Financial Statements

For the 15-Month Period Ended December 31, 2025

Project Healing Waters Fly Fishing, Inc.

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For the 15-Month Period Ended December 31, 2025

CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Project Healing Waters Fly Fishing, Inc.
LaPlata, 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, 2025, and the related statements of activities and change in net assets, functional expenses and cash flows for the 15-month period 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, 2025, and the change in its net assets and its cash flows for the 15-month period 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.

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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 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 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.

Gelman Rosenberg & Freedman

September 2, 2026

Project Healing Waters Fly Fishing, Inc.

Statement of Financial Position
As of December 31, 2025

ASSETS

CURRENT ASSETS		
Cash and cash equivalents	$	870,812
Investments		197,496
Contributions receivable		151,750
Inventory		29,499
Prepaid expenses		39,988
Total current assets		1,289,545
NONCURRENT ASSETS		
Property and equipment, net		41,641
Operating lease right-of-use asset, net		22,418
Deposits		4,296
Total noncurrent assets		68,355
Total Assets	$	1,357,900

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	$	148,946
Accrued liabilities		47,069
Operating lease liability		15,179
Total current liabilities		211,194
NONCURRENT LIABILITIES		
Operating lease liability, net		8,051
Total liabilities		219,245
NET ASSETS		
Without donor restrictions		398,838
With donor restrictions		739,817
Total net assets		1,138,655
Total Liabilities and Net Assets	$	1,357,900

See accompanying notes to financial statements.

Project Healing Waters Fly Fishing, Inc.

Statement of Activities and Change in Net Assets
For the 15-Month Period Ended December 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Special events:			
Revenue	$ 1,060,980	$ -	$ 1,060,980
Less: Donor benefit costs	(494,783)	-	(494,783)
Net support from special events	566,197	-	566,197
Grants and contributions	4,001,223	1,276,906	5,278,129
Contributed nonfinancial assets	524,626	-	524,626
Other income	52,313	-	52,313
Net investment return	47,417	-	47,417
Net assets released from donor restrictions	1,085,752	(1,085,752)	-
Total support and revenue	6,277,528	191,154	6,468,682
EXPENSES			
Program Services:			
National	1,791,812	-	1,791,812
Regional	2,474,079	-	2,474,079
Total program services	4,265,891	-	4,265,891
Supporting Services:			
Management and General	1,130,788	-	1,130,788
Fundraising	953,494	-	953,494
Total supporting services	2,084,282	-	2,084,282
Total expenses	6,350,173	-	6,350,173
Change in net assets before other item	(72,645)	191,154	118,509
OTHER ITEM			
Employee retention tax credit	476,531	-	476,531
Total other item	476,531	-	476,531
Change in net assets	403,886	191,154	595,040
Net assets (deficit) at beginning of period	(5,048)	548,663	543,615
Net Assets at End of Period	$ 398,838	$ 739,817	$ 1,138,655

See accompanying notes to financial statements.

Project Healing Waters Fly Fishing, Inc.

Statement of Functional Expenses
For the 15-Month Period Ended December 31, 2025

	Program Services			Supporting Services			
	National	Regional	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries, benefits, and payroll	$ 867,119	$ 224,572	$ 1,091,691	$ 601,618	$ 666,185	$ 1,267,803	$ 2,359,494
Travel and meetings	449,515	587,213	1,036,728	35,273	17,261	52,534	1,089,262
Program expenses	278,113	504,440	782,553	-	-	-	782,553
Materials and supplies	38,351	587,317	625,668	35,079	17,266	52,345	678,013
In-kind expenses	-	513,209	513,209	41,417	-	41,417	554,626
Information technology	105,580	-	105,580	152,099	167,130	319,229	424,809
Office expense	9,483	12,124	21,607	92,983	62,479	155,462	177,069
Insurance	29,924	-	29,924	80,875	-	80,875	110,799
Professional fees	-	-	-	67,985	-	67,985	67,985
Occupancy expense	475	31,224	31,699	13,395	459	13,854	45,553
Depreciation	13,252	-	13,252	10,064	6,994	17,058	30,310
Shows and fundraising	-	13,980	13,980	-	15,720	15,720	29,700
Total Expenses as Presented in the Statement of Activities and Change in Net Assets	$ 1,791,812	$ 2,474,079	$ 4,265,891	$ 1,130,788	$ 953,494	$ 2,084,282	$ 6,350,173
Special events expense	105,534	122,492	228,026	-	266,757	266,757	494,783
Total	$ 1,897,346	$ 2,596,571	$ 4,493,917	$ 1,130,788	$ 1,220,251	$ 2,351,039	$ 6,844,956

See accompanying notes to financial statements.

Project Healing Waters Fly Fishing, Inc.

