

WARRIORS & QUIET WATERS FOUNDATION, INC. AND SUBSIDIARY
AUDITED CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021



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, 2022 and 2021, and the related consolidated 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, 2022 and 2021, and the changes in their net assets and their cash flows for the years 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; and for 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 auditors' 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.



Bozeman, Montana
July 27, 2023

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

		December 31	
		2022	2021
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$	577,891	\$ 995,259
Pledges receivable - current portion		251,270	144,180
Accounts receivable		7,635	2,179
Inventory		18,236	82,075
Prepaid expenses		161,071	108,603
		<u>1,016,103</u>	<u>1,332,296</u>
FIXED ASSETS			
Land		1,537,781	1,537,781
Buildings		3,816,746	3,775,318
Improvements		1,753,527	1,735,979
Furniture and equipment		<u>763,069</u>	<u>562,558</u>
		7,871,123	7,611,636
Less accumulated depreciation		<u>(1,533,720)</u>	<u>(1,244,309)</u>
		<u>6,337,403</u>	<u>6,367,327</u>
OTHER ASSETS			
Pledges receivable, net of discount and current portion		122,095	106,212
Investments		<u>13,456,221</u>	<u>15,838,203</u>
		<u>13,578,316</u>	<u>15,944,415</u>
Totals	\$	<u><u>20,931,822</u></u>	<u><u>\$ 23,644,038</u></u>

See the accompanying notes to financial statements.

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

	December 31	
	2022	2021
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 140,490	\$ 80,966
Payroll liabilities	5,718	944
Accrued vacation	39,563	29,626
Current portion of note payable	<u>26,333</u>	<u>25,352</u>
	<u>212,104</u>	<u>136,888</u>
LONG-TERM LIABILITIES		
Gift annuity obligations	116,739	109,934
Note payable - net of current portion and unamortized debt issuance costs	<u>917,961</u>	<u>969,112</u>
	<u>1,034,700</u>	<u>1,079,046</u>
NET ASSETS		
Without donor restrictions:		
Board designated reserve fund	1,340,000	1,340,000
Board designated for endowment	1,933,171	2,288,571
Undesignated	6,794,377	7,588,181
With donor restrictions	<u>9,617,470</u>	<u>11,211,352</u>
	<u>19,685,018</u>	<u>22,428,104</u>
 Totals	 <u><u>\$ 20,931,822</u></u>	 <u><u>\$ 23,644,038</u></u>

See the accompanying notes to financial statements.

WARRIORS & QUIET WATERS FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
REVENUE AND SUPPORT			
Contributions	\$ 1,724,064	\$ 581,426	\$ 2,305,490
Special events income	746,930	-	746,930
Sales income	4,529	-	4,529
Rental income	61,200	-	61,200
Investment return, net	(637,933)	(1,600,889)	(2,238,822)
In-kind support	471,216	-	471,216
Satisfaction of usage restrictions	<u>574,419</u>	<u>(574,419)</u>	<u>-</u>
Total revenue and support	<u>2,944,425</u>	<u>(1,593,882)</u>	<u>1,350,543</u>
EXPENSES			
Program services	2,918,170	-	2,918,170
Administration	280,879	-	280,879
Fundraising	<u>894,580</u>	<u>-</u>	<u>894,580</u>
Total expenses	<u>4,093,629</u>	<u>-</u>	<u>4,093,629</u>
CHANGE IN NET ASSETS	(1,149,204)	(1,593,882)	(2,743,086)
Net assets at beginning of year	<u>11,216,752</u>	<u>11,211,352</u>	<u>22,428,104</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 10,067,548</u></u>	<u><u>\$ 9,617,470</u></u>	<u><u>\$ 19,685,018</u></u>

See the accompanying notes to financial statements.

