



Project Healing Waters Fly Fishing, Inc.

Financial Statements
Years Ended December 31, 2020 and 2019

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Tel: 301-354-2500
Fax: 301-354-2501
www.bdo.com

12505 Park Potomac Avenue
Suite 700
Potomac, MD 20854

Independent Auditor's Report

Board of Directors
Project Healing Waters Fly Fishing, Inc.
La Plata, Maryland

Opinion

We have audited the financial statements of **Project Healing Waters Fly Fishing, Inc.** (the Organization), which comprise the statement of financial position as of December 31, 2020, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2020, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an

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auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Prior Period Financial Statements

The financial statements of Project Healing Waters Fly Fishing, Inc. as of and for the year ended December 31, 2019 were audited by Hertzbach & Company, P.A. (Hertzbach), whose Maryland partners and professional staff joined BDO USA, LLP as of November 16, 2020. Hertzbach expressed an unmodified opinion on those financial statements in its report dated July 16, 2020.

BDO USA, LLP

Potomac, Maryland
June 1, 2021

Financial Statements

Project Healing Waters Fly Fishing, Inc.

Statements of Financial Position

<i>December 31,</i>	2020	2019
Assets		
Current assets		
Cash and cash equivalents	\$ 1,226,036	\$ 722,443
Contributions receivable	266,122	330,032
Inventory	60,423	42,290
Prepaid expenses	111,256	94,714
Total current assets	1,663,837	1,189,479
Noncurrent assets		
Property and equipment, net	220,784	253,213
Investments	519,438	512,918
Deposits	4,550	1,300
Total noncurrent assets	744,772	767,431
Total assets	\$ 2,408,609	\$ 1,956,910
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 44,725	\$ 343,675
Accrued liabilities	73,696	67,551
Paycheck Protection Program (PPP) loan payable	190,000	-
Total current liabilities	308,421	411,226
Commitments and contingencies		
Net assets		
Without donor restrictions	1,256,835	1,014,514
With donor restrictions	843,353	531,170
Total net assets	2,100,188	1,545,684
Total liabilities and net assets	\$ 2,408,609	\$ 1,956,910

See accompanying notes to the financial statements.

Project Healing Waters Fly Fishing, Inc.

Statement of Activities and Changes in Net Assets

<i>Year Ended December 31, 2020</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support			
Special events			
Revenues	\$ 337,250	\$ -	\$ 337,250
Less: donor benefit costs	(16,485)	-	(16,485)
Net support from special events	320,765	-	320,765
Grants and contributions	1,985,464	775,088	2,760,552
In-kind contributions	671,397	-	671,397
Investment income, net	10,336	-	10,336
Other income	5,126	-	5,126
Net assets released from donor restrictions	462,905	(462,905)	-
Total revenue and other support	3,455,993	312,183	3,768,176
Expenses			
Program services:			
National	280,075	-	280,075
Regional	1,851,428	-	1,851,428
Total program services	2,131,503	-	2,131,503
Supporting services:			
Management and general	678,578	-	678,578
Fundraising	403,591	-	403,591
Total supporting services	1,082,169	-	1,082,169
Total expenses	3,213,672	-	3,213,672
Change in net assets	242,321	312,183	554,504
Net assets, beginning of year	1,014,514	531,170	1,545,684
Net assets, end of year	\$ 1,256,835	\$ 843,353	\$ 2,100,188

See accompanying notes to the financial statements.

Project Healing Waters Fly Fishing, Inc.

Statement of Activities and Changes in Net Assets

<i>Year Ended December 31, 2019</i>	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 accompanying notes to the financial statements.

Project Healing Waters Fly Fishing, Inc.

