

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

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**



**AMATICS**  
CPA GROUP

**WARRIORS & QUIET WATERS FOUNDATION, INC. AND SUBSIDIARY  
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## INDEPENDENT AUDITORS' REPORT

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

### Opinion

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, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Warriors & Quiet Waters Foundation, Inc. and Subsidiary as of December 31, 2020 and 2019, and the changes in their net assets and their 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 audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Warriors & Quiet Waters Foundation, Inc. and Subsidiary and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards 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, including omissions, 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.



### **Auditors' Responsibilities for the Audit of the Financial Statements (Continued)**

In performing an audit in accordance with generally accepted auditing standards, 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 consolidated 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 Warriors & Quiet Waters Foundation, Inc. and Subsidiary'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Warriors & Quiet Waters Foundation, Inc. and Subsidiary'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.

*Amatics CPA Group*

Bozeman, Montana

June 28, 2021

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

		December 31	
		2020	2019
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		\$ 1,421,048	\$ 988,802
Pledges receivable - current portion		209,500	231,500
Inventory		115,861	12,433
Prepaid expenses		48,827	26,945
		1,795,236	1,259,680
<b>FIXED ASSETS</b>			
Land		1,537,781	1,537,781
Buildings		3,775,318	3,764,415
Improvements		1,677,344	1,677,344
Furniture and equipment		512,999	480,659
		7,503,442	7,460,199
Less accumulated depreciation		(994,246)	(738,935)
		6,509,196	6,721,264
<b>OTHER ASSETS</b>			
Pledges receivable, net of discount and current portion		184,340	187,926
Investments		13,579,540	9,566,310
		13,763,880	9,754,236
Totals		\$ 22,068,312	\$ 17,735,180

See the accompanying notes to financial statements.

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

	December 31	
	2020	2019
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 36,762	\$ 63,604
Payroll liabilities	910	-
Deferred revenue	32,350	40,700
Accrued vacation	19,592	12,410
Current portion of note payable	36,044	34,242
	125,658	150,956
<b>LONG-TERM LIABILITIES</b>		
Gift annuity obligations	87,977	66,928
Note payable - net of current portion and unamortized debt issuance costs	988,420	1,023,989
	1,076,397	1,090,917
<b>NET ASSETS</b>		
Without donor restrictions:		
Board designated reserve fund	1,340,000	1,000,000
Board designated for endowment	1,466,440	-
Unrestricted	7,817,784	6,509,532
With donor restrictions	10,242,033	8,983,775
	20,866,257	16,493,307
Totals	\$ 22,068,312	\$ 17,735,180

See the accompanying notes to financial statements.

**WARRIORS & QUIET WATERS FOUNDATION, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**Year ended December 31, 2020**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Totals</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>REVENUE AND SUPPORT</b>			
Contributions	\$ 4,028,118	\$ 446,762	\$ 4,474,880
Special events income	219,959	-	219,959
Sales income	4,849	-	4,849
Rental income	75,700	-	75,700
Investment return, net	166,342	1,022,291	1,188,633
In-kind support	160,876	-	160,876
Satisfaction of usage restrictions	<u>210,795</u>	<u>(210,795)</u>	<u>-</u>
Total revenue and support	<u>4,866,639</u>	<u>1,258,258</u>	<u>6,124,897</u>
<b>EXPENSES</b>			
Program services	1,225,980	-	1,225,980
Administration	288,289	-	288,289
Fundraising	<u>237,678</u>	<u>-</u>	<u>237,678</u>
Total expenses	<u>1,751,947</u>	<u>-</u>	<u>1,751,947</u>
<b>CHANGE IN NET ASSETS</b>	3,114,692	1,258,258	4,372,950
Net assets at beginning of year	<u>7,509,532</u>	<u>8,983,775</u>	<u>16,493,307</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 10,624,224</u>	<u>\$ 10,242,033</u>	<u>\$ 20,866,257</u>

See the accompanying notes to financial statements.