WARRIORS & QUIET WATERS FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
REVENUE AND SUPPORT			
Contributions	\$ 1,573,358	\$ 293,053	\$ 1,866,411
Special events income	628,079	-	628,079
Sales income	7,029	-	7,029
Rental income	77,200	-	77,200
Investment return, net	498,660	1,155,758	1,654,418
In-kind support	246,597	-	246,597
Satisfaction of usage restrictions	<u>369,558</u>	<u>(369,558)</u>	<u>-</u>
Total revenue and support	<u>3,400,481</u>	<u>1,079,253</u>	<u>4,479,734</u>
EXPENSES			
Program services	2,082,422	-	2,082,422
Administration	277,762	-	277,762
Fundraising	<u>557,703</u>	<u>-</u>	<u>557,703</u>
Total expenses	<u>2,917,887</u>	<u>-</u>	<u>2,917,887</u>
CHANGE IN NET ASSETS	482,594	1,079,253	1,561,847
Net assets at beginning of year	10,624,224	10,242,033	20,866,257
NET ASSETS AT END OF YEAR, as previously reported	11,106,818	11,321,286	22,428,104
Reclassification of net assets	<u>109,934</u>	<u>(109,934)</u>	<u>-</u>
NET ASSETS AT END OF YEAR, as restated	<u><u>\$ 11,216,752</u></u>	<u><u>\$ 11,211,352</u></u>	<u><u>\$ 22,428,104</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, 2022

	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Accommodations	\$ 136,980	\$ -	\$ -	\$ 136,980
Advertising and marketing	79,011	10	49,194	128,215
Bank and credit card fees	175	179	19,239	19,593
Board expenses	64	6,738	1,945	8,747
Contracted services	528,477	-	37,051	565,528
Depreciation	250,483	38,928	-	289,411
Employee benefits	80,880	13,964	32,765	127,609
Equipment rent	2,155	-	-	2,155
Gear for warriors	484,058	-	-	484,058
Insurance	28,776	4,650	340	33,766
Interest expense	13,913	23,588	-	37,501
Occupancy	145,036	10,197	2,528	157,761
Office expense	8,197	3,763	15,200	27,160
Outreach	33,063	32	41,766	74,861
Payroll taxes	55,280	12,105	27,624	95,009
Postage	7,651	853	2,166	10,670
Printing	3,915	88	10,587	14,590
Professional fees	8,729	18,732	312	27,773
Salaries and wages	752,486	136,368	385,482	1,274,336
Special events and development	-	-	218,678	218,678
Technology	29,677	6,385	34,017	70,079
Training	7,315	4,192	14,777	26,284
Travel	261,849	107	909	262,865
	<u><u>\$ 2,918,170</u></u>	<u><u>\$ 280,879</u></u>	<u><u>\$ 894,580</u></u>	<u><u>\$ 4,093,629</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, 2021

	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Accommodations	\$ 107,063	\$ -	\$ -	\$ 107,063
Advertising and marketing	2,852	83	22,093	25,028
Bank and credit card fees	115	3,081	27,277	30,473
Board expenses	92	6,121	1,530	7,743
Contracted services	370,791	-	13,369	384,160
Depreciation	227,188	33,075	-	260,263
Employee benefits	50,922	12,432	17,602	80,956
Equipment rental	2,670	-	-	2,670
Gear for warriors	373,493	-	-	373,493
Insurance	25,932	3,433	345	29,710
Interest expense	21,413	36,303	-	57,716
Occupancy	164,151	11,027	2,257	177,435
Office expense	4,138	3,794	14,062	21,994
Outreach	2,651	76	19,920	22,647
Payroll taxes	40,301	9,724	13,859	63,884
Postage	657	249	1,577	2,483
Printing	656	173	5,344	6,173
Professional fees	7,351	20,460	-	27,811
Salaries and wages	526,925	124,186	205,945	857,056
Special events and development	-	-	193,983	193,983
Technology	22,760	10,275	12,740	45,775
Training	5,514	3,270	5,341	14,125
Travel	124,787	-	459	125,246
	<u><u>\$ 2,082,422</u></u>	<u><u>\$ 277,762</u></u>	<u><u>\$ 557,703</u></u>	<u><u>\$ 2,917,887</u></u>

See the accompanying notes to financial statements.