Statement of Functional Expenses

<i>Year Ended December 31, 2020</i>	Program Services			Supporting Services			Total
	National	Regional	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries, benefits and payroll taxes	\$ 65,987	\$ 534,827	\$ 600,814	\$ 254,950	\$ 296,031	\$ 550,981	\$ 1,151,795
Materials and supplies	134,105	773,390	907,495	-	-	-	907,495
Professional fees	25,300	187,285	212,585	312,639	59,545	372,184	584,769
Travel	16,273	97,880	114,153	599	340	939	115,092
Occupancy	14,298	51,645	65,943	21,968	16,325	38,293	104,236
Office expense	8,968	36,242	45,210	25,282	27,494	52,776	97,986
Depreciation and amortization	-	57,734	57,734	6,417	1,463	7,880	65,614
Insurance	6,744	28,825	35,569	11,184	1,188	12,372	47,941
Equipment rental	-	38,180	38,180	-	-	-	38,180
Shows and fundraising	500	5,772	6,272	-	1,205	1,205	7,477
Fishing licenses	-	2,877	2,877	-	-	-	2,877
Other expenses	7,900	36,771	44,671	45,539	-	45,539	90,210
Total expenses	\$ 280,075	\$ 1,851,428	\$ 2,131,503	\$ 678,578	\$ 403,591	\$ 1,082,169	\$ 3,213,672

See accompanying notes to the financial statements.

Project Healing Waters Fly Fishing, Inc.

Statement of Functional Expenses

<i>Year Ended December 31, 2019</i>	Program Services			Supporting Services			Total
	National	Regional	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries, benefits and payroll taxes	\$ 205,288	\$ 472,227	\$ 677,515	\$ 341,077	\$ 287,509	\$ 628,586	\$ 1,306,101
Materials and supplies	131,215	1,176,037	1,307,252	92,381	5,811	98,192	1,405,444
Professional fees	240,425	527,544	767,969	173,619	5,670	179,289	947,258
Travel	1,099,588	1,022,823	2,122,411	9,930	32,651	42,581	2,164,992
Occupancy	16,045	48,934	64,979	24,759	20,881	45,640	110,619
Office expense	26,612	70,469	97,081	48,525	26,946	75,471	172,552
Depreciation and amortization	-	51,632	51,632	12,943	1,463	14,406	66,038
Insurance	8,355	28,207	36,562	11,851	745	12,596	49,158
Equipment rental	30,508	41,944	72,452	-	-	-	72,452
Shows and fundraising	13,101	21,572	34,673	-	25,348	25,348	60,021
Fishing licenses	3,609	29,069	32,678	-	-	-	32,678
Contributions to other organizations	-	70,200	70,200	-	-	-	70,200
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 accompanying notes to the financial statements.

Project Healing Waters Fly Fishing, Inc.

Statements of Cash Flows

<i>For the Years Ended December 31,</i>	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 554,504	\$ (737,196)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities		
Depreciation and amortization	65,614	66,038
Bad debt expense	40,200	-
Unrealized gains on investments	(12,863)	(568)
Donated stock	(104,480)	(100,277)
Change in operating assets:		
Contributions receivable	23,710	(153,518)
Inventory	(18,133)	27,886
Prepaid expenses	(16,542)	91,454
Deposits	(3,250)	-
Change in operating liabilities:		
Accounts payable	(298,950)	251,860
Accrued liabilities	6,145	3,544
Deferred revenue	-	(9,300)
Net cash and cash equivalents provided by (used in) operating activities	235,955	(560,077)
Cash flows from investing activities		
Purchases of property and equipment	(33,185)	(127,178)
Purchases of investments	(114,817)	(152,279)
Proceeds from sales of investments	225,640	673,000
Net cash provided by investing activities	77,638	393,543
Cash flows from financing activity		
Proceeds from Paycheck Protection Program loan payable	190,000	-
Net cash provided by financing activity	190,000	-
Net change in cash and cash equivalents	503,593	(166,534)
Cash and cash equivalents at the beginning of the year	722,443	888,977
Cash and cash equivalents at the end of the year	\$ 1,226,036	\$ 722,443

See accompanying notes to the financial statements.

Project Healing Waters Fly Fishing, Inc.

Notes to the Financial Statements

1. Organization and Summary of Significant Accounting Policies

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 fulfills its mission by focusing its efforts in two main programs, which are included in the statements of activities and changes in net assets and statements of functional expenses as follows:

- **National programs** which consists of National Destinations Program, National Competitions Program, and National Training Program.
- **Regional programs** which provides five core program activities: (1) fly tying, (2) fly rod building, (3) fly casting, (4) fly fishing education, and (5) 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 for the three national programs.

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.

The significant accounting policies followed by the Organization are described below.

