

WARRIORS & QUIET WATERS FOUNDATION, INC. AND SUBSIDIARY

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018



AMATICS
CPA GROUP

**WARRIORS & QUIET WATERS FOUNDATION, INC. AND SUBSIDIARY
CONTENTS**

| AUDITED CONSOLIDATED FINANCIAL STATEMENTS | <u>Page</u> |
|--|--------------------|
| Independent auditors' report | 3 |
| Consolidated statements of financial position | 4 - 5 |
| Consolidated statements of activities | 6 - 7 |
| Consolidated statements of functional expenses | 8 - 9 |
| Consolidated statements of cash flows | 10 |
| Notes to financial statements | 11 - 26 |



INDEPENDENT AUDITORS' REPORT

Board of Directors
Warriors & Quiet Waters Foundation, Inc. and Subsidiary
Bozeman, Montana

We have audited the accompanying financial statements of Warriors & Quiet Waters Foundation, Inc. (a nonprofit organization) and Subsidiary, which comprise the consolidated 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 the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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 consolidated financial position of Warriors & Quiet Waters Foundation, Inc. and Subsidiary 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.

Amatics CPA Group
Bozeman, Montana
June 22, 2020



**WARRIORS & QUIET WATERS FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

| | | December 31 | |
|---|--|--------------------|---------------|
| | | 2019 | 2018 |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | \$ 988,802 | \$ 1,091,736 |
| Pledges receivable - current portion | | 231,500 | 219,135 |
| Prepaid expenses | | 39,378 | 49,018 |
| | | 1,259,680 | 1,359,889 |
| FIXED ASSETS | | | |
| Land | | 1,537,781 | 1,537,781 |
| Buildings | | 3,764,415 | 3,268,030 |
| Improvements | | 1,677,344 | 1,677,344 |
| Furniture and equipment | | 480,659 | 404,671 |
| Construction in progress | | - | 41,060 |
| | | 7,460,199 | 6,928,886 |
| Less accumulated depreciation | | (738,935) | (491,573) |
| | | 6,721,264 | 6,437,313 |
| OTHER ASSETS | | | |
| Pledges receivable, net of discount and current portion | | 187,926 | 222,235 |
| Investments | | 9,566,310 | 6,809,161 |
| Security deposit | | - | 1,000 |
| | | 9,754,236 | 7,032,396 |
| Totals | | \$ 17,735,180 | \$ 14,829,598 |

See the accompanying notes to financial statements.

**WARRIORS & QUIET WATERS FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)**

| | December 31 | |
|--|---------------|---------------|
| | 2019 | 2018 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 63,604 | \$ 31,223 |
| Payroll liabilities | - | 2,288 |
| Deferred revenue | 40,700 | - |
| Accrued vacation | 12,410 | 15,436 |
| Current portion of note payable | 34,242 | 30,888 |
| | 150,956 | 79,835 |
| LONG-TERM LIABILITIES | | |
| Gift annuity obligations | 66,928 | 61,822 |
| Note payable - net of current portion and unamortized debt issuance costs | 1,023,989 | 1,057,761 |
| | 1,090,917 | 1,119,583 |
| NET ASSETS | | |
| Without donor restrictions: | | |
| Board designated reserve fund | 1,000,000 | 1,000,000 |
| Unrestricted | 6,509,532 | 6,236,895 |
| With donor restrictions | 8,983,775 | 6,393,285 |
| | 16,493,307 | 13,630,180 |
| Totals | \$ 17,735,180 | \$ 14,829,598 |

See the accompanying notes to financial statements.

WARRIORS & QUIET WATERS FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended December 31, 2019

| | Without Donor Restrictions | With Donor Restrictions | Totals |
|------------------------------------|---------------------------------------|------------------------------------|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| REVENUE AND SUPPORT | | | |
| Contributions | \$ 990,132 | \$ 1,913,736 | \$ 2,903,868 |
| Special events income | 392,862 | - | 392,862 |
| Sales income | 901 | - | 901 |
| Rental income | 64,400 | - | 64,400 |
| Investment return, net | 131,078 | 1,232,308 | 1,363,386 |
| In-kind support | 341,010 | - | 341,010 |
| Satisfaction of usage restrictions | <u>555,554</u> | <u>(555,554)</u> | <u>-</u> |
| Total revenue and support | <u>2,475,937</u> | <u>2,590,490</u> | <u>5,066,427</u> |
| EXPENSES | | | |
| Program services | 1,504,829 | - | 1,504,829 |
| Administration | 310,723 | - | 310,723 |
| Fundraising | <u>387,748</u> | <u>-</u> | <u>387,748</u> |
| Total expenses | <u>2,203,300</u> | <u>-</u> | <u>2,203,300</u> |
| CHANGE IN NET ASSETS | 272,637 | 2,590,490 | 2,863,127 |
| Net assets at beginning of year | <u>7,236,895</u> | <u>6,393,285</u> | <u>13,630,180</u> |
| NET ASSETS AT END OF YEAR | <u><u>\$ 7,509,532</u></u> | <u><u>\$ 8,983,775</u></u> | <u><u>\$ 16,493,307</u></u> |

See the accompanying notes to financial statements.