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

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Totals</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>REVENUE AND SUPPORT</b>			
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>
<b>EXPENSES</b>			
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>
<b>CHANGE IN NET ASSETS</b>	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>
<b>NET ASSETS AT END OF YEAR</b>	<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 FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2020**

	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Accommodations	\$ 18,022	\$ -	\$ -	\$ 18,022
Advertising and marketing	6,383	4,333	10,848	21,564
Bank and credit card fees	180	640	5,828	6,648
Board expenses	-	2,432	-	2,432
Contracted services	103,854	1,208	6,641	111,703
Depreciation	232,687	28,236	-	260,923
Employee benefits	29,334	14,198	8,564	52,096
Equipment rent	301	-	-	301
Gear for warriors	186,940	-	-	186,940
Insurance	25,724	4,169	343	30,236
Interest expense	19,998	33,906	-	53,904
Occupancy	77,177	12,297	2,006	91,480
Office expense	4,336	3,221	1,311	8,868
Outreach	67,118	-	-	67,118
Payroll taxes	27,750	11,506	7,374	46,630
Postage	2,649	439	545	3,633
Printing	1,748	709	3,467	5,924
Professional fees	-	13,567	677	14,244
Salaries and wages	373,302	144,780	92,310	610,392
Special events and development	893	440	90,337	91,670
Technology	11,289	6,025	4,459	21,773
Training	1,044	6,183	2,948	10,175
Travel	35,251	-	20	35,271
	<u>\$ 1,225,980</u>	<u>\$ 288,289</u>	<u>\$ 237,678</u>	<u>\$ 1,751,947</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 rental	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 STATEMENTS OF CASH FLOWS**

	<b>Years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from donors, net of amounts restricted for long-term purposes	\$ 4,340,430	\$ 2,817,038
Receipts from special events	219,959	392,862
Other cash receipts	75,687	106,001
Payments for salaries and related costs	(701,026)	(671,255)
Payments to vendors	<u>(772,712)</u>	<u>(955,784)</u>
Net cash provided by operating activities	<u>3,162,338</u>	<u>1,688,862</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property and equipment	(52,343)	(481,025)
Net purchases of investments	<u>(2,824,597)</u>	<u>(1,393,763)</u>
Net cash used by investing activities	<u>(2,876,940)</u>	<u>(1,874,788)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Endowment contributions restricted for long-term investment	181,085	113,880
Payments on note payable	<u>(34,237)</u>	<u>(30,888)</u>
Net cash provided by financing activities	<u>146,848</u>	<u>82,992</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	432,246	(102,934)
Cash and cash equivalents at beginning of year	<u>988,802</u>	<u>1,091,736</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 1,421,048</u>	<u>\$ 988,802</u>
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Donated property and equipment	<u>\$ -</u>	<u>\$ 50,288</u>
<b>CASH PAID FOR INTEREST</b>	<u>\$ 53,434</u>	<u>\$ 56,783</u>

See the accompanying notes to financial statements.

**WARRIORS & QUIET WATERS FOUNDATION, INC. AND SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020 and 2019**

**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, 2020 and 2019**

**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, 3.25% and 4.75% at December 31, 2020 and 2019, 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, 2020 and 2019.

**Inventory:**

Inventory consists of fishing gear, clothing and hats for warriors experiences to occur in the next year. Inventory is stated at estimated fair value, which is based on the cost of inventory plus estimated discount provided by suppliers which is recorded as in-kind support (see Note 15).

**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

**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.

**WARRIORS & QUIET WATERS FOUNDATION, INC. AND SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020 and 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Functional Expenses:**

The financial statements report certain categories of expenses that are attributed directly to the Organization's 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 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 and net assets held in a board-designated endowment.
- *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, 2020 and 2019**

**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, 2020 and 2019.

**Deferred Revenue:**

The Organization leases portions of its building, see Note 16. Deferred revenue consists of rental amounts of \$2,350 and \$4,700 received in advance of the due date at December 31, 2020 and 2019, respectively. 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 \$30,000 and \$36,000 at December 31, 2020 and 2019, respectively.

