

Challenged Athletes, Inc. d.b.a. Challenged Athletes Foundation

Financial Statements

Years Ended March 31, 2018 and 2017



CHALLENGED ATHLETES, INC. D.B.A. CHALLENGED ATHLETES FOUNDATION

Financial Statements

Years Ended March 31, 2018 and 2017, As Restated

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INDEPENDENT AUDITORS' REPORT

To the Audit Committee
Challenged Athletes, Inc. d.b.a. Challenged Athletes Foundation

We have audited the accompanying financial statements of Challenged Athletes, Inc. d.b.a. Challenged Athletes Foundation (a nonprofit organization), which comprise the statements of financial position as of March 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Challenged Athletes, Inc. d.b.a. Challenged Athletes Foundation as of March 31, 2018 and 2017, and the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Adjustment

As discussed in Note 10 to the financial statements, certain misstatements resulting in the understatement of amounts previously reported for permanently restricted net assets and an overstatement of unrestricted net assets for the year ended March 31, 2017 were identified in the current year. Accordingly, amounts reported as net assets have been restated in the 2017 financial statements now presented. Our opinion is not modified with respect to the matter.

Aldrich CPAs + Advisors LLP

San Diego, California
June 15, 2018

CHALLENGED ATHLETES, INC. D.B.A CHALLENGED ATHLETES FOUNDATION
Statements of Financial Position
 March 31, 2018 and 2017, As Restated

	2018	2017 (As Restated)
ASSETS		
Current Assets:		
Cash	\$ 3,997,495	\$ 4,294,361
Accounts receivable, net	134,550	130,150
Prepaid expenses	185,670	229,054
Total Current Assets	4,317,715	4,653,565
Non-Current Assets:		
Property and equipment, net of accumulated depreciation	172,002	289,189
Beneficial interest in assets - Jewish Community Foundation	6,805,709	2,652,542
Total Assets	\$ 11,295,426	\$ 7,595,296
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 50,348	\$ 158,952
Deferred revenue	792,005	718,080
Accrued expenses	326,849	104,611
Grants payable	1,821,109	2,302,418
Total Current Liabilities	2,990,311	3,284,061
Net Assets:		
Unrestricted:		
Board designated	3,060,547	-
Undesignated	707,632	824,624
Temporarily restricted	791,774	834,069
Permanently restricted	3,745,162	2,652,542
Total Net Assets	8,305,115	4,311,235
Total Liabilities and Net Assets	\$ 11,295,426	\$ 7,595,296

CHALLENGED ATHLETES, INC. D.B.A CHALLENGED ATHLETES FOUNDATION**Statement of Activities**

Year Ended March 31, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating Revenue and Support:				
Special events	\$ 4,445,852	\$ -	\$ -	\$ 4,445,852
Less direct expenses	(2,259,722)	-	-	(2,259,722)
Contributions and other income	3,907,563	741,573	900,349	5,549,485
In-kind contributions	151,017	1,666,383	-	1,817,400
Grants	391,667	37,500	-	429,167
Net assets released from restrictions, satisfaction of program and time restrictions	<u>2,487,751</u>	<u>(2,487,751)</u>	<u>-</u>	<u>-</u>
Total Operating Revenue and Support	9,124,128	(42,295)	900,349	9,982,182
Operating Expenses:				
Program services:				
Access for Athletes	4,009,038	-	-	4,009,038
San Diego Triathlon Challenge	1,582,977	-	-	1,582,977
Operation Rebound	758,975	-	-	758,975
Community Outreach	603,377	-	-	603,377
Catch a Rising Star	361,128	-	-	361,128
Adaptive Cycling	140,731	-	-	140,731
Supporting services:				
Management and general	253,982	-	-	253,982
Fundraising:				
General	963,684	-	-	963,684
Special events	<u>545,562</u>	<u>-</u>	<u>-</u>	<u>545,562</u>
Total Operating Expenses	<u>9,219,454</u>	<u>-</u>	<u>-</u>	<u>9,219,454</u>
Change in Operations	(95,326)	(42,295)	900,349	762,728
Non-Operating Revenues (Expenses):				
Change in value of beneficial interest in assets - Jewish Community Foundation	(22,215)	-	310,266	288,051
Net assets released from the beneficial interest in assets - Jewish Community Foundation	117,995	-	(117,995)	-
Interest income	39,453	-	-	39,453
Transfer to San Diego Foundation	(179,014)	-	-	(179,014)
Transfer from Jewish Community Foundation	<u>3,082,662</u>	<u>-</u>	<u>-</u>	<u>3,082,662</u>
Total Non-Operating Income	<u>3,038,881</u>	<u>-</u>	<u>192,271</u>	<u>3,231,152</u>
Change in Net Assets	2,943,555	(42,295)	1,092,620	3,993,880
Net Assets, beginning	<u>824,624</u>	<u>834,069</u>	<u>2,652,542</u>	<u>4,311,235</u>
Net Assets, ending	<u>\$ 3,768,179</u>	<u>\$ 791,774</u>	<u>\$ 3,745,162</u>	<u>\$ 8,305,115</u>