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

	Years ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from donors, net of amounts restricted for long-term purposes \$	2,056,368	\$ 1,856,973
Receipts from special events	746,930	628,079
Other cash receipts	60,273	49,700
Payments for salaries and related costs	(1,482,243)	(991,828)
Payments to vendors	<u>(1,866,521)</u>	<u>(1,392,369)</u>
Net cash provided (used) by operating activities	<u>(485,193)</u>	<u>150,555</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property and equipment	(157,751)	(108,439)
Net sales (purchases) of investments	<u>143,160</u>	<u>(604,245)</u>
Net cash used by investing activities	<u>(14,591)</u>	<u>(712,684)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Endowment contributions restricted for long-term investment	132,954	174,843
Payments on note payable	<u>(50,538)</u>	<u>(38,503)</u>
Net cash provided by financing activities	<u>82,416</u>	<u>136,340</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(417,368)	(425,789)
Cash and cash equivalents at beginning of year	<u>995,259</u>	<u>1,421,048</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 577,891</u></u>	<u><u>\$ 995,259</u></u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Refinance of note payable	<u>\$ -</u>	<u>\$ 1,014,814</u>
Debt issuance costs financed through note payable	<u>\$ -</u>	<u>\$ 5,519</u>
Donated property and equipment	<u>\$ -</u>	<u>\$ 9,955</u>
Donated inventory	<u>\$ -</u>	<u>\$ 5,355</u>
CASH PAID FOR INTEREST	<u><u>\$ 37,133</u></u>	<u><u>\$ 57,350</u></u>

See the accompanying notes to financial statements.

WARRIORS & QUIET WATERS FOUNDATION, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations:

Warriors & Quiet Waters Foundation, Inc. (the Organization) is a non-profit Veteran Services Organization based in Bozeman, Montana that exists to guide post-9/11 combat Veterans and their loved ones to thrive and live a purposeful, resilient life. We help post-9/11 combat Veterans and their loved ones find peace, meaning, and purpose through fly-fishing and other inspirational activities in nature.

The Organization is a community of post-9/11 combat Veterans and their loved ones serving post-9/11 combat Veterans and their loved ones. We believe that every Veteran has the potential to find peace, meaning, and purpose in their civilian life. Founded by a combat Veteran, 75% of our senior staff leadership, over 40% of our Board of Directors, and 100% of our Alumni Advisory Council are combat Veterans and military family members.

We equip Veterans and their loved ones to thrive by immersing them in peak experiences in nature that enable the psychological, emotional, and social conditions necessary for personal growth. With those conditions established, we guide our participants through a rigorous, evidence-based program that enables them to make meaning of their service, rediscover their identity and potential as Veterans, and chart a path of purpose, continuous growth, and resilience.

Our programs are meticulously evaluated by the Institute for Veterans and Military Families (IVMF) at Syracuse University and have shown statistically significant improvements in psychological well-being, sleep, problem solving ability, belonging, and a sense of purpose. We are committed to empowering Veterans and their loved ones to thrive beyond their military service.

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.

WARRIORS & QUIET WATERS FOUNDATION, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs:

Advertising costs are expensed as incurred.

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, 7.5% and 3.25% for the years ended December 31, 2022 and 2021, 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, 2022 and 2021.

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 14).

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, 2022 and 2021

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, 2022 and 2021

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.

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, 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, 2022 and 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Guidance:

Effective January 1, 2022, the Organization adopted Accounting Standards Update (ASU) 2020-07, *Not-for-Profit* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, that impacts the accounting for revenue and support. The new guidance requires the Organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets, and disclose the amount of contributed nonfinancial assets recognized by category. The additional disclosure requires the Organization to disclose the following for each category: qualitative information; the Organization's policy (if any) about monetizing rather than utilizing the contributed nonfinancial asset; description of donor-imposed restrictions; description of valuation techniques and inputs used to arrive at fair value; and the principal market used to arrive at fair value measure if it is in a market in which the recipient not-for-profit is prohibited by donor-imposed restriction from selling or using the contributed nonfinancial assets. Adoption of this standard did not have a significant impact on the financial statements. See Note 14.

Effective January 1, 2022, the Organization adopted FASB ASC 842, *Leases*, which modifies lease accounting for lessees to increase transparency and comparability by recording lease assets and lease liabilities for operating leases and disclosing key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to record an ROU asset and lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. Leases with a term of less than 12 months will not record a right-of-use asset and lease liability and the payments will be recognized into the statement of activities over the lease term.

2. CASH AND CASH EQUIVALENTS

At December 31, 2022 and 2021, the Organization's cash and cash equivalents balances were as follows:

	<u>2022</u>	<u>2021</u>
Checking accounts	\$ 577,786	\$ 894,127
Money market accounts	-	101,067
Petty cash on hand	<u>105</u>	<u>65</u>
	<u><u>\$ 577,891</u></u>	<u><u>\$ 995,259</u></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, 2022 and 2021, funds exceeded federally insured limits by \$226,245 and \$534,747, respectively.