WARRIORS & QUIET WATERS FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended December 31, 2018

| | Without Donor Restrictions | With Donor Restrictions | Totals |
|------------------------------------|---------------------------------------|------------------------------------|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| REVENUE AND SUPPORT | | | |
| Contributions | \$ 954,946 | \$ 1,807,473 | \$ 2,762,419 |
| Bad debt loss | - | (10,020) | (10,020) |
| Special events income | 291,272 | 27,500 | 318,772 |
| Sales income | 935 | - | 935 |
| Rental income | 4,700 | - | 4,700 |
| Investment return, net | (18,876) | (273,276) | (292,152) |
| In-kind support | 780,046 | - | 780,046 |
| Satisfaction of usage restrictions | <u>437,215</u> | <u>(437,215)</u> | <u>-</u> |
| Total revenue and support | <u>2,450,238</u> | <u>1,114,462</u> | <u>3,564,700</u> |
| EXPENSES | | | |
| Program services | 1,222,757 | - | 1,222,757 |
| Administration | 183,823 | - | 183,823 |
| Fundraising | <u>278,791</u> | <u>-</u> | <u>278,791</u> |
| Total expenses | <u>1,685,371</u> | <u>-</u> | <u>1,685,371</u> |
| CHANGE IN NET ASSETS | 764,867 | 1,114,462 | 1,879,329 |
| Net assets at beginning of year | <u>6,472,028</u> | <u>5,278,823</u> | <u>11,750,851</u> |
| NET ASSETS AT END OF YEAR | <u><u>\$ 7,236,895</u></u> | <u><u>\$ 6,393,285</u></u> | <u><u>\$ 13,630,180</u></u> |

See the accompanying notes to financial statements.

WARRIORS & QUIET WATERS FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2019

| | <u>Program</u> | <u>Administration</u> | <u>Fundraising</u> | <u>Total</u> |
|--------------------------------|---------------------|-----------------------|--------------------|---------------------|
| Accommodations | \$ 47,056 | \$ - | \$ - | \$ 47,056 |
| Advertising and marketing | 4,982 | - | - | 4,982 |
| Bank and credit card fees | 99 | 869 | 3,498 | 4,466 |
| Board expenses | - | 6,103 | 5,954 | 12,057 |
| Contracted services | 148,095 | 21,482 | 25,302 | 194,879 |
| Depreciation | 224,435 | 22,927 | - | 247,362 |
| Employee benefits | 23,771 | 16,207 | 13,695 | 53,673 |
| Equipment rent | 2,273 | - | - | 2,273 |
| Gear for warriors | 346,426 | - | - | 346,426 |
| Insurance | 22,754 | 5,398 | 31 | 28,183 |
| Interest expense | 21,240 | 36,013 | - | 57,253 |
| Occupancy | 99,584 | 9,978 | 1,844 | 111,406 |
| Office expense | 4,795 | 7,506 | 1,691 | 13,992 |
| Outreach | 79,525 | - | 1,489 | 81,014 |
| Payroll taxes | 22,808 | 11,459 | 8,992 | 43,259 |
| Postage | 421 | 462 | 917 | 1,800 |
| Printing | - | 628 | 399 | 1,027 |
| Professional fees | 1,879 | 13,313 | - | 15,192 |
| Salaries and wages | 304,744 | 142,906 | 121,359 | 569,009 |
| Special events and development | 2,213 | 650 | 193,461 | 196,324 |
| Technology | 13,962 | 11,637 | 4,822 | 30,421 |
| Training | 3,351 | 3,027 | 3,982 | 10,360 |
| Travel | 130,416 | 158 | 312 | 130,886 |
| | <u>\$ 1,504,829</u> | <u>\$ 310,723</u> | <u>\$ 387,748</u> | <u>\$ 2,203,300</u> |

See the accompanying notes to financial statements.

WARRIORS & QUIET WATERS FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2018

| | <u>Program</u> | <u>Administration</u> | <u>Fundraising</u> | <u>Total</u> |
|--------------------------------|---------------------|-----------------------|--------------------|---------------------|
| Accommodations | \$ 39,405 | \$ - | \$ - | \$ 39,405 |
| Advertising and marketing | 7,056 | - | - | 7,056 |
| Bank and credit card fees | - | 154 | 7,162 | 7,316 |
| Board expenses | 806 | 917 | 5,648 | 7,371 |
| Contracted services | 96,016 | 2,651 | 7,152 | 105,819 |
| Depreciation | 189,209 | 1,911 | - | 191,120 |
| Employee benefits | 16,881 | 13,566 | 10,545 | 40,992 |
| Equipment rental | 769 | - | - | 769 |
| Gear for warriors | 234,534 | - | - | 234,534 |
| Insurance | 8,084 | 1,448 | - | 9,532 |
| Interest expense | - | 39 | - | 39 |
| Occupancy | 135,025 | 10,487 | 8,526 | 154,038 |
| Office expense | 6,318 | 6,033 | 2,512 | 14,863 |
| Outreach | 83,982 | 7,933 | 8,294 | 100,209 |
| Payroll taxes | 19,674 | 7,701 | 7,516 | 34,891 |
| Postage | 380 | 228 | 323 | 931 |
| Printing | 86 | 133 | 31 | 250 |
| Professional fees | 207 | 19,146 | 207 | 19,560 |
| Salaries and wages | 269,081 | 101,176 | 101,459 | 471,716 |
| Special events and development | 979 | 474 | 115,957 | 117,410 |
| Technology | 5,723 | 7,301 | 1,989 | 15,013 |
| Training | 4,834 | 2,459 | 1,215 | 8,508 |
| Travel | 103,708 | 66 | 255 | 104,029 |
| | <u>\$ 1,222,757</u> | <u>\$ 183,823</u> | <u>\$ 278,791</u> | <u>\$ 1,685,371</u> |

See the accompanying notes to financial statements.