**In-Kind Support:**

The Organization records various types of in-kind support including services, inventory, and 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, 2020, 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, 2020 and 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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, 2020 and 2019, the Organization's cash and cash equivalents balances were as follows:

	<u>2020</u>	<u>2019</u>
Checking accounts	\$ 647,982	\$ 916,958
Money market accounts	772,941	71,744
Petty cash on hand	<u>125</u>	<u>100</u>
	<u>\$ 1,421,048</u>	<u>\$ 988,802</u>

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, 2020 and 2019, funds exceeded federally insured limits by \$1,060,251 and \$550,051, respectively.

**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:

	<u>2020</u>	<u>2019</u>
Financial assets		
Cash and cash equivalents	\$ 1,421,048	\$ 988,802
Pledges receivable	393,840	419,426
Investments	<u>13,579,540</u>	<u>9,566,310</u>
	<u>15,394,428</u>	<u>10,974,538</u>
Unavailable for general expenditure in one year		
Pledges due in more than one year	(157,448)	(161,291)
Pledges for endowment funds	(26,892)	(38,635)
Investments held to fund deferred gift annuities	(87,977)	(66,928)
Board-designated endowment funds	(1,466,440)	-
Endowment investments to be held in perpetuity	<u>(7,252,472)</u>	<u>(7,061,468)</u>
	<u>(8,991,229)</u>	<u>(7,328,322)</u>
Total financial resources available for general expenditure	<u>\$ 6,403,199</u>	<u>\$ 3,646,216</u>



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**3. LIQUIDITY AND AVAILABILITY (Continued)**

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 designated funds without donor restrictions to be held as an endowment, these funds are available to be used at the discretion of the Board. 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, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Amounts due in:		
Less than one year	\$ 209,500	\$ 231,500
One to five years	<u>219,893</u>	<u>209,635</u>
	429,393	441,135
Less: discount to present value	<u>(35,553)</u>	<u>(21,709)</u>
Pledges receivable, net of discount	393,840	419,426
Less: current portion	<u>(209,500)</u>	<u>(231,500)</u>
Pledges receivable, net of discount and current portion	<u>\$ 184,340</u>	<u>\$ 187,926</u>

**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).

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**5. FAIR VALUE MEASUREMENTS (Continued)**

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.

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**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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Marketable securities - Level 1	\$ 13,450,674	\$ 9,261,829
Net present value of pledges receivable - Level 3	\$ 393,840	\$ 419,426
Money market funds - net asset value	\$ -	\$ 234,718

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>2020</u>	<u>2019</u>
Pledges receivable, beginning of year	\$ 419,426	\$ 441,370
Additional pledges	267,500	176,000
Payments received	(279,243)	(220,000)
Change in discount	<u>(13,843)</u>	<u>22,056</u>
Pledges receivable, end of year	<u>\$ 393,840</u>	<u>\$ 419,426</u>

**6. INVESTMENTS**

Investments are comprised of the following as of December 31, 2020:

	<u>Cost</u>	<u>Fair Value</u>	<u>Gross Unrealized Gains (Losses)</u>
Bank insured deposits	\$ 128,866	\$ 128,866	\$ -
Corporate bonds, banking	214,679	215,719	1,040
Mutual funds			
Bond funds	3,062,619	3,162,568	99,949
International bond funds	1,920,050	1,949,158	29,108
Large blend	1,969,471	2,681,075	711,604
International large blend	60,740	79,686	18,946
Large growth	773,142	851,713	78,571
International large growth	1,054,062	1,224,403	170,341
Large value	994,786	1,159,329	164,543
Mid-cap blend	259,862	323,924	64,062
Mid-cap growth	173,962	208,699	34,737
International mid-cap value	254,325	333,172	78,847
Mid-cap value	158,359	164,460	6,101
Small blend	365,435	418,842	53,407
Health care ETF	320,219	401,468	81,249
Real estate ETF	<u>279,229</u>	<u>276,458</u>	<u>(2,771)</u>
	<u>\$ 11,989,806</u>	<u>\$ 13,579,540</u>	<u>\$ 1,589,734</u>