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.

Project Healing Waters Fly Fishing, Inc.

Notes to the Financial Statements

Inventory

Inventory is stated at the lower of cost or net realizable value.

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. Investment consists of mutual funds and certificates of deposit. Certificates of deposit are recorded at cost, which approximates fair value. The Organization's mutual funds 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. As of December 31, 2020 and 2019, the Organization did not have board-designated net assets.

Project Healing Waters Fly Fishing, Inc.

Notes to the Financial Statements

Revenue Recognition

Effective January 1, 2019, the Organization adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard clarifies guidance for revenue recognition of non-exchange transactions such as gifts and contributions. The guidance provides criteria for determining whether a nonprofit is receiving commensurate value in return for the resources transferred. The outcome of the analysis determines whether the contract or grant constitutes either a contribution or an exchange transaction (i.e., FASB ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, including all subsequent amendments (collectively, ASC 606). The guidance also provides a framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. ASC 606 requires an entity to recognize revenue to reflect the transfer of promised goods or services to customers in an amount that consistent with the consideration to which entities expect to be entitled in exchange for those goods or services.

Grants and Contributions

Grants and contributions revenue are transactions under which the donor does not receive commensurate value. Contributions may either be conditional or unconditional contributions. 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 \$301,564 and \$304,236 at December 31, 2020 and 2019, respectively, 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, 2020 and 2019, the Organization recorded in-kind contributions totaling \$671,397 and \$1,276,429, respectively. In addition, during the years ending December 31, 2020 and 2019, the Organization received volunteer hours that did not meet the criteria for recognition totaling 259,488 and 277,256, respectively, with an estimated fair value of \$7,058,073 and \$7,050,620, respectively.

Special Events

Special events sponsorship revenues, auctions, raffle income, as well as ticket sales which are accounted for under ASC 606, in which revenue is recognized at a point in time when the tickets are sold.

Project Healing Waters Fly Fishing, Inc.

Notes to the Financial Statements

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.

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. Amounts on deposit in excess of federally insured limits at December 31, 2020 approximates \$524,000. 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.

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, 2020 and 2019, as the Organization had no significant net unrelated business income.

Accounting Pronouncements Adopted

In August 2019, the FASB issued Accounting Standards Update (ASU) 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. The update modifies certain disclosure requirements in Topic 820, *Fair Value Measurement*. The ASU is effective for the Organization's financial statements for fiscal years beginning after December 15, 2019 and the Organization adopted this disclosure framework in 2020. There was no significant impact on fair value disclosures and there was no effect on the change in net assets reported at December 31, 2019 as a result of adopting this ASU.

Project Healing Waters Fly Fishing, Inc.

Notes to the Financial Statements

Recent Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which is the leasing standard for both lessees and lessors. Under this update, a lessee will recognize lease assets and liabilities on the statement of financial position for all arrangements with terms longer than 12 months. In an effort to provide relief to entities impacted as a result of the COVID-19 pandemic, the FASB issued ASU 2020-05, which delays the effective date of ASC 842 by one year to include all nonpublic entities that have not yet issued their financial statements. The deferred effective date is for fiscal years beginning after December 15, 2021, and interim periods with fiscal years beginning after December 15, 2022. The Organization is currently evaluating the impact these updates will have on the financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. In an effort to improve transparency in reporting nonprofit gifts-in-kind, the ASU requires not-for-profit organizations to change the financial statement presentation and disclosure of contributed nonfinancial assets. Under the new requirements, gifts-in-kind are to be presented as a separate line item, and include enhanced disclosures about the valuation of those contributions, description of any donor-imposed restrictions, and description of the valuation techniques and inputs used to arrive at a fair value measure. The new standard is to be applied retrospectively, with amendments taking effect for annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. Early adoption is permitted. Management will evaluate the effect that the adoption of this new standard will have on the financial statements.

The Organization has assessed other accounting pronouncements issued or effective during the years ended December 31, 2020 and 2019 and deemed they were not applicable to the Organization and are not anticipated to have a material effect on the financial statements.