**WARRIORS & QUIET WATERS FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | Years ended December 31 | |
|--|--------------------------------|--------------|
| | 2019 | 2018 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from donors, net of amounts restricted for long-term purposes | \$ 2,817,038 | \$ 1,340,031 |
| Receipts from special events | 392,862 | 318,772 |
| Other cash receipts | 106,001 | 5,635 |
| Payments for salaries and related costs | (671,255) | (542,627) |
| Payments to vendors | (955,784) | (751,354) |
| Net cash provided by operating activities | 1,688,862 | 370,457 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payments for property and equipment | (481,025) | (299,558) |
| Payments for construction in progress | - | (41,060) |
| Net purchases of investments | (1,393,763) | (1,558,191) |
| Net cash used by investing activities | (1,874,788) | (1,898,809) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Endowment contributions restricted for long-term investment | 113,880 | 1,589,159 |
| Payments for debt issuance costs | - | (9,390) |
| Payments on note payable | (30,888) | - |
| Net cash provided by financing activities | 82,992 | 1,579,769 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (102,934) | 51,417 |
| Cash and cash equivalents at beginning of year | 1,091,736 | 1,040,319 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | \$ 988,802 | \$ 1,091,736 |
| NON-CASH INVESTING AND FINANCING ACTIVITIES | | |
| Donated property and equipment | \$ 50,288 | \$ 570,685 |
| Property and equipment acquired through issuance of debt | \$ - | \$ 1,098,000 |
| CASH PAID FOR INTEREST | \$ 56,783 | \$ - |

See the accompanying notes to financial statements.

WARRIORS & QUIET WATERS FOUNDATION, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations:

Warriors & Quiet Waters Foundation, Inc. (the Organization) was founded in Bozeman, Montana in 2007. The Organization is a recognized 501(c)(3) non-profit. All funding is from individual, private foundation and corporate donations; no government support is accepted.

The Organization's mission is to be a catalyst for positive change in the lives of post-9/11 combat veterans through the experience of fly-fishing in Montana.

The Organization brings warriors and their loved ones to Montana for a six-day program of fly fishing and rehabilitation. Once here, they have the opportunity to relax and to learn to fly fish in the quiet and beautiful surroundings of Montana.

The positive impact on the healing and rehabilitation of the warriors from the program and their experience here is clear. The Organization's Fishing Experience program provides a respite from the rigors and stresses of war and from the treatment they have endured because of their injuries. They receive quality fly fishing instruction from caring and expert fly fishing guides, instructors and companions. Through adaptive methods of fly fishing they can move beyond their disabilities to learn a new life skill and gain the recognition of the importance of engaging in new activities as they move on in their recovery. The program provides transportation, accommodations, meals, and gives each warrior a complete fly fishing outfit (including rod, reel and waders) so they can continue to fish when they leave MT – all at no cost to them. The program supports these warriors and their spouses solely through the generosity of donors and volunteers.

Principles of Consolidation:

The accompanying financial statements include the Organization and its wholly-owned subsidiary Semper Fly, LLC (a single member limited liability company) formed in 2018. All significant intercompany transactions have been eliminated. See Note 13.

Basis of Accounting:

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. This basis of accounting recognizes revenues and related receivables when they are earned and expenses and related liabilities when incurred.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes:

The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code, and therefore has made no provision for federal income taxes in the accompanying financial statements. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions. The Organization's information returns (Form 990) are open to examination by the IRS, generally, for three years after they were filed or the due date of the return, whichever is later.

Advertising Costs:

Advertising costs are expensed as incurred.

WARRIORS & QUIET WATERS FOUNDATION, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents:

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Pledges Receivable:

As required by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, pledges receivable to be paid in more than one year from the date of the financial statements are discounted at the prime interest rate, 4.75% and 4.50% at December 31, 2019 and 2018, respectively. As a result of adopting the FASB's Fair Value Measurement guidance, including the Fair Value Option for Financial Assets and Financial Liabilities, the discount rate used in the present value technique to determine fair value of pledges receivable is revised at each measurement date to reflect current market conditions and the creditworthiness of donors. Subsequent changes in the fair value of pledges receivable are reported in the statement of activities as contribution revenue. At this time, management believes all pledges receivable are collectible, therefore, no allowance has been recorded as of December 31, 2019 and 2018.

Prepaid Expenses:

Prepaid expenses consists of insurance and fishing gear, clothing and hats for warrior experiences to occur in the next year.