See accompanying notes to financial statements.

CHALLENGED ATHLETES, INC. D.B.A CHALLENGED ATHLETES FOUNDATION**Statement of Activities**

Year Ended March 31, 2017, As Restated

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating Revenue and Support:				
Special events	\$ 4,782,144	\$ -	\$ -	\$ 4,782,144
Less direct expenses	(2,601,033)	-	-	(2,601,033)
Contributions and other income	1,646,350	2,262,711	614,522	4,523,583
In-kind contributions	142,970	1,296,485	-	1,439,455
Grants	432,607	63,100	-	495,707
Net assets released from restrictions, satisfaction of program and time restrictions	<u>3,871,907</u>	<u>(3,871,907)</u>	<u>-</u>	<u>-</u>
Total Operating Revenue and Support	<u>8,274,945</u>	<u>(249,611)</u>	<u>614,522</u>	<u>8,639,856</u>
Operating Expenses:				
Program services:				
Access for Athletes	3,575,239	-	-	3,575,239
San Diego Triathlon Challenge	1,365,016	-	-	1,365,016
Operation Rebound	747,968	-	-	747,968
Catch a Rising Star	474,417	-	-	474,417
Community Outreach	379,696	-	-	379,696
Paratriathlete Training	97,516	-	-	97,516
Supporting services:				
Management and general	279,471	-	-	279,471
Fundraising:				
General	1,026,576	-	-	1,026,576
Special events	<u>822,128</u>	<u>-</u>	<u>-</u>	<u>822,128</u>
Total Operating Expenses	<u>8,768,027</u>	<u>-</u>	<u>-</u>	<u>8,768,027</u>
Change in Operations	<u>(493,082)</u>	<u>(249,611)</u>	<u>614,522</u>	<u>(128,171)</u>
Non-Operating Revenues (Expenses):				
Change in value of beneficial interest in assets - Jewish Communtiy Foundation	-	-	221,595	221,595
Net assets released from the beneficial interest in assets - Jewish Community Foundation	99,496	-	(99,496)	-
Interest income	17,954	-	-	17,954
Transfer to San Diego Foundation	<u>(313,170)</u>	<u>-</u>	<u>-</u>	<u>(313,170)</u>
Total Non-Operating Income	<u>(195,720)</u>	<u>-</u>	<u>122,099</u>	<u>(73,621)</u>
Change in Net Assets	<u>(688,802)</u>	<u>(249,611)</u>	<u>736,621</u>	<u>(201,792)</u>
Net Assets, beginning (as originally stated)	3,427,347	1,083,680	2,000	4,513,027
Prior Period Adjustment	<u>(1,913,921)</u>	<u>-</u>	<u>1,913,921</u>	<u>-</u>
Net Assets, beginning (as restated)	<u>1,513,426</u>	<u>1,083,680</u>	<u>1,915,921</u>	<u>4,513,027</u>
Net Assets, ending	<u>\$ 824,624</u>	<u>\$ 834,069</u>	<u>\$ 2,652,542</u>	<u>\$ 4,311,235</u>

See accompanying notes to financial statements.