WARRIORS & QUIET WATERS FOUNDATION, INC. AND SUBSIDIARY
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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 statement of financial position date, comprise the following:

	<u>2022</u>	<u>2021</u>
Financial assets		
Cash and cash equivalents	\$ 577,891	\$ 995,259
Accounts receivable	7,635	2,179
Pledges receivable	373,365	250,392
Investments	<u>13,456,221</u>	<u>15,838,203</u>
	<u>14,415,112</u>	<u>17,086,033</u>
Unavailable for general expenditure in one year		
Pledges due in more than one year	(145,000)	(113,500)
Pledges for endowment funds	(2,769)	(2,769)
Investments held to fund deferred gift annuities	(116,739)	(109,934)
Board-designated endowment funds	(1,933,171)	(2,288,571)
Endowment investments to be held in perpetuity	<u>(7,560,270)</u>	<u>(7,427,315)</u>
	<u>(9,757,949)</u>	<u>(9,942,089)</u>
Total financial resources available for general expenditure	<u>\$ 4,657,163</u>	<u>\$ 7,143,944</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 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.

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4. PLEDGES RECEIVABLE

Pledges receivable as of December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Amounts due in:		
Less than one year	\$ 251,270	\$ 144,180
One to five years	<u>145,000</u>	<u>113,590</u>
	396,270	257,770
Less: discount to present value	<u>(22,905)</u>	<u>(7,378)</u>
Pledges receivable, net of discount	373,365	250,392
Less: current portion	<u>(251,270)</u>	<u>(144,180)</u>
Pledges receivable, net of discount and current portion	<u>\$ 122,095</u>	<u>\$ 106,212</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).

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.

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5. FAIR VALUE MEASUREMENTS (Continued)

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.

The follow tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Marketable securities - Level 1	\$ 13,290,753	\$ 15,642,312
Net present value of pledges receivable - Level 3	\$ 373,365	\$ 250,392
Money market funds - net asset value	\$ 83,355	\$ -

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>2022</u>	<u>2021</u>
Pledges receivable, beginning of year	\$ 250,392	\$ 393,840
Additional pledges	415,000	-
Payments received	(276,500)	(171,623)
Change in discount	<u>(15,527)</u>	<u>28,175</u>
Pledges receivable, end of year	<u><u>\$ 373,365</u></u>	<u><u>\$ 250,392</u></u>

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6. INVESTMENTS

Investments are comprised of the following as of December 31, 2022:

	Cost	Fair Value	Gross Unrealized Gains (Losses)
Bank insured deposits	\$ 82,113	\$ 82,113	\$ -
Money market funds	83,355	83,355	-
Mutual funds			
Bond funds	2,734,226	2,426,533	(307,693)
International bond funds	2,476,904	2,108,458	(368,446)
Large blend	1,488,304	2,039,452	551,148
International large blend	1,122,190	985,448	(136,742)
Large growth	590,955	582,311	(8,644)
International large growth	760,116	584,135	(175,981)
Large value	1,612,884	1,678,704	65,820
Loan funds	615,049	571,444	(43,605)
Mid-cap blend	274,325	322,678	48,353
Mid-cap growth	175,772	149,756	(26,016)
International mid-cap value	358,099	313,025	(45,074)
Mid-cap value	352,537	297,003	(55,534)
Small blend	381,403	430,803	49,400
Health care ETF	412,955	449,715	36,760
Real estate ETF	418,639	351,288	(67,351)
	<u>\$ 13,939,826</u>	<u>\$ 13,456,221</u>	<u>\$ (483,605)</u>

Investments are comprised of the following as of December 31, 2021:

	Cost	Fair Value	Gross Unrealized Gains (Losses)
Bank insured deposits	\$ 195,891	\$ 195,891	\$ -
Mutual funds			
Bond funds	3,381,680	3,343,881	(37,799)
International bond funds	2,307,607	2,253,289	(54,318)
Large blend	1,337,474	2,376,337	1,038,863
International large blend	1,132,828	1,198,420	65,592
Large growth	604,202	748,270	144,068
International large growth	897,539	886,170	(11,369)
Large value	1,628,508	2,071,057	442,549
Loan funds	158,005	157,845	(160)
Mid-cap blend	268,027	390,746	122,719
Mid-cap growth	157,034	172,621	15,587
International mid-cap value	314,175	393,054	78,879
Mid-cap value	295,416	288,886	(6,530)
Small blend	373,551	512,551	139,000
Health care ETF	280,460	387,317	106,857
Real estate ETF	392,210	461,868	69,658
	<u>\$ 13,724,607</u>	<u>\$ 15,838,203</u>	<u>\$ 2,113,596</u>

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7. BOARD DESIGNATED NET ASSETS

Net assets the Board of Directors have designated to be held for unbudgeted program or operations expenses for both years ended December 31, 2022 and 2021 was \$1,340,000.