Property and Equipment:

Purchased assets and assets leased under capital leases over the capitalization policy of \$5,000 are carried at their historical cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restriction at that time. Estimated useful lives of the fixed assets are as follows:

| | |
|-------------------------|-----------|
| Furniture and equipment | 5-7 years |
| Improvements | 20 years |
| Buildings | 40 years |

Construction in Progress:

For the year ended December 31, 2018, construction in progress included expenditures for the construction of the caretaker's house on the Organization's property that was completed in 2019 for a total cost of \$474,202.

WARRIORS & QUIET WATERS FOUNDATION, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments:

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Investment income or loss (including realized gains and losses on investments, interest and dividends) is reported as change in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Functional Expenses:

The financial statements report certain categories of expenses that are attributed directly to our fly-fishing program or its supporting functions. Expenses are allocated evenly across all functions of the Organization, or by the ratio that best matches the expense to the function. The expenses that are allocated evenly between our program, administrative, and fundraising departments include occupancy and utilities. Salaries, benefits, and payroll taxes are allocated based on employees' job descriptions and estimates of time. Interest expense is allocated based on the utilization of space of the building which the debt was incurred to purchase. All other expenses not directly related to program are allocated by management based on which support function the expense is most directly attributable.

Split Interest Agreements:

The Organization's split-interest agreements with donors consist primarily of gift annuity agreements for which the Organization serves as trustee. Assets held in relation to the annuity agreements are included in investments. Contribution revenues are recognized when annuity agreements are established, after recording liabilities for the present value of the estimated future payments to be made to beneficiaries. The liabilities are adjusted annually for changes in the value of assets, accretion of the discount, and other changes in the estimates of future benefits; this annual adjustment is reported as contribution revenue with donor restrictions.

Net Assets:

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.
- *Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a 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.

WARRIORS & QUIET WATERS FOUNDATION, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions and Revenue Recognition:

Contribution, including unconditional promises to give (i.e. pledges receivable), are recognized as revenues in the period cash or assets are transferred or pledges are received. Contributions of assets other than cash are recorded at their estimated fair value at date of receipt. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as increases in net assets with donor restrictions and are reclassified to net assets without donor restrictions when the cash is received and any purpose restriction is met.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows, discounted at the short term prime interest rate. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed. As a result of adopting the FASB's fair value measurement guidance, including the fair value option for financial assets and liabilities, the discount rate used in the present value measurement is revised at each measurement date to reflect current market conditions and the creditworthiness of donors. Receivables are stated at unpaid balances, less an allowance for doubtful accounts. At this time, management believes all pledges receivable are collectible, therefore, no allowance has been recorded as of December 31, 2019 and 2018.

Deferred Revenue:

The Organization leases portions of its building, see Note 16. Deferred revenue consists of rental amounts of \$4,700 received in advance of the due date at December 31, 2019. In addition, the Organization received sponsorship amounts for special events that are contingent on the event occurring that is recorded as deferred revenue in the amount of \$36,000 at December 31, 2019.

In-Kind Support:

The Organization records various types of in-kind support including services, property and equipment. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Description of Resources Unavailable for General Expenditure:

The Organization has certain donor-restricted net assets that are available for general expenditures within one year of December 31, 2019, because the restrictions on the net assets are expected to be met by conducting the normal activities of the Organization's programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year (Note 3). The Organization has other assets limited to use for donor-restricted purposes that because of the donor's restriction are not available to be spent in the coming year, which are not included.

WARRIORS & QUIET WATERS FOUNDATION, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Principle

In 2019, the Organization adopted the new accounting standards related to accounting for revenue and contracts with customers (FASB Accounting Standards Updates (ASU) 2014-09 *Revenue from Contracts with Customers (Topic 606)* and 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*.

ASU 2014-09 establishes a new contract and control-based revenue recognition model, changing the basis for deciding when revenue is recognized over time or at a point in time. ASU 2018-08 assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization implemented the provisions of ASU 2018-08 applicable to contributions received under a modified prospective basis. The adoption of these standards did not have a significant impact on the financial statements.

Financial Statement Presentation:

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

2. CASH AND CASH EQUIVALENTS

At December 31, 2019 and 2018, the Organization's cash and cash equivalents balances were as follows:

| | 2019 | 2018 |
|-----------------------|-------------------|---------------------|
| Checking accounts | \$ 916,958 | \$ 517,612 |
| Money market accounts | 71,744 | 574,024 |
| Petty cash on hand | 100 | 100 |
| | \$ 988,802 | \$ 1,091,736 |

The Organization maintains some of its cash in bank deposit accounts which, at times, may exceed federally insured limits. Account balances and certificates of deposit held in financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank, per depositor. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents. As of December 31, 2019 and 2018, funds exceeded federally insured limits by \$550,051 and \$649,382, respectively.