CHALLENGED ATHLETES, INC. D.B.A CHALLENGED ATHLETES FOUNDATION

Statement of Functional Expenses

Year Ended March 31, 2018

	Program Services						Supporting Services			Total
	Access for Athletes	San Diego	Operation Rebound	Community Outreach	Catch A Rising Star	Adaptive Cycling	Management and General	Fundraising		
		Triathlon Challenge						General	Special Events	
Salaries	\$ 225,229	\$ 303,882	\$ 127,145	\$ 192,965	\$ 108,427	\$ 41,005	\$ 163,191	\$ 482,452	\$ 285,357	\$ 1,929,653
Employee benefits	20,268	27,345	11,441	17,364	9,757	3,690	14,685	43,414	25,678	173,642
Payroll taxes	18,397	24,821	10,385	15,762	8,856	3,349	13,330	39,407	23,308	157,615
Total Salaries and Related Expenses	263,894	356,048	148,971	226,091	127,040	48,044	191,206	565,273	334,343	2,260,910
Grants	2,391,068	74,105	509,990	81,815	31,940	-	-	-	-	3,088,918
In-kind benefits	1,111,974	515,609	20,103	-	25,967	-	25,044	14,350	-	1,713,047
Other administration	130,866	139,332	52,249	87,082	43,586	52,249	36,129	157,459	184,355	883,307
Direct event	-	367,641	4,282	-	6	67	-	-	-	371,996
Travel	2,199	20,178	4,284	30,369	25,667	922	345	34,452	-	118,416
Program	59,324	11,102	3,867	137,681	87,841	25,613	-	-	-	325,428
Marketing and promotion	42,894	71,346	10,616	36,124	16,985	9,191	-	40,512	26,864	254,532
Business and donor development	-	24	-	-	-	-	-	118,885	-	118,909
Merchant service fees	6,819	27,592	4,613	4,215	2,096	4,645	1,258	32,753	-	83,991
Total Operating Expenses	4,009,038	1,582,977	758,975	603,377	361,128	140,731	253,982	963,684	545,562	9,219,454
Direct special events	-	-	-	-	-	-	-	-	2,259,722	2,259,722
Transfer to San Diego Foundation	-	-	-	-	-	-	179,014	-	-	179,014
Total Expenses	\$ 4,009,038	\$ 1,582,977	\$ 758,975	\$ 603,377	\$ 361,128	\$ 140,731	\$ 432,996	\$ 963,684	\$ 2,805,284	\$ 11,658,190

See accompanying notes to financial statements.

CHALLENGED ATHLETES, INC. D.B.A CHALLENGED ATHLETES FOUNDATION

Statement of Functional Expenses

Year Ended March 31, 2017, As Restated

	Program Services						Supporting Services			
	Access for Athletes	San Diego	Operation Rebound	Catch A Rising Star	Community Outreach	Paratriathlete Training	Management and General	Fundraising		Total
		Triathlon Challenge						General	Special Events	
Salaries	\$ 203,626	\$ 176,105	\$ 121,758	\$ 107,823	\$ 121,932	\$ -	\$ 152,067	\$ 466,825	\$ 391,750	\$ 1,741,886
Employee benefits	18,463	15,967	11,040	9,776	11,056	-	13,788	42,327	35,520	157,937
Payroll taxes	16,597	14,353	9,924	8,788	9,938	-	12,394	38,049	31,930	141,973
Total Salaries and Related Expenses	238,686	206,425	142,722	126,387	142,926	-	178,249	547,201	459,200	2,041,796
Grants	2,275,470	4,436	481,618	25,000	15,000	-	-	-	-	2,801,524
In-kind benefits	812,436	465,291	20,654	-	-	-	2,763	-	-	1,301,144
Other administration	156,547	137,925	52,573	76,467	54,625	649	44,456	196,742	275,519	995,503
Direct event	-	413,676	-	-	189	-	-	-	-	413,865
Travel	6,032	40,345	15,945	73,998	25,901	46,106	51,629	104,689	9,666	374,311
Program	31,951	-	14,293	140,358	124,364	48,684	-	695	-	360,345
Marketing and promotion	42,216	64,281	13,905	25,859	12,641	-	-	61,783	77,743	298,428
Business and donor development	-	-	389	-	94	-	-	72,498	-	72,981
Merchant service fees	11,901	32,637	5,869	6,348	3,956	2,077	2,374	42,968	-	108,130
Total Operating Expenses	3,575,239	1,365,016	747,968	474,417	379,696	97,516	279,471	1,026,576	822,128	8,768,027
Direct special events	-	-	-	-	-	-	-	-	2,601,033	2,601,033
Transfer to San Diego Foundation	-	-	-	-	-	-	313,170	-	-	313,170
Total Expenses	\$ 3,575,239	\$ 1,365,016	\$ 747,968	\$ 474,417	\$ 379,696	\$ 97,516	\$ 592,641	\$ 1,026,576	\$ 3,423,161	\$ 11,682,230

See accompanying notes to financial statements.