2. Investments and Fair Value Measurements

Certain assets and liabilities are recorded at fair value. Fair value is defined as the price that would be received to sell an asset or price to transfer a liability between market participants in an orderly transaction on the measurement date. The market in which the reporting entity would sell the asset or transfer the liability with the greatest volume and level of activity for the asset or liability is known as the principal market. When no principal market exists, the most advantageous market is used. This is the market in which the reporting entity would sell the asset or transfer the liability with the price that maximizes the amount that would be received or minimizes the amount that would be paid. Fair value is based on assumptions market participants would make in pricing the asset or liability. Generally, fair value is based on observable quoted market prices or derived from observable market data when such market prices or data are available. When such prices or inputs are not available, the reporting entity should use valuation models.

U.S. GAAP 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).

Project Healing Waters Fly Fishing, Inc.

Notes to the Financial Statements

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 that are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar investments in markets that are not active, or models based on valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the investment. 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, 2020 and 2019.

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.

Project Healing Waters Fly Fishing, Inc.

Notes to the Financial Statements

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of December 31, 2020:

As of December 31, 2020				
Description	Fair Value Hierarchy Level			Total
	Level 1	Level 2	Level 3	
Investments:				
Mutual funds	\$ 104,480	\$ -	\$ -	\$ 104,480
Total investments, in the fair value hierarchy	\$ 104,480	\$ -	\$ -	104,480
Certificates of deposit*				414,958
Total investments, at fair value				\$ 519,438

* *Certificates of deposit included in the investment portfolio are not subject to the provision of fair value measurement as they are recorded at cost.*

As of December 31, 2019				
Description	Fair Value Hierarchy Level			Total
	Level 1	Level 2	Level 3	
Investments:				
Mutual funds	\$ 100,342	\$ -	\$ -	\$ 100,342
Total investments, in the fair value hierarchy	\$ 100,342	\$ -	\$ -	100,342
Certificates of deposit*				412,576
Total investments, at fair value				\$ 512,918

* *Certificates of deposit included in the investment portfolio are not subject to the provision of fair value measurement as they are recorded at cost.*

Project Healing Waters Fly Fishing, Inc.

Notes to the Financial Statements

3. Contributions Receivable

Contributions receivable at December 31, 2020 and 2019 consisted of the following:

	2020	2019
Online donations	\$ 149,216	\$ 153,259
Other contributions	116,906	176,773
	<u>\$ 266,122</u>	<u>\$ 330,032</u>

All contributions receivable is collectible within one year. The Organization recorded bad debt expense of \$40,200 and \$0 for the years ended December 31, 2020 and 2019, respectively.

4. Property and Equipment

Property and equipment at December 31, 2020 and 2019 consisted of the following:

	2020	2019
Vehicles	\$ 214,954	\$ 203,195
Computers and software	217,475	212,245
Furniture and equipment	77,368	71,915
Storage shed	13,224	2,481
	523,021	489,836
Less: accumulated depreciation and amortization	(302,237)	(236,623)
Property and equipment, net	<u>\$ 220,784</u>	<u>\$ 253,213</u>

During the years ended December 31, 2020 and 2019, the Organization recorded depreciation and amortization expense related to property and equipment of \$65,614 and \$66,038, respectively.

5. Paycheck Protection Program (PPP) Loan Payable

The Organization has applied for and has received, funds under the Paycheck Protection Program (PPP) on April 24, 2020 in the amount of \$190,000. The application of these funds requires the Organization to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Organization. This certification further requires the Organization to take into account the current business activity and its ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business. The receipt of these funds, and the forgiveness of the loan attendant to these funds, is dependent on the Organization having initially qualified for the loan and qualifying for the forgiveness of such loan based on its future adherence to the forgiveness criteria.

Under the terms of the PPP, all or a portion of the loan amount may be forgiven if used for qualifying expenses. In order to gain forgiveness, organizations must submit a loan forgiveness application to the borrower for review and approval. The Organization submitted its application for loan

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forgiveness on February 26, 2021 and on March 11, 2021, the loan has been fully forgiven by the Small Business Administration and loan has been paid in full.

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, 2020 and 2019 were \$41,075 and \$33,794, respectively.

7. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at December 31, 2020:

	Beginning balance	Additions	Released from restriction	Ending Balance
National programs	\$ 146,740	\$ 22,644	\$ (8,163)	\$ 161,221
Regional/local programs	253,714	496,744	(265,040)	485,418
Restricted national grants	130,716	255,700	(189,702)	196,714
Total	\$ 531,170	\$ 775,088	\$ (462,905)	\$ 843,353

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	\$ 654,026	\$ 1,922,400	\$ (2,045,256)	\$ 531,170

8. Operating Leases

The Organization entered into a lease agreement for office space in La Plata, Maryland, which commenced on February 1, 2019. 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 12-month lease agreement for office space in Colorado Springs, Colorado, with additional option through 60 months which commenced on July 8, 2020. The lease calls for monthly payments of \$1,557 beginning December 1, 2020.

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

Years ending December 31,

2021	\$	99,510
2022		25,876
2023		19,534
2024		19,940
2025		18,620
	\$	183,480

Rent expense for the years ended December 31, 2020 and 2019, which is inclusive of some common area maintenance, taxes, and insurance fees totaled \$97,839 and \$105,612, respectively.

9. Liquidity and Availability

The following reflects the Organization's financial assets as of December 31, 2020 and 2019, reduced by amounts not available for general use within one year because of donor-imposed restrictions.

	2020	2019
Cash and cash equivalents	\$ 1,226,036	\$ 722,443
Contributions receivable	266,122	330,032
Investments	519,438	512,918
Total financial assets	2,011,596	1,565,393
Less those unavailable for general expenditure within one year due to:		
Donor-imposed restrictions	(843,353)	(531,170)
Financial assets available to meet cash needs for general expenditure within one year	\$ 1,168,243	\$ 1,034,223

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, 2020 and 2019, other than the PPP loan payable, and typically pays its obligations using cash.

As of December 31, 2020 and 2019, the Organization has financial assets equal to 5.5 and 3.5 months of operating expenses, respectively. Operating expenses are defined as total budgeted expenses reduced by the following: depreciation expenses, in-kind expenses, expenditures to be funded by contributions with donor restrictions 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.

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10. Risks and Uncertainties

General

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.

COVID-19

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The extent of the impact of COVID-19 outbreak on the operational and financial performance of the Organization has been minimized by management taking active measures during the year. The Organization delivered core program activities with minimal interruption by transitioning to virtual core program activities, as well as virtual fundraising. During 2020, the Organization limited its program activities and events which significantly reduced the operating costs of the Organization during the year, as a result improved its cash position during the year. The Organization also revisited its budget and cash flows position to cover 11.6 months of available cash to cover its fixed expenses. The Organization continues to carefully assess its operating and financial health. Although the Organization cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material effect on the Organization's results of future operations, financial position, and liquidity in the next fiscal year.

While there has been progress in developing and distributing a COVID-19 vaccine, there continues to be uncertainty around the breadth and duration of the business disruption, as well as its impact on the global economy. Nonetheless, the Organization will continue to monitor the financial and business implications of the pandemic on its operations and will implement new strategies as appropriate.

CARES Act

On March 27, 2020, former President Trump signed into law the CARES Act. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions and technical corrections to tax depreciation methods for qualified improvement property.

The Organization's management has evaluated the relief provisions of the CARES Act and applied for, and received, funds under PPP during the year ended December 31, 2020. See Notes 5 and 11 for information regarding the PPP loan.

The Organization continues to examine the impact that the CARES Act may have on its business, as well as assessing any future aid packages to determine its impact on the Organization.

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On December 27, 2020, the Consolidated Appropriations Act, 2021 (the Act) was passed, which includes \$900 billion in stimulus relief as a result of the COVID-19 pandemic. The Organization is currently evaluating the impact of the Act.

11. Subsequent Events

Management has evaluated subsequent events and transactions subsequent to the statement of financial position date for potential recognition or disclosure through June 1, 2021, 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.

On March 11, 2021, the PPP loan amounting to \$190,000 was forgiven. See Note 5 for information regarding the PPP loan.

On March 11, 2021, President Biden signed the American Rescue Plan Act (“the 2021 Act”) which includes \$1.9 trillion in funding for critical resources to respond to the public health and economic crisis as a result of the COVID-19 pandemic. The Organization is currently evaluating the impact of the 2021 Act on the Organization.