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**6. INVESTMENTS (Continued)**

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>

**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, 2020 and 2019 was \$1,340,000 and \$1,000,000, respectively.

Board-designated endowment funds have been designated by the Board of Directors to achieve investment return and are available to be used at the discretion of the Board of Directors for any purpose the Board deems necessary. The balance of Board-designated endowment funds as of December 31, 2020 and 2019 was \$1,466,440 and \$0, respectively (see Note 9).

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**8. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted by the donor as of December 31, 2020 and 2019 for the following purposes:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specific purpose:		
Program coordinator salary	\$ 42,000	\$ -
Fundraising platform implementation	7,500	-
Pledges receivable restricted to a specific purpose	<u>219,924</u>	<u>57,146</u>
	<u>269,424</u>	<u>57,146</u>
Subject to the passage of time:		
Pledges receivable with no donor restrictions	147,024	323,645
Deferred gift annuity investments	<u>87,977</u>	<u>66,928</u>
	<u>235,001</u>	<u>390,573</u>
Endowments:		
Endowment fund earnings subject to spending policy	2,458,244	1,435,953
Pledges receivable with donor restrictions for endowments	26,892	38,635
Investments held in perpetuity, donor-restricted endowments	<u>7,252,472</u>	<u>7,061,468</u>
	<u>9,737,608</u>	<u>8,536,056</u>
	<u>\$ 10,242,033</u>	<u>\$ 8,983,775</u>

**9. ENDOWMENTS**

The Organization's endowment consists of donor-restricted endowment funds. The endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Directors. 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

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**9. ENDOWMENTS (Continued)**

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.

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, 2020 and 2019, 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.

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**9. ENDOWMENTS (Continued)**

The composition of endowment net assets by fund as of December 31, 2020 and 2019 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>December 31, 2020</u>			
Board-designated endowment funds	\$ 1,466,440	\$ -	\$ 1,466,440
Donor-restricted endowment funds			
Original donor-restricted gifts required to be maintained in perpetuity by donor	-	7,252,472	7,252,472
Accumulated investment gains	-	2,458,244	2,458,244
	<u>\$ 1,466,440</u>	<u>\$ 9,710,716</u>	<u>\$ 11,177,156</u>

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>December 31, 2019</u>			
Board-designated endowment funds	\$ -	\$ -	\$ -
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>

Changes in net asset composition by type of funds for the years ended December 31, 2020 and 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment 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	-	8,497,421	8,497,421
Investment return, net	13,265	1,022,291	1,035,556
Cash contributions	1,453,175	191,004	1,644,179
Endowment net assets, December 31, 2020	<u>\$ 1,466,440</u>	<u>\$ 9,710,716</u>	<u>\$ 11,177,156</u>

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**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, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Gift annuity obligations, beginning of year	\$ 66,928	\$ 61,822
Increase in liabilities for gift annuities issued	27,438	7,028
Relinquishment of previously issued gift annuities	(9,601)	-
Actuarial changes in liabilities	<u>3,212</u>	<u>(1,922)</u>
Gift annuity obligations, end of year	<u>\$ 87,977</u>	<u>\$ 66,928</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%.