CHALLENGED ATHLETES, INC. D.B.A CHALLENGED ATHLETES FOUNDATION**Statements of Cash Flows**

Years Ended March 31, 2018 and 2017, As Restated

	2018	2017 (As Restated)
Cash Flows from Operating Activities:		
Change in net assets	\$ 3,993,880	\$ (201,792)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	119,718	104,879
Distributions from beneficial interest in assets - Jewish Community Foundation included in accounts receivable	-	99,496
Change in value of beneficial interest in assets, Jewish Community Foundation	(288,051)	(221,595)
Contributions permanently restricted	(900,349)	(614,522)
Changes in operating assets and liabilities:		
Accounts receivable, net	(4,400)	344,739
Prepaid expenses	43,384	135,432
Inventory	-	106,334
Other assets	-	5,000
Accounts payable	(108,604)	58,932
Deferred revenue	73,925	36,578
Accrued expenses	222,238	25,766
Grants payable	(481,309)	1,255,580
Net Cash Provided by Operating Activities	2,670,432	1,134,827
Cash Flows from Investing Activities:		
Proceeds from note receivable	-	200,000
Purchases of property and equipment	(2,531)	(60,882)
Distributions from beneficial interest in assets - Jewish Community Foundation	117,995	-
Purchases of beneficial interest in assets - Jewish Community Foundation	(3,983,111)	(614,522)
Net Cash Used by Investing Activities	(3,867,647)	(475,404)
Cash Flows Provided by Financing Activities:		
Contributions permanently restricted	900,349	614,522
Net Increase (Decrease) in Cash	(296,866)	1,273,945
Cash, beginning	4,294,361	3,020,416
Cash, ending	\$ 3,997,495	\$ 4,294,361

See accompanying notes to the financial statements.

CHALLENGED ATHLETES, INC. D.B.A CHALLENGED ATHLETES FOUNDATION

Notes to Financial Statements

Years Ended March 31, 2018 and 2017, As Restated

Note 1 – Organization and Summary of Significant Accounting Policies

Nature of Activities

Challenged Athletes, Inc. d.b.a. Challenged Athletes Foundation (Foundation) is a nonprofit organization incorporated on February 1, 1997 under the laws of the state of California. It is the mission of the Foundation to provide opportunities and support to people with physical disabilities so they can pursue active lifestyles through physical fitness and competitive athletics. It is the Foundation's belief that involvement in sports at any level will increase self-esteem, encourage independence and enhance quality of life. Funds for the Foundation's operations are raised primarily through contributions from private donors, sponsors, and special events.

Financial Statement Presentation

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets:
 - Board Designated: Funds designated by the Board of Directors to create an endowment. Distributions from the endowment will be used for future grants and program expenditures.
 - Undesignated: Represent expendable funds available for operations, which are not otherwise limited by donor restrictions.
- Temporarily restricted net assets consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Foundation may spend the funds.
- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

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.

Fair Value Measurements

Accounting standards provide the 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 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The carrying value of cash, receivables, and payables approximates fair values as of March 31, 2018 and 2017, due to the relative short maturities of these instruments.

CHALLENGED ATHLETES, INC. D.B.A CHALLENGED ATHLETES FOUNDATION

Notes to Financial Statements

Years Ended March 31, 2018 and 2017, As Restated

Note 1 – Organization and Summary of Significant Accounting Policies, continued

Accounts Receivable

Accounts receivable arise in the normal course of business. It is the policy of management to review the outstanding accounts receivable at year end, as well as the bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts. At March 31, 2018, management had determined that accounts receivable were fully collectible; therefore no allowance for doubtful accounts was considered necessary. At March 31, 2017, the allowance for doubtful accounts was \$4,500.

Property and Equipment

Acquisitions of property and equipment of \$2,000 or more are capitalized and recorded at cost. Donated property and equipment are recorded at fair value at the date of the gift. Depreciation is computed using the straight-line method over the estimated useful life of the assets, ranging from three to ten years.

Beneficial Interest in Assets at Jewish Community Foundation

The Foundation has transferred assets to the Jewish Community Foundation of San Diego (JCF) which is holding them as endowed agency funds (Funds) for the benefit of the Foundation as a named beneficiary. The Foundation has granted JCF variance power which gives JCF's Board of Directors the power to use the Funds for other purposes in certain circumstances. The Foundation reports the fair value of the beneficial interest in assets held at JCF in the statement of financial position. Changes in the value of the Funds are reported as non-operating items in the statement of activities.

