

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

Financial Statements

Years Ended March 31, 2020 and 2019



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

## Financial Statements

Years Ended March 31, 2020 and 2019

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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, 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.

### 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, 2020 and 2019, 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.

### Emphasis-of-Matter Regarding a Change in Accounting Principle

As disclosed in Note 1 to the financial statements, Challenged Athletes, Inc. d.b.a. Challenged Athletes Foundation adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* and ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. Our opinion is not modified with respect to these matters.

*Aldrich CPAs + Advisors LLP*

San Diego, California  
January 29, 2021

**CHALLENGED ATHLETES, INC. D.B.A. CHALLENGED ATHLETES FOUNDATION****Statements of Financial Position**

March 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 2,997,182	\$ 2,336,051
Promises to give	150,102	110,028
Prepaid expenses and other assets	<u>153,231</u>	<u>365,355</u>
Total Current Assets	3,300,515	2,811,434
Non-Current Assets:		
Cash - restricted for endowments	2,002,060	6,181,623
Property and equipment, net of accumulated depreciation	28,080	53,166
Endowment investments	5,737,097	-
Beneficial interest in assets	<u>5,990,698</u>	<u>6,640,174</u>
Total Non-Current Assets	<u>13,757,935</u>	<u>12,874,963</u>
Total Assets	<u>\$ 17,058,450</u>	<u>\$ 15,686,397</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 179,396	\$ 32,727
Accrued expenses	209,697	259,871
Advanced income received	535,273	391,316
Grants payable	<u>2,154,051</u>	<u>1,651,237</u>
Total Current Liabilities	3,078,417	2,335,151
Net Assets:		
Without donor restrictions	5,374,875	5,521,043
With donor restrictions	<u>8,605,158</u>	<u>7,830,203</u>
Total Net Assets	<u>13,980,033</u>	<u>13,351,246</u>
Total Liabilities and Net Assets	<u>\$ 17,058,450</u>	<u>\$ 15,686,397</u>

See accompanying notes to financial statements.

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

Year Ended March 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support:			
Special events	\$ 5,006,209	\$ -	\$ 5,006,209
Less direct expenses	(2,963,423)	-	(2,963,423)
Contributions and other income	4,226,743	4,213,013	8,439,756
In-kind contributions	320,399	2,328,598	2,648,997
Grants	170,362	122,500	292,862
Net assets released from restrictions, satisfaction of program and time restrictions	5,324,522	(5,324,522)	-
Total Operating Revenue and Support	12,084,812	1,339,589	13,424,401
Operating Expenses:			
Program services:			
Access for Athletes	5,242,105	-	5,242,105
San Diego Triathlon Challenge	1,716,588	-	1,716,588
Idaho	841,776	-	841,776
Operation Rebound	756,972	-	756,972
Community Outreach	730,069	-	730,069
Catch a Rising Star	306,175	-	306,175
High School Sports	283,975	-	283,975
JSF Surf	238,562	-	238,562
Adaptive Cycling	162,181	-	162,181
Supporting services:			
Management and general	469,985	-	469,985
Fundraising:			
General	890,590	-	890,590
Special events	432,497	-	432,497
Total Operating Expenses	12,071,475	-	12,071,475
Operating Income	13,337	1,339,589	1,352,926
Non-Operating Revenues (Expenses):			
Change in value of beneficial interest in assets	(142,593)	(178,359)	(320,952)
Net assets released from beneficial interest in assets	175,594	(175,594)	-
Investment return, net	(270,946)	(210,681)	(481,627)
Interest income	78,440	-	78,440
Total Change in Non-Operating	(159,505)	(564,634)	(724,139)
Increase (Decrease) in Net Assets	(146,168)	774,955	628,787
Net Assets, beginning	5,521,043	7,830,203	13,351,246
Net Assets, ending	\$ 5,374,875	\$ 8,605,158	\$ 13,980,033

See accompanying notes to financial statements.