**12. NOTE PAYABLE**

	<u>2020</u>	<u>2019</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. Note payable was refinanced in June 2021 (See Note 20).	\$ 1,032,875	\$ 1,067,112
Less: current portion	(36,044)	(34,242)
Less: unamortized debt issuance costs	<u>(8,411)</u>	<u>(8,881)</u>
Long-term portion, net of unamortized debt issuance costs	<u>\$ 988,420</u>	<u>\$ 1,023,989</u>



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**12. NOTE PAYABLE (Continued)**

Note payable matures as follows:

2021	\$	36,044	
2022		37,909	
2023		39,881	
2024		38,813	
2025		41,251	
Thereafter		838,977	
			\$ 1,032,875

**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, 2020, one major contributors provided 60% of the Organization's combined contributions. For the year ended December 31, 2019, two major contributors provided 37% 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, 2020:

	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Accommodations	\$ 1,180	\$ -	\$ -	\$ 1,180
Advertising	-	-	427	427
Contracted services	295	-	295	590
Gear for warriors	80,512	-	-	80,512
Occupancy	2,423	2,818	-	5,241
Outreach	30,650	-	-	30,650
Professional fees	-	1,600	113	1,713
Special events and development	-	-	7,636	7,636
Technology	13	12	12	37
	\$ 115,073	\$ 4,430	\$ 8,483	\$ 127,986

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**15. IN-KIND SUPPORT (Continued)**

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
	<u>\$ 219,229</u>	<u>\$ 4,239</u>	<u>\$ 67,254</u>	<u>\$ 290,722</u>

For the years ended December 31, 2020 and 2019, the Organization recognized in-kind contributions for donated inventory, land, building, equipment and improvements of \$32,890 and \$50,288, respectively.

**16. LEASING ACTIVITIES**

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 both the years ended December 31, 2020 and 2019 amounted to \$56,400. Future remaining rental payments for the years ending December 31 are:

2021	\$ 58,800
2022	61,200
2023	<u>30,600</u>
	<u>\$ 150,600</u>

In addition, the Organization leases a residence to an employee that resides at the Quiet Waters Ranch. The lease agreement began in 2019 and was for one year. The lease converted to a month to month lease. The lease requires monthly payments of \$1,600. The total received under this agreement for the years ended December 31, 2020 and 2019 was \$19,300 and \$8,000, respectively.

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**17. RETIREMENT PLAN**

The Organization sponsored a SIMPLE IRA retirement plan for eligible employees through December 31, 2019. Employees were eligible the first of the month following ninety days after their start date. The Organization matched employee contributions to the plan dollar-for-dollar up to 3% of each employee's annual compensation. The Organization started a 401(k) retirement plan for eligible employees during 2020. 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 each employee's annual compensation. The Organization's contributions under the plans for the years ended December 31, 2020 and 2019 were \$13,554 and \$13,285, respectively.

**18. RELATED PARTY TRANSACTION**

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

**19. PAYCHECK PROTECTION PROGRAM AND COVID-19 FUNDING**

In April 2020, the Organization was granted a \$98,300 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan was uncollateralized and fully guaranteed by the Federal government. The Organization has accounted for the PPP funding as a conditional contribution in the financial statements. As of December 31, 2020, the Organization believes that it has met the substantial requirements for forgiveness of the loan and as such, has recorded the funds as contribution revenue during 2020. The Organization's PPP funding was formally approved for full forgiveness on January 13, 2021.

Additionally, the Organization received COVID-19 related funding from the State of Montana in the amount of \$150,000 through Social Services grants and \$9,999 through the Department of Commerce, both are included in contribution revenue.

**20. SUBSEQUENT EVENTS**

In February 2021, the Organization obtained a revolving line of credit from American Bank with borrowings limited to \$1,000,000 and matures March 2023. The line will bear interest at 3.98%, the line is secured by the Organization's ranch property.

In June 2021, the Organization refinanced its note payable with First Security Bank through a note payable with First Montana Bank for \$1,024,000. The note payable requires approximate monthly payments of \$5,293, including interest at 3.75% through May 2028, then interest is Prime plus 0.50% adjusting each seven years thereafter through May 2046.

Date of Management Evaluation

Management has evaluated subsequent events through June 28, 2021, the date on which the financial statements were available to be issued.