WARRIORS & QUIET WATERS FOUNDATION, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

| | | | |
|---|----|--------------------|---------------------|
| Financial assets | | | |
| Cash and cash equivalents | \$ | 988,802 | |
| Pledges receivable | | 419,426 | |
| Investments | | <u>9,566,310</u> | |
| | | | \$ 10,974,538 |
| Unavailable for general expenditure in one year | | | |
| Pledges due in more than one year | | (161,291) | |
| Pledges for endowment funds | | (38,635) | |
| Investments held to fund deferred gift annuities | | (66,928) | |
| Endowment investments to be held in perpetuity | | <u>(7,061,468)</u> | |
| | | | <u>(7,328,322)</u> |
| Total financial resources available for general expenditure | | | <u>\$ 3,646,216</u> |

The purpose of the Organization's endowments is to maintain donor-restricted funds with the investment returns available to be used for their respective purposes. The Board has also appropriated excess funds without donor restrictions into a designated reserve account. Board designated assets can be used for general expenditures with Board approval. The main purpose of the board designated reserve accounts is to maximize investment growth, interest income, and dividends from liquid assets that will most likely not be needed in the following year.

As part of the Organization's liquidity plan, the Board has a policy that allows the Organization to draw on the investment earnings of the endowment funds. The income may only be used for their respective donor purpose, those purposes are program purposes and maintenance of the Quiet Waters Ranch.

4. PLEDGES RECEIVABLE

Pledges receivable as of December 31, 2019 and 2018 are as follows:

| | <u>2019</u> | <u>2018</u> |
|---|-------------------|-------------------|
| Amounts due in: | | |
| Less than one year | \$ 231,500 | \$ 219,135 |
| One to five years | <u>209,635</u> | <u>266,000</u> |
| | 441,135 | 485,135 |
| Less: discount to present value | <u>(21,709)</u> | <u>(43,765)</u> |
| Pledges receivable, net of discount | 419,426 | 441,370 |
| Less: current portion | <u>(231,500)</u> | <u>(219,135)</u> |
| Pledges receivable, net of discount and current portion | <u>\$ 187,926</u> | <u>\$ 222,235</u> |

WARRIORS & QUIET WATERS FOUNDATION, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

5. FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements, establishes a framework for measuring fair value. 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 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

The three levels of the fair value hierarchy under ASC 820 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:

- 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 the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within 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.

Following is a description of the valuation methodologies used for assets measured at fair value.

Marketable securities - the fair value of marketable securities are based on quoted market prices for those securities.

Money market funds - are managed to maintain a net asset value per share of \$1.00 and are reported at that net asset value (NAV), which closely approximates fair value.

Pledges receivable - the fair value of pledges receivable is the net present value of expected future cash flows at the discount rate as disclosed in Note 1.

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 methods are 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.

WARRIORS & QUIET WATERS FOUNDATION, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

5. FAIR VALUE MEASUREMENTS (Continued)

The follow tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2019 and 2018:

| | <u>2019</u> | <u>2018</u> |
|---|--------------|--------------|
| Marketable securities - Level 1 | \$ 9,261,829 | \$ 6,703,651 |
| Net present value of pledges receivable - Level 3 | \$ 419,426 | \$ 441,370 |
| Money market funds - net asset value | \$ 234,718 | \$ 715,529 |

The reconciliation of the changes in the pledges receivable measured at fair value on a recurring basis using significant unobservable inputs (Level 3) is as follows:

| | <u>2019</u> | <u>2018</u> |
|---------------------------------------|-------------------|-------------------|
| Pledges receivable, beginning of year | \$ 441,370 | \$ 598,504 |
| Additional pledges | 176,000 | 265,000 |
| Payments received | (220,000) | (399,622) |
| Pledges written off | - | (10,020) |
| Change in discount | <u>22,056</u> | <u>(12,492)</u> |
| Pledges receivable, end of year | <u>\$ 419,426</u> | <u>\$ 441,370</u> |

6. INVESTMENTS

Investments are comprised of the following as of December 31, 2019:

| | <u>Cost</u> | <u>Fair Value</u> | <u>Gross Unrealized Gains (Losses)</u> |
|-----------------------------|---------------------|---------------------|--|
| Bank insured deposits | \$ 69,763 | \$ 69,763 | \$ - |
| Money market funds | 234,718 | 234,718 | - |
| Corporate bonds, banking | 404,046 | 406,414 | 2,368 |
| Mutual funds | | | |
| Bond funds | 2,088,361 | 2,135,603 | 47,242 |
| International bond funds | 701,341 | 705,369 | 4,028 |
| Large blend | 2,055,840 | 2,505,938 | 450,098 |
| International large blend | 194,127 | 225,494 | 31,367 |
| Large growth | 442,208 | 548,137 | 105,929 |
| International large growth | 734,973 | 794,926 | 59,953 |
| Large value | 557,477 | 654,051 | 96,574 |
| Mid-cap blend | 136,694 | 167,654 | 30,960 |
| Mid-cap growth | 106,654 | 135,012 | 28,358 |
| International mid-cap value | 165,541 | 175,427 | 9,886 |
| Mid-cap value | 145,484 | 143,853 | (1,631) |
| Small blend | 250,179 | 259,824 | 9,645 |
| Small growth | 7,054 | 8,781 | 1,727 |
| Health care ETF | 183,051 | 238,617 | 55,566 |
| Real estate ETF | 145,204 | 156,729 | 11,525 |
| | <u>\$ 8,622,715</u> | <u>\$ 9,566,310</u> | <u>\$ 943,595</u> |

WARRIORS & QUIET WATERS FOUNDATION, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

