing, Inc.

Notes to Financial Statements (Continued)
For the Years Ended December 31, 2019 and 2018

2) Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Grants and contributions revenue are recorded as with or without donor restrictions, depending on the existence or nature of any donor restrictions. Unconditional promises to give are recognized as revenue or gains in the year acknowledged. Unconditional promises to give are carried at fair value less an estimate made for doubtful promises based on a review of all outstanding promises. Conditional promises to give are only recognized when the conditions on which they depend are substantially met. Conditional promises to give with donor 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. The Organization had conditional promises to give of \$304,236 at December 31, 2019, for expense reimbursements.

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, 2019 and 2018, the Organization recorded in-kind contributions totaling \$1,276,429 and \$1,512,379, respectively. In addition, during the years ending December 31, 2019 and 2018, the Organization received volunteer hours that did not meet the criteria for recognition totaling 277,256 and 309,151, respectively, with an estimated fair value of \$7,050,620 and \$7,861,710, 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. Those expenses include salaries, benefits and payroll taxes, office expense, depreciation, insurance, and occupancy expenses.

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, 2019 and 2018, as the Organization had no significant net unrelated business income.

See independent auditor's report.

Project Healing Waters Fly Fishing, Inc.

Notes to Financial Statements (Continued)
For the Years Ended December 31, 2019 and 2018

3) Accounting Pronouncements Adopted

In 2019, the Organization adopted ASU No. 2018-08 – *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The core guidance in ASU 2018-08 is to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Adoption of ASU 2018-08 resulted in no changes in presentation of financial statements.

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.

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, 2019 and 2018.

Mutual Funds

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

See independent auditor's report.

Project Healing Waters Fly Fishing, Inc.

Notes to Financial Statements (Continued)
For the Years Ended December 31, 2019 and 2018

4) Investments and Fair Value Measurements (Continued)

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, within the fair value hierarchy, the Organization's investments at fair value as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Mutual funds	<u>\$ 100,342</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,342</u>
Total investments, in the fair value hierarchy	<u><u>\$ 100,342</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	100,342
Certificates of deposit				<u>412,576</u>
Total investments, at fair value				<u><u>\$ 512,918</u></u>

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><u>\$ 932,794</u></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, 2019 and 2018

5) Property and Equipment

Property and equipment at December 31, 2019 and 2018 consisted of the following:

	2019	2018
Vehicles	\$ 203,195	\$ 153,340
Computers and software	212,245	147,249
Furniture and equipment	71,915	59,588
Storage shed	2,481	2,481
	489,836	362,658
Less: accumulated depreciation and amortization	(236,623)	(170,585)
Property and equipment, net	<u>\$ 253,213</u>	<u>\$ 192,073</u>

During the years ended December 31, 2019 and 2018, the Organization recorded depreciation and amortization expense related to property and equipment of \$66,038 and \$47,564, 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, 2019 and 2018 were \$33,794 and \$27,067, respectively.

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 is no significant concentration of credit risk as a result of maintaining these accounts. At December 31, 2019, cash and cash equivalents and investments exceeded federal insurance limits by approximately \$77,097.

8) Board Designated Net Assets

As of December 31, 2019 and 2018, \$0 and \$534,347 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.

See independent auditor's report.

Project Healing Waters Fly Fishing, Inc.

Notes to Financial Statements (Continued)
For the Years Ended December 31, 2019 and 2018

9) Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at December 31, 2019:

	Beginning balance	Additions	Released from restriction	Ending balance
National programs	\$ 71,152	\$ 188,718	\$ (113,130)	\$ 146,740
Regional/local programs	424,754	835,682	(1,006,722)	253,714
Restricted national grants	158,120	898,000	(925,404)	130,716
Total	<u>\$ 654,026</u>	<u>\$ 1,922,400</u>	<u>\$(2,045,256)</u>	<u>\$ 531,170</u>

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>

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 expired January 31, 2019. Effective February 1, 2019, the Organization entered into a lease agreement for office space in La Plata, Maryland. The lease calls for monthly payments of \$6,361, for a period of three years, and contains a 3% annual escalation provision.

The Organization also entered into a lease agreement in September 2015 for office space in Colorado Springs, Colorado. The lease expired November 30, 2018 and continued on a month-to-month basis through February 2019. Effective March 1, 2019, the Organization entered into a lease agreement for office space in Colorado Springs, Colorado. The lease calls for monthly payments of \$633 and is for a period of one year.

See independent auditor's report.

Project Healing Waters Fly Fishing, Inc.

Notes to Financial Statements (Continued)
For the Years Ended December 31, 2019 and 2018

10) Operating Leases (Continued)

The future minimum lease payments under the current operating lease agreements are as follows:

<u>Years ending December 31,</u>	<u>Amount</u>
2020	\$ 79,702
2021	80,788
2022	<u>6,749</u>
Total future minimum lease payments	<u>\$ 167,239</u>

Rent expense for the years ended December 31, 2019 and 2018, which is inclusive of some common area maintenance, taxes, and insurance fees totaled \$105,612 and \$36,260, respectively.

11) Liquidity Analysis

The following reflects the Organization's financial assets as of December 31, 2019, reduced by amounts not available for general use within one year because of donor-imposed restrictions.

Financial assets as of December 31, 2019

Cash and cash equivalents	\$ 722,443
Contributions receivable	330,032
Investments	<u>512,918</u>
Total financial assets	1,565,393
Less those unavailable for general expenditure within one year due to:	
Donor-imposed restrictions	<u>(531,170)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,034,223</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, 2019 and typically pays its obligations using cash.

As of December 31, 2019, the Organization has financial assets equal to approximately 3 months of operating expenses. Operating expenses are defined as total budgeted 2020 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.

See independent auditor's report.

Project Healing Waters Fly Fishing, Inc.

Notes to Financial Statements (Continued)
For the Years Ended December 31, 2019 and 2018

12) Business Risk Factor

The Organization could potentially be affected by natural disasters, public health crises, such as pandemics and epidemics, or other events outside of their control, which could cause their business and operating results to suffer.

13) Subsequent Events

Management has evaluated subsequent events and transactions subsequent to the statement of financial position date for potential recognition or disclosure through July 16, 2020, 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.

COVID-19 Outbreak

Beginning in late January 2020, the Organization began to suffer a disruption in business as a result of the outbreak of COVID-19. Given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time.

Paycheck Protection Program

The passage of the CARES Act created the Paycheck Protection Program (PPP), a new loan package designed to provide funding to small businesses for use in paying employee wages and other critical expenses during the COVID-19 pandemic. Under the terms of the PPP loans, once a borrower receives the funds, the amount spent over the covered period weeks on payroll, mortgage interest, rent and utilities is eligible to be completely forgiven tax free. Any portion of a PPP loan that is not forgiven must be repaid over two or five years after the deferral period ending on the date which the amount of forgiveness is determined at an interest rate of 1%.

Subsequent to the statement of financial position date, the Organization applied for and was approved for a PPP loan in the amount of \$190,000. The funds were received on April 24, 2020.

New Lease Agreement

Subsequent to December 31, 2019, the Organization entered into a lease agreement for office space in Colorado Springs, Colorado. The lease commences July 8, 2020 and expires June 30, 2020. The lease calls for monthly payments of \$1,557 beginning December 1, 2020.

See independent auditor's report.