Statement of Cash Flows
For the 15-Month Period Ended December 31, 2025

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 595,040
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	30,310
Unrealized gain on investments	(13,577)
Realized gain on investments	(28,125)
Receipt of contributed securities	(274,911)
Proceeds from sales of contributed securities	232,225
Amortization of operating right-of-use asset	17,579
Decrease (increase) in:	
Contributions receivable	16,680
Inventory	(29,499)
Prepaid expenses	2,479
Decrease in:	
Accounts payable	(71,565)
Accrued liabilities	(52,711)
Deferred revenue	(156,772)
Operating lease liability	(16,970)
Net cash provided by operating activities	250,183
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(3,747)
Purchases of investments	(2,866)
Proceeds from sales of investments and maturities of certificates of deposit	143,825
Net cash provided by investing activities	137,212
Net increase in cash and cash equivalents	387,395
Cash and cash equivalents at beginning of period	483,417
Cash and Cash Equivalents at End of Period	$ 870,812

See accompanying notes to financial statements.

1. Summary of Significant Accounting Policies

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 forms 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 Statement of Activities and Change in Net Assets and Statement of Functional Expenses as follows:

National Programs - which consists of the 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 special needs.

Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) related to non-profit entities. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions".

- **Net Assets with Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

1. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of $250,000. At times during the period, the Organization maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in net investment return which is presented net of investment expenses paid to external investment advisors, in the accompanying Statement of Activities and Change in Net Assets. There were no investment expenses incurred during the 15-month period ending December 31, 2025.

Investments acquired by gift, such as donated securities, are recorded at their fair value at the date of the gift.

Contributions Receivable

Contributions receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts fully collectible. Accordingly, an allowance has not been established.

Property and Equipment

Property and equipment in excess of $500 are capitalized and stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to ten years. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation expense totaled $30,310 for the period ended December 31, 2025.

Income Taxes

The Organization is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code ("IRC"), as an organization described in IRC Section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Organization is not a private foundation.

Support from Grants and Contributions

Contributions include annual fund contributions and support for special events, which is equal to the net amount of special events presented in the Statement of Activities and Change in Net Assets.

1. Summary of Significant Accounting Policies (Continued)

Support from Grants and Contributions (Continued)

Grants and contributions are recognized in the appropriate category of net assets in the period received. The Organization performs an analysis of the individual grant or contribution agreement to determine if the funding stream follows the contribution rules or if it should be recorded as an exchange transaction depending upon whether the transaction is deemed reciprocal or nonreciprocal in accordance with ASC Topic 958.

Support from grants and contributions is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions, including grants qualifying as contributions, that are unconditional but have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Grants and contributions with donor restrictions either in excess of expenses incurred or with time restrictions are shown as net assets with donor restrictions in the accompanying financial statements.

Conditional grants and contributions contain a right of return and a measurable barrier. Grants and contributions are recognized when conditions have been satisfied. Conditional grants and contributions received in advance of meeting specified conditions established by donors are recorded as refundable advances. However, the Organization had no refundable advances as of December 31, 2025.

In addition, the Organization may obtain funding source agreements related to conditional grants and contributions, which will be received in future years. However, the Organization had no conditional grants and contributions to be received in future years as of December 31, 2025.

Contributed Nonfinancial Assets

Contributed nonfinancial assets consist of donated materials and supplies, services, travel and rent. Goods donated for distribution for the Organization's programs are recorded at their fair market value as of the date of the gift. Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. In addition, volunteers have donated significant amounts of their time to the Organization; these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

1. Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of providing the Organization's programs and supporting services have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. 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, headcount or other reasonable basis. Those expenses include salaries, benefits and payroll taxes, office expense, depreciation, insurance, and occupancy expenses.

Investment Risks and Uncertainties

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

2. Investments and Fair Value Measurements

In accordance with FASB ASC 820, *Fair Value Measurement*, the Organization has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the accompanying Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Organization has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

2. Investments and Fair Value Measurements (Continued)

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used and there were no transfers between levels in the fair value hierarchy during the period ended December 31, 2025. Transfers between levels are recorded at the end of the reporting period, if applicable.

Common Stocks and Exchange-Traded Funds - Valued at the closing price reported on the active market in which the individual securities are traded.

The table below summarizes investments, which are measured at fair value on a recurring basis, by level within the fair value hierarchy as of December 31, 2025:

	Level 1	Level 2	Level 3	Total
Asset Class:				
Common Stocks	$ 195,474	$ -	$ -	$ 195,474
Exchange-Traded Funds	2,022	-	-	2,022
Total Investments	$ 197,496	$ -	$ -	$ 197,496

Net investment return consisted of the following for the 15-month period ended December 31, 2025:

Interest and dividends	$ 5,715
Unrealized gain	13,577
Realized gain	28,125
Net Investment Return	$ 47,417

3. Property and Equipment

Property and equipment consisted of the following as of December 31, 2025:

Vehicles	$ 230,204
Computers and software	147,069
Furniture and equipment	82,300
Storage shed	13,440
Total property and equipment	473,013
Less: Accumulated depreciation	(431,372)
Property and Equipment, Net	$ 41,641

4. Employee Retention Credit

During the 15-month period ending December 31, 2025, the Organization received $476,531 related to the Employee Retention Credit (ERC) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) modified by the Taxpayer Certainty and Disaster Tax Relief Act of 2020 (Relief Act). This revenue is presented as an Other Item in the Statement of Activities and Change in Net Assets.

5. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following as of December 31, 2025:

Subject to Expenditure for a Specified Purpose:		
Regional/Local programs	$	544,146
National programs		171,671
Subtotal		715,817
Subject to passage of time		24,000
Total Net Assets with Donor Restrictions	$	739,817

The following net assets with donor restrictions were released from donor restrictions either by incurring expenses which satisfied the restricted purposes specified by the donors or through the passage of time during the 15-month period ended December 31, 2025:

Purpose Restrictions Accomplished:		
Regional/Local programs	$	984,922
National programs		70,830
Subtotal		1,055,752
Expiration of time restrictions		30,000
Total Net Assets Released from Donor Restrictions	$	1,085,752

6. Liquidity and Availability

The Organization has a policy to structure its financial assets to be available and liquid as its obligations become due. Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following as of December 31, 2025:

Cash and cash equivalents	$	870,812
Investments		197,496
Contributions receivable		151,750
Subtotal financial assets available within one year		1,220,058
Less: Donor-restricted funds		(739,817)
Financial Assets Available for Use Within One Year	$	480,241

7. Contributed Nonfinancial Assets

The Organization was the beneficiary of donated goods and services which allowed the Organization to provide greater resources toward various programs. There were no donor-imposed restrictions associated with the contributed nonfinancial assets during the 15-month period ended December 31, 2025. Donated space in the amount of $24,000 is considered time restricted and is included with net assets with donor restrictions as of December 31, 2025. Contributed nonfinancial assets are valued at market value, which is the cost for the goods and services if sold in the public market.

Donated space received by the Organization is recorded as contributed nonfinancial revenue with a corresponding entry to contributions receivable or occupancy expense depending on the period in which the donated space is used by the Organization. The Organization valued the donated space by comparing the estimated market rate for comparable space versus the amount actually paid by the Organization.

The contributed nonfinancial assets consisted of the following for the 15-month period ended December 31, 2025:

Donated materials and supplies	$	348,473
Donated travel expenses		122,650
Donated services		53,503
Total	$	524,626

The contributed nonfinancial assets have been recorded in the following functional expense categories for the 15-month period ended December 31, 2025:

Regional	$	528,209
National		26,417
Total	$	554,626

8. Lease Commitments

The Organization follows FASB ASC 842 for leases. The Organization has elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and is applying this expedient to all relevant asset classes. The Organization has also elected to use a risk-free rate as the lease discount rate for all leases as allowed under FASB ASC 842.

Short-Term Leases:

The Organization leases certain assets on an as-needed basis. The Organization has elected the practical expedient for these short-term leases as the lease terms are less than 12 months. Total short-term lease expense included in occupancy expense for the 15-month period ended December 31, 2025, was $26,256.

8. Lease Commitments (Continued)

Operating Leases:

The Organization has an operating lease for office space in Colorado Springs that began in July 2024 and expires in June 2027. The office lease includes an escalation of base rentals, which is being amortized on a basis to achieve straight-line rent expense over the life of the lease. The discount rate used to calculate the lease liability was 4.4%.

For the 15-month period ended December 31, 2025, total lease cost was $19,297 and total cash paid was $18,688 for the operating lease.

Below Market Rent:

The Organization also utilizes office space in Windsor, Colorado. The agreement began January 1, 2024 and expires December 2026. Under the agreement, the Organization is charged a nominal cost of $1 per month. The estimated fair value of the space is approximately $2,000 per month. Because the Organization occupies the space at below market rates, the difference between the fair value and the amount paid is recognized as contributed nonfinancial asset and occupancy expense. The full amount of $72,000 was recorded as contributed nonfinancial asset support during the year ended September 30, 2024. Donated rent expense of $30,000 was recognized during the 15-month period ending December 31, 2025. There is $24,000 remaining to be recognized, which is recorded as a contribution receivable as of December 31, 2025.

The following is a schedule of the future minimum lease payments due under the operating lease, net of imputed interest, as of December 31, 2025:

Period Ending December 31,	
2026	$ 15,844
2027	8,125
	23,969
Less: Imputed interest	(739)
Less: Current portion	(15,179)
Operating Lease Liability, Long-Term Portion	$ 8,051

9. Retirement Plan

The Organization provides retirement benefits to its employees through a defined contribution plan covering all employees over the age of 21 with six months of eligible experience. Employees are fully vested in salary deferral, employer matching contributions, and non-elective contributions. Employer matching contributions for the 15-month period ended December 31, 2025 totaled $22,685 and are included in Salaries, benefits and payroll taxes in the accompanying Statement of Functional Expenses.

10. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 2, 2026, the date the financial statements were issued.