6. INVESTMENTS (Continued)

Investments are comprised of the following as of December 31, 2018:

| | <u>Cost</u> | <u>Fair Value</u> | <u>Gross Unrealized Gains (Losses)</u> |
|-----------------------------|---------------------|---------------------|--|
| Bank insured deposits | \$ 98,895 | \$ 98,895 | \$ - |
| Money market funds | 715,529 | 715,529 | - |
| Corporate bonds, banking | 532,423 | 524,907 | (7,516) |
| Mutual funds | | | |
| Bond funds | 1,372,061 | 1,364,239 | (7,822) |
| International bond funds | 347,031 | 345,326 | (1,705) |
| Large blend | 1,147,966 | 1,145,232 | (2,734) |
| International large blend | 131,311 | 131,981 | 670 |
| Large growth | 385,777 | 392,721 | 6,944 |
| International large growth | 640,121 | 570,459 | (69,662) |
| Large value | 538,559 | 511,790 | (26,769) |
| Loan funds | 20,673 | 19,532 | (1,141) |
| Mid-cap blend | 130,905 | 125,878 | (5,027) |
| Mid-cap growth | 104,226 | 103,806 | (420) |
| International mid-cap value | 164,144 | 139,290 | (24,854) |
| Mid-cap value | 135,526 | 104,854 | (30,672) |
| Small blend | 212,540 | 181,652 | (30,888) |
| Small growth | 6,264 | 6,615 | 351 |
| Health care ETF | 166,852 | 185,449 | 18,597 |
| Real estate ETF | 154,411 | 141,006 | (13,405) |
| | <u>\$ 7,005,214</u> | <u>\$ 6,809,161</u> | <u>\$ (196,053)</u> |

7. BOARD DESIGNATED NET ASSETS

Net assets the Board of Directors have designated to be held for unbudgeted program or operations expenses as of December 31, 2019 and 2018 was \$1,000,000.

WARRIORS & QUIET WATERS FOUNDATION, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted by the donor as of December 31, 2019 and 2018 for the following purposes:

| | 2019 | 2018 |
|--|---------------------|---------------------|
| Subject to expenditure for specific purpose: | | |
| Renovations and improvements | \$ - | \$ 24,417 |
| Pledges receivable restricted to a specific purpose | 57,146 | - |
| | 57,146 | 24,417 |
| Subject to the passage of time: | | |
| Special events - Warriors Taste Festival | - | 27,500 |
| Pledges receivable with no donor restrictions | 323,645 | 375,735 |
| Deferred gift annuity investments | 66,928 | 61,822 |
| | 390,573 | 465,057 |
| Endowments: | | |
| Endowment fund earnings subject to spending policy | 1,435,953 | 203,645 |
| Pledges receivable with donor restrictions for endowments | 38,635 | 65,635 |
| Investments held in perpetuity, donor-restricted endowments | 7,061,468 | 5,634,531 |
| | 8,536,056 | 5,903,811 |
| | \$ 8,983,775 | \$ 6,393,285 |

9. ENDOWMENTS

The Organization's endowment consists of donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization's Board of Directors has interpreted the Montana Uniform Prudent Management of Institutional Funds Act ("MUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts (including fair value of promises to give) donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by MUPMIFA. The Finance and Budget Committee is responsible for recommending and reviewing investment policies and objectives, monitoring performance of the portfolio, and overseeing certain administrative duties, including providing regular reports to the Board of Directors. The Committee reviews the accounting of the assets, income and expenditures of the endowment on a regular basis, and the Board determines how much of the earnings from the endowment may be appropriated for spending. The investment policy has been established to provide reasonable and sustainable flow of funds to maximize the capital in support of the Organization's activities.

WARRIORS & QUIET WATERS FOUNDATION, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

9. ENDOWMENTS (Continued)

In accordance with MUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (a) The duration and preservation of the fund;
- (b) The purposes of the Organization and the donor-restricted endowment fund;
- (c) General economic conditions;
- (d) The possible effect of inflation and deflation;
- (e) The expected total return from income and the appreciation of investments;
- (f) Other resources of the Organization; and
- (g) The investment policies of the Organization.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or MUPMIFA requires Organization to retain as a fund of perpetual direction. For both years ended December 31, 2019 and 2018, the endowment had no deficiency.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to operations while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s). The Organization expects its endowment funds, over time, to provide a reasonable level of current income to support the spending policy authorized by the Board of Directors and to grow equity assets. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation including cash equivalents, fixed income, and equity securities to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization reviews the endowment account statements and the returns of the endowment accounts annually to determine if the income from these accounts has reached a level which is significant to the overall operating budget. Upon this review, the Board of Directors may approve distributions within the parameters of the Organization's endowment and investment policies.