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, 2022 and 2021 was \$1,933,171 and \$2,288,571, respectively (see Note 9).

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted by the donor as of December 31, 2022 and 2021 for the following purposes:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specific purpose:		
Montana warriors engagement	\$ 25,000	\$ -
Alumni engagement	67,504	-
Memorial garden	52,291	74,839
Pledges receivable restricted to a specific purpose	<u>273,500</u>	<u>135,000</u>
	<u>418,295</u>	<u>209,839</u>
Subject to the passage of time:		
Pledges receivable with no donor restrictions	<u>97,095</u>	<u>112,623</u>
	<u>97,095</u>	<u>112,623</u>
Endowments:		
Endowment fund earnings subject to spending policy	1,539,041	3,458,806
Pledges receivable with donor restrictions		
for endowments	2,769	2,769
Investments held in perpetuity, donor-restricted		
endowments	<u>7,560,270</u>	<u>7,427,315</u>
	<u>9,102,080</u>	<u>10,888,890</u>
	<u>\$ 9,617,470</u>	<u>\$ 11,211,352</u>

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December 31, 2022 and 2021

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 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, 2022 and 2021, the endowment had no deficiency.

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9. ENDOWMENTS (Continued)

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.

The composition of endowment net assets by fund as of December 31, 2022 and 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2022			
Board-designated endowment funds	\$ 1,933,171	\$ -	\$ 1,933,171
Donor-restricted endowment funds			
Original donor-restricted gifts required to be maintained in perpetuity by donor	-	7,560,270	7,560,270
Accumulated investment gains	-	1,539,041	1,539,041
	<u>\$ 1,933,171</u>	<u>\$ 9,099,311</u>	<u>\$ 11,032,482</u>
	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2021			
Board-designated endowment funds	\$ 2,288,571	\$ -	\$ 2,288,571
Donor-restricted endowment funds			
Original donor-restricted gifts required to be maintained in perpetuity by donor	-	7,427,315	7,427,315
Accumulated investment gains	-	3,458,806	3,458,806
	<u>\$ 2,288,571</u>	<u>\$ 10,886,121</u>	<u>\$ 13,174,692</u>

WARRIORS & QUIET WATERS FOUNDATION, INC. AND SUBSIDIARY
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9. ENDOWMENTS (Continued)

Changes in net asset composition by type of funds for the years ended December 31, 2022 and 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, December 31, 2020	\$ 1,466,440	\$ 9,710,716	\$ 11,177,156
Investment return, net	222,131	1,155,758	1,377,889
Distributions per spending policy	-	(155,196)	(155,196)
Additional Board designations	600,000	-	600,000
Cash contributions	<u>-</u>	<u>174,843</u>	<u>174,843</u>
Endowment net assets, December 31, 2021	2,288,571	10,886,121	13,174,692
Investment return, net	(318,065)	(1,600,889)	(1,918,954)
Distributions per spending policy	(37,335)	(318,875)	(356,210)
Cash contributions	<u>-</u>	<u>132,954</u>	<u>132,954</u>
Endowment net assets, December 31, 2022	<u>\$ 1,933,171</u>	<u>\$ 9,099,311</u>	<u>\$ 11,032,482</u>

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, 2022 and 2021 are as follows:

	2022	2021
Gift annuity obligations, beginning of year	\$ 109,934	\$ 87,977
Increase in liabilities for gift annuities issued	10,626	17,548
Relinquishment of previously issued gift annuities	(9,236)	-
Actuarial changes in liabilities	<u>5,415</u>	<u>4,409</u>
Gift annuity obligations, end of year	<u>\$ 116,739</u>	<u>\$ 109,934</u>

11. LINE OF CREDIT

In February 2021, the Organization obtained a revolving line of credit from American Bank with borrowings limited to \$1,000,000 and maturing March 2023. The line bears interest at 3.98%, and is secured by the Organization's ranch property. The line was extended in March 2023 through March 2024 with an interest rate of 7.75%.