Deferred Revenue

Entry fees received in advance of related events are recorded as deferred revenue.

Grants Payable

Grants authorized by the Foundation's Board of Directors but not yet paid are reported as liabilities to be paid in future years.

Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Donated Materials

The Foundation receives donated materials from various individuals and organizations. In-kind contributions of these materials that do not meet the criteria for capitalization are recorded at estimated fair market value as support and expense in the period in which the materials are contributed.

Many individuals volunteer their time and perform a variety of tasks that assist the Foundation with various programs. The services do not meet the criteria for recognition as a contribution, and are not reflected in the financial statements. The fair market value of contributed professional services is reported as support and expense in the period in which the services are performed.

Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Foundation, however, may be subject to tax on income which is not related to its exempt purpose. For the years ended March 31, 2018 and 2017, no such unrelated business taxable income was reported and, therefore, no provision for income taxes has been made. The Foundation is not a private foundation.

CHALLENGED ATHLETES, INC. D.B.A CHALLENGED ATHLETES FOUNDATION

Notes to Financial Statements

Years Ended March 31, 2018 and 2017, As Restated

Note 1 – Organization and Summary of Significant Accounting Policies, continued

Accounting for Uncertain Tax Positions

The Foundation follows the provisions of uncertain tax positions as addressed in Financial Accounting Standards Board Accounting Standards Codification. The Foundation recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. There are no amounts accrued in the financial statements related to uncertain tax positions for the years ended March 31, 2018 and 2017. The Foundation files informational and income tax returns in the United States and various state and local jurisdictions.

Subsequent Events

The Foundation has evaluated subsequent events through June 15, 2018, which is the date the financial statements were available to be issued.

Note 2 – Concentration of Credit Risk

The Foundation maintains its cash in bank deposit accounts that are either insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per depositor or certain non-interest bearing accounts that are fully insured by the FDIC. At March 31, 2018, the Foundation's uninsured cash balance was \$3,938,008.

Note 3 – Property and Equipment

Property and equipment consist of the following:

	2018		2017
Equipment and furniture	\$ 360,230	\$	362,124
Leasehold improvements	41,387		41,387
Vehicles	-		31,014
	401,617		434,525
Less accumulated depreciation	(229,615)		(145,336)
	\$ 172,002	\$	289,189

Note 4 – Beneficial Interest in Assets, Jewish Community Foundation

Beneficial interest in assets – The interest in assets held by JCF has been valued, as a practical expedient, at the fair value of the Foundation's share of JCF's investment pool as of the measurement date using Net Asset Value (NAV) per share. Beneficial interests valued using the practical expedient are categorized within the fair value hierarchy on the basis of whether the investment is redeemable with the investee at net asset value on the measurement date (level 2), or never redeemable with the investee at net asset value (level 3). JCF values securities and other financial instruments on a fair value basis of accounting. JCF invests in a variety of domestic stocks, international stocks, mutual funds, bonds, real assets and other multi-strategy securities. The estimated fair values of certain investments of JCF, which includes private placements and other securities for which prices are not readily available, are determined by the management of JCF and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the JCF 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.

CHALLENGED ATHLETES, INC. D.B.A CHALLENGED ATHLETES FOUNDATION**Notes to Financial Statements**

Years Ended March 31, 2018 and 2017, As Restated

Note 4 – Beneficial Interest in Assets, Jewish Community Foundation, continued

One of the beneficial interest in assets was created with the donor intent to establish an endowment and is therefore included in permanently restricted net assets. The second beneficial interest in assets is a board designated endowment and is therefore included in unrestricted net assets.

The following is a summary of changes in the fair value of the level 3 beneficial interest in assets as of March 31, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beneficial interests in assets, beginning	\$ -	\$ -	\$ 2,652,542	\$ 2,652,542
Purchases	3,082,762	-	900,349	3,983,111
Distributions	-	-	(117,995)	(117,995)
Investment return:				
Investment income	476	-	143,200	143,676
Investment expenses	(922)	-	(11,437)	(12,359)
Net realized and unrealized gains (losses)	(21,769)	-	178,503	156,734
Total investment gain (loss)	(22,215)	-	310,266	288,051
Beneficial interests in assets, ending	<u>\$ 3,060,547</u>	<u>\$ -</u>	<u>\$ 3,745,162</u>	<u>\$ 6,805,709</u>