WARRIORS & QUIET WATERS FOUNDATION, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

9. ENDOWMENTS (Continued)

The composition of endowment net assets by fund as of December 31, 2019 and 2018 is as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---------------------------------------|------------------------------------|---------------------|
| <u>December 31, 2019</u> | | | |
| Donor-restricted endowment funds | | | |
| Original donor-restricted gifts required to be maintained in perpetuity by donor | \$ - | \$ 7,061,468 | \$ 7,061,468 |
| Accumulated investment gains | - | 1,435,953 | 1,435,953 |
| | <u>\$ -</u> | <u>\$ 8,497,421</u> | <u>\$ 8,497,421</u> |

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---------------------------------------|------------------------------------|---------------------|
| <u>December 31, 2018</u> | | | |
| Donor-restricted endowment funds | | | |
| Original donor-restricted gifts required to be maintained in perpetuity by donor | \$ - | \$ 5,634,531 | \$ 5,634,531 |
| Accumulated investment gains | - | 203,645 | 203,645 |
| | <u>\$ -</u> | <u>\$ 5,838,176</u> | <u>\$ 5,838,176</u> |

Changes in net asset composition by type of funds for the years ended December 31, 2019 and 2018 are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---------------------------------------|------------------------------------|---------------------|
| Endowment assets, December 31, 2017 | \$ - | \$ 4,465,214 | \$ 4,465,214 |
| Investment return, net | - | (273,276) | (273,276) |
| Distributions per spending policy | - | (40,000) | (40,000) |
| Cash contributions | - | 1,686,238 | 1,686,238 |
| Endowment net assets, December 31, 2018 | - | 5,838,176 | 5,838,176 |
| Investment return, net | - | 1,232,308 | 1,232,308 |
| Cash contributions | - | 1,426,937 | 1,426,937 |
| Endowment net assets, December 31, 2019 | <u>\$ -</u> | <u>\$ 8,497,421</u> | <u>\$ 8,497,421</u> |

WARRIORS & QUIET WATERS FOUNDATION, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

10. DEFERRED CHARITABLE GIFT ANNUITY SPLIT-INTEREST AGREEMENTS

The Organization has received several charitable gift annuities that are restricted to the Organization's endowment funds and are deposited to a designated account for these contributions as required by Board policy. Under the annuity agreements, the Organization agrees to pay the donor an annual sum, commencing on an agreed-upon date, for the remainder of the donor's life. The value is calculated based upon the discount rate at the time of the gift and the estimated amount of payments expected based upon actuarial tables.

Changes in gift annuity obligations for the years ended December 31, 2019 and 2018 are as follows:

| | <u>2019</u> | <u>2018</u> |
|---|------------------|------------------|
| Gift annuity obligations, beginning of year | \$ 61,822 | \$ 42,165 |
| Increase in liabilities for gift annuities issued | 7,028 | 17,105 |
| Actuarial changes in liabilities | <u>(1,922)</u> | <u>2,552</u> |
| Gift annuity obligations, end of year | <u>\$ 66,928</u> | <u>\$ 61,822</u> |

11. LINE OF CREDIT

The Organization had a revolving line of credit with American Bank, which was dated May 15, 2015 and collateralized by real estate owned by the Organization. The maximum amount available under this line of credit is \$1,000,000, and matured September 1, 2019. The line of credit bore interest at 3.98%. The outstanding balance at December 31, 2018 was \$0.

12. NOTE PAYABLE

| | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|
| Note payable to First Security Bank; dated November 29, 2018; due December 10, 2038; requires 60 monthly payments of \$7,306, including interest of 5.08%, then monthly payments of \$7,780, including variable interest based on Federal Home Loan Bank of Des Moines Five Year Long-term Fixed-rate Advance Index plus 2.75%; all remaining principal and interest due at maturity December 10, 2038; secured by property. | \$ 1,067,112 | \$ 1,098,000 |
| Less: current portion | (34,242) | (30,888) |
| Less: unamortized debt issuance costs | <u>(8,881)</u> | <u>(9,351)</u> |
| Long-term portion, net of unamortized debt issuance costs | <u>\$ 1,023,989</u> | <u>\$ 1,057,761</u> |

WARRIORS & QUIET WATERS FOUNDATION, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

12. NOTE PAYABLE (Continued)

Note payable matures as follows:

| | | | |
|------------|----|---------|--------------|
| 2020 | \$ | 34,242 | |
| 2021 | | 36,044 | |
| 2022 | | 37,909 | |
| 2023 | | 39,881 | |
| 2024 | | 38,813 | |
| Thereafter | | 880,223 | |
| | | | \$ 1,067,112 |

13. SEMPER FLY, LLC

Semper Fly, LLC was formed in 2018, with Warriors & Quiet Waters Foundation, Inc. as the sole member. The LLC owns land and a building and leases the building to the Organization and other tenants. Semper Fly, LLC's activity and balances are included in the Organization's consolidated financial statements, in accordance with generally accepted accounting principles. Significant balances and transactions between the two entities have been eliminated.

14. CONCENTRATIONS

Contributors

The Organization is supported by contributors from the public and granting agencies. For the year ended December 31, 2019, two major contributors provided 53% of the Organization's combined contributions. For the year ended December 31, 2018, one major contributor provided 34% of the Organization's combined contributions.