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12. NOTE PAYABLE

	<u>2022</u>	<u>2021</u>
Note payable to First Montana Bank; dated July 2021; due July 2046; requires monthly payments of \$5,276, including interest of 3.75%, interest rate adjusting after 7 years to 0.50% above Prime rate; all remaining principal and interest due at maturity; secured by property.	\$ 949,353	\$ 999,891
Less: current portion	(26,333)	(25,352)
Less: unamortized debt issuance costs	<u>(5,059)</u>	<u>(5,427)</u>
Long-term portion, net of unamortized debt issuance costs	<u>\$ 917,961</u>	<u>\$ 969,112</u>
Note payable matures as follows:		
2023	\$ 26,333	
2024	27,249	
2025	28,407	
2026	29,506	
2027	31,743	
Thereafter	<u>806,115</u>	
		<u>\$ 949,353</u>

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.

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14. IN-KIND SUPPORT

The following in-kind support was recognized in the Statement of Functional Expenses for the year ended December 31, 2022:

	Program	Administration	Fundraising	Total
Accommodations	\$ 10,825	\$ -	\$ -	\$ 10,825
Advertising	5,461	-	7,755	13,216
Bank and credit card fees	-	-	250	250
Contracted services	65,586	-	1,783	67,369
Gear for warriors	206,756	-	-	206,756
Occupancy	2,956	-	-	2,956
Outreach	1,193	-	10,662	11,855
Professional fees	150	1,800	-	1,950
Special events and development	-	-	50,078	50,078
Training	455	1,249	2,506	4,210
	<u>\$ 293,382</u>	<u>\$ 3,049</u>	<u>\$ 73,034</u>	<u>\$ 369,465</u>

The following in-kind support was recognized in the Statement of Functional Expenses for the year ended December 31, 2021:

	Program	Administration	Fundraising	Total
Accommodations	\$ 19,654	\$ -	\$ -	\$ 19,654
Advertising	-	-	2,237	2,237
Contracted services	60,736	-	4,624	65,360
Gear for warriors	81,415	-	-	81,415
Occupancy	11,605	-	-	11,605
Professional fees	-	1,600	-	1,600
Special events and development	-	-	49,416	49,416
	<u>\$ 173,410</u>	<u>\$ 1,600</u>	<u>\$ 56,277</u>	<u>\$ 231,287</u>

For the years ended December 31, 2022 and 2021, the Organization recognized in-kind contributions for donated inventory, land, building, equipment and improvements of \$101,751 and \$15,310, respectively.

In general, in-kind contributions are reported at estimated fair value based on the retail prices to purchase similar items or comparable rates to obtain similar services.

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15. 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 the years ended December 31, 2022 and 2021 amounted to \$61,200 and \$56,400, respectively. In June 2023, one of the leases was extended through June 30, 2024, requiring base payments of \$3,133. The other lease was extended for three years through June 30, 2026, requiring base payments of \$3,133. Future remaining rental payments for the years ending December 31 are:

2023	\$	68,196
2024		56,394
2025		37,596
2026		<u>18,798</u>
		<u>\$ 180,984</u>

In addition, the Organization leased 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 was ended and housing is now provided for the benefit of the Organization. The lease required monthly payments of \$1,600. The total received under this agreement for the years ended December 31, 2022 and 2021 was \$0 and \$18,400, respectively.

16. RETIREMENT PLAN

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, 2022 and 2021 were \$33,694 and \$22,217, respectively.

17. 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 had 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.

18. RECLASSIFICATION OF NET ASSETS

Prior year net assets that were classified as with donor restrictions in the amount of \$109,934 were reclassified to net assets without donor restrictions. The previously reported net assets with donor restrictions were \$11,321,286 as of December 31, 2021, and as restated are \$11,211,352. The previously reported net assets without donor restrictions were \$11,106,818 as of December 31, 2021, and as restated are \$11,216,752.

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19. SUBSEQUENT EVENTS

In May 2023, the Organization purchased property near Three Forks, Montana for \$1,500,000. The purchase was made through a cash payment of \$750,000 and seller-financing of \$750,000, zero percent interest with full payment due within one year of purchase date.

Date of Management Evaluation

Management has evaluated subsequent events through July 27, 2023, the date on which the financial statements were available to be issued.