The following is a summary of changes in the fair value of the level 3 beneficial interest in assets as of March 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beneficial interests in assets, beginning (restated)	\$ -	\$ -	\$ 1,915,921	\$ 1,915,921
Purchases	-	-	614,522	614,522
Distributions	-	-	(99,496)	(99,496)
Investment return:				
Investment income	-	-	39,491	39,491
Investment expenses	-	-	(8,156)	(8,156)
Net realized and unrealized gains	-	-	190,260	190,260
Total investment gain	-	-	221,595	221,595
Beneficial interests in assets, ending (restated)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,652,542</u>	<u>\$ 2,652,542</u>

Distributions are funds released by JCF from the beneficial interest to the Foundation for grants and programs. The prior year distribution was not received as of March 31, 2017 and is included in accounts receivable on the statement of financial position.

CHALLENGED ATHLETES, INC. D.B.A CHALLENGED ATHLETES FOUNDATION

Notes to Financial Statements

Years Ended March 31, 2018 and 2017, As Restated

Note 5 – Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Operation Rebound	\$ 580,189	\$ 715,503
San Diego Triathlon Challenge	142,163	-
Grants	52,252	118,566
Grants for Cancer Survivors	17,170	-
	<u>\$ 791,774</u>	<u>\$ 834,069</u>

Note 6 – Operating Leases

The Foundation leases office space and equipment under operating lease agreements. The leases expire at various dates through April 2021. Rent expense associated with these leases was \$260,567 and \$265,097 for the years ended March 31, 2018 and 2017, respectively. The Foundation entered into an office space lease in November 2010 with CAF Property, Inc., a related party. Monthly payments of \$20,692 are due each month through October 31, 2020.

Future minimum lease payments under operating leases at March 31, 2018 are as follows:

<u>Year Ending March 31,</u>	
2019	\$ 254,103
2020	254,103
2021	150,644
2022	484
Thereafter	-
	<u>\$ 659,334</u>

Note 7 – Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on time and usage.

Note 8 – Employee Retirement Plan

The Foundation has a 401(k) retirement plan covering all eligible employees after completing one year of service. The plan provides for employer contributions of 3% of employee eligible wages. Retirement plan expense for the years ended March 31, 2018 and 2017 was \$35,709 and \$29,458, respectively.

Note 9 – Funds Held at San Diego Foundation

The Foundation has established agency non-endowment accounts with San Diego Foundation. The Foundation can make recommendations as to the use of funds although San Diego Foundation has final authority over distributions. As such, these are not assets of the Foundation. For the years ended March 31, 2018 and 2017, these funds had a fair market value of approximately \$3,755,331 and \$3,449,107, respectively. No distributions were received for the years ended March 31, 2018 and 2017.

CHALLENGED ATHLETES, INC. D.B.A CHALLENGED ATHLETES FOUNDATION

Notes to Financial Statements

Years Ended March 31, 2018 and 2017, As Restated

Note 10 – Funds Held at Jewish Community Foundation

The Foundation established an agency non-endowment account with Jewish Community Foundation. The Foundation could make recommendations as to the use of funds although Jewish Community Foundation has final authority over distributions. For the year ended March 31, 2017, the fund had a fair market value of approximately \$2,755,699. No distributions were received for the year ended March 31, 2018. On March 31, 2018, the contract was modified, converting the agency non-endowment account to a board designated beneficial interest in assets, Jewish Community Foundation.

Note 11 – Prior Period Adjustment

Due to a change in interpretation based on additional review of accounting standards made during the year, the Foundation reclassified the Robin Williams Endowment Fund in the amount of \$1,915,921 as of March 31, 2016 from unrestricted net assets to permanently restricted net assets. Also, due to the reclassification at March 31, 2016, the 2017 changes in beneficial interest were included in permanently restricted net assets instead of unrestricted net assets. These changes do not have an effect on previously reported total changes in net assets.

Note 12 – Reclassification

Certain items in the 2017 financial statements have been reclassified to conform to current year classifications. Tour de Cove was previously included on the functional expense schedule as Fundraising, Special Events. Tour de Cove is part of the San Diego Triathlon Challenge. Therefore, the expenses were reclassified to be included in the San Diego Triathlon Challenge column of the functional expense schedule. Net reclassifications had no effect on previously reported amounts in net assets.