15. IN-KIND SUPPORT

The following in-kind support was recognized in the Statement of Functional Expenses for the year ended December 31, 2019:

| | <u>Program</u> | <u>Administration</u> | <u>Fundraising</u> | <u>Total</u> |
|-------------------------------------|----------------|-----------------------|--------------------|--------------|
| Accommodations | \$ 1,261 | \$ - | \$ - | \$ 1,261 |
| Board expenses | - | 325 | - | 325 |
| Contracted services | 2,799 | 2,400 | 2,400 | 7,599 |
| Equipment rental | 200 | - | - | 200 |
| Gear for warriors | 178,369 | - | - | 178,369 |
| Occupancy | 4,703 | - | - | 4,703 |
| Office | 67 | 7 | 25 | 99 |
| Outreach | 31,500 | - | - | 31,500 |
| Professional fees | 138 | 1,500 | - | 1,638 |
| Special events and develop- ment | - | 7 | 64,829 | 64,836 |
| Travel | 192 | - | - | 192 |
| | \$ 219,229 | \$ 4,239 | \$ 67,254 | \$ 290,722 |

WARRIORS & QUIET WATERS FOUNDATION, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

15. IN-KIND SUPPORT (Continued)

The following in-kind support was recognized in the Statement of Functional Expenses for the year ended December 31, 2018:

| | <u>Program</u> | <u>Administration</u> | <u>Fundraising</u> | <u>Total</u> |
|-------------------------------------|-------------------|-----------------------|--------------------|-------------------|
| Accommodations | \$ 5,592 | \$ - | \$ - | \$ 5,592 |
| Advertising | 1,000 | - | - | 1,000 |
| Board expenses | - | 141 | - | 141 |
| Contracted services | 817 | - | - | 817 |
| Equipment rental | 50 | - | - | 50 |
| Gear for warriors | 127,038 | - | - | 127,038 |
| Occupancy | 27,928 | - | - | 27,928 |
| Outreach | 30,298 | - | - | 30,298 |
| Printing | - | 5 | 11 | 16 |
| Professional fees | - | 3,835 | - | 3,835 |
| Special events and develop- ment | 120 | - | 12,458 | 12,578 |
| Technology | - | 20 | - | 20 |
| Travel | 48 | - | - | 48 |
| | <u>\$ 192,891</u> | <u>\$ 4,001</u> | <u>\$ 12,469</u> | <u>\$ 209,361</u> |

For the years ended December 31, 2019 and 2018, the Organization recognized in-kind contributions for donated land, building, equipment and improvements of \$50,288 and \$570,685, respectively.

16. LEASE COMMITMENT

Beginning June 12, 2013, the Organization entered into a 2-year lease for office space for \$1,200 per month. In January 2015, this lease was extended through June 2017 with lease payments based on the space occupied. After renewal, monthly payments through June 2017 were \$2,200 per month. Organization entered a 40-month lease for office space during 2017. The lease required a base rent amount based on the completed construction costs of the occupied office building and its portion of insurance and property taxes. The lease provided for a renewal option of three years subsequent to December 31, 2020, and an option to purchase the building through the expiration date of the initial lease. Monthly rent payments under the 2017 lease were \$2,680. Rent paid during the year ended December 31, 2018 was \$33,890; in November 2018, Semper Fly, LLC purchased the building (see Note 13).

WARRIORS & QUIET WATERS FOUNDATION, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

17. LEASING ACTIVITIES

As a result of the building purchase in 2018, the Organization leases office space to two tenants under non-cancelable leases. The non-cancelable leases are for a five year term from July 1, 2018 through June 30, 2023. The leases require monthly base payments of \$2,350 through June 30, 2021 plus lessee's pro rated portion of utilities and taxes. Beginning July 1, 2021 the leases require monthly base payments of \$2,550 through the end of lease. Rent income under this agreement for the years ended December 31, 2019 and 2018 amounted to \$56,400 and \$4,700, respectively. Future remaining rental payments for the years ending December 31 are:

| | | |
|------|----|------------|
| 2020 | \$ | 56,400 |
| 2021 | | 58,800 |
| 2022 | | 61,200 |
| 2023 | | 30,600 |
| | | \$ 207,000 |

In addition, the Organization leases a residence to an employee that resides at the Quiet Waters Ranch. The lease agreement began in 2019 and is for one year. The lease requires monthly payments of \$1,600. The total received under this agreement for the year ended December 31, 2019 was \$8,000.

18. SIMPLE RETIREMENT PLAN

The Organization established a SIMPLE IRA retirement plan in 2016. Regular full-time and part-time employees are eligible the first of the month following ninety days after their start date. The Organization matches employee contributions to the plan dollar-for-dollar up to 3% of employee's annual compensation. The Organization's contributions for the years ended December 31, 2019 and 2018 were \$13,285 and \$9,918, respectively.

19. RELATED PARTY TRANSACTION

During 2018, the Organization entered into a construction contract with a company that is owned by a board member. The total amount paid for construction during the years ended December 31, 2019 and 2018 was \$432,142, and \$41,060.

20. SUBSEQUENT EVENTS

As a result of the spread of COVID-19 coronavirus, economic uncertainties have arisen which could negatively impact revenues, changes in net assets and cash flows in 2020, though such potential impact is unknown at this time. The Organization has been approved for and received a Paycheck Protection Program (PPP) loan through the Small Business Administration (SBA) for approximately \$100,000.

Date of Management Evaluation

Management has evaluated subsequent events through June 22, 2020, the date on which the financial statements were available to be issued.