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

Year Ended March 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support:			
Special events	\$ 5,111,350	\$ -	\$ 5,111,350
Less direct expenses	(2,517,270)	-	(2,517,270)
Contributions and other income	4,166,849	4,341,482	8,508,331
In-kind contributions	227,411	1,886,024	2,113,435
Grants	68,000	225,000	293,000
Net assets released from restrictions, satisfaction of program and time restrictions	3,086,690	(3,086,690)	-
Total Operating Revenue and Support	10,143,030	3,365,816	13,508,846
Operating Expenses:			
Program services:			
Access for Athletes	4,536,472	-	4,536,472
San Diego Triathlon Challenge	1,689,158	-	1,689,158
Operation Rebound	728,263	-	728,263
Community Outreach	622,424	-	622,424
Catch a Rising Star	285,024	-	285,024
JSF Surf	214,259	-	214,259
Adaptive Cycling	140,121	-	140,121
Idaho	8,203	-	8,203
Supporting services:			
Management and general	525,996	-	525,996
Fundraising:			
General	1,041,229	-	1,041,229
Special events	412,329	-	412,329
Total Operating Expenses	10,203,478	-	10,203,478
Operating Income (Loss)	(60,448)	3,365,816	3,305,368
Non-Operating Revenues (Expenses):			
Change in value of beneficial interest in assets	59,081	73,380	132,461
Net assets released from beneficial interest in assets	145,929	(145,929)	-
Interest income	108,302	-	108,302
Transfer from San Diego Foundation	1,500,000	-	1,500,000
Total Change in Non-Operating	1,813,312	(72,549)	1,740,763
Increase in Net Assets	1,752,864	3,293,267	5,046,131
Net Assets, beginning	3,768,179	4,536,936	8,305,115
Net Assets, ending	\$ 5,521,043	\$ 7,830,203	\$ 13,351,246

See accompanying notes to financial statements.

**CHALLENGED ATHLETES, INC. D.B.A. CHALLENGED ATHLETES FOUNDATION**  
**Statement of Functional Expenses**  
Year Ended March 31, 2020

	Program Services										Supporting Services			
											Fundraising			
	Access for Athletes	San Diego Triathlon Challenge	Idaho	Operation Rebound	Community Outreach	Catch A Rising Star	High School Sports	JSF Surf	Adaptive Cycling	Total Programs	Management and General	General	Special Events	Total
Salaries	\$ 266,038	\$ 353,006	\$ 157,600	\$ 132,543	\$ 188,319	\$ 95,807	\$ 71,816	\$ 84,014	\$ 48,396	\$ 1,397,539	\$ 340,136	\$ 454,440	\$ 298,701	\$ 2,490,816
Employee benefits	22,304	29,595	23,640	11,112	15,788	8,032	6,021	7,044	4,057	127,593	28,516	38,100	25,042	219,251
Payroll taxes	19,774	26,238	15,760	9,851	13,997	7,121	5,338	6,244	3,597	107,920	25,281	33,777	22,201	189,179
<b>Total Salaries and Related Expenses</b>	<b>308,116</b>	<b>408,839</b>	<b>197,000</b>	<b>153,506</b>	<b>218,104</b>	<b>110,960</b>	<b>83,175</b>	<b>97,302</b>	<b>56,050</b>	<b>1,633,052</b>	<b>393,933</b>	<b>526,317</b>	<b>345,944</b>	<b>2,899,246</b>
Grants	2,978,450	80,911	202,326	493,749	127,093	17,935	33,579	55,877	57,493	4,047,413	-	-	-	4,047,413
In-kind benefits	1,730,435	485,415	39,432	50,800	1,172	19,848	2,668	-	3,036	2,332,806	38,018	71,947	-	2,442,771
Other administration	105,778	152,529	62,140	42,297	70,496	35,248	14,099	35,360	14,099	532,046	34,478	138,788	86,553	791,865
Program	60,889	9,853	195,467	1,884	202,103	72,481	106,593	28,791	18,203	696,264	-	-	-	696,264
Direct event	-	430,574	-	-	-	-	-	-	-	430,574	-	-	-	430,574
Marketing and promotion	45,251	100,919	114,023	9,124	34,175	13,165	33,907	12,584	5,170	368,318	-	51,975	-	420,293
Travel	5,654	12,213	31,388	2,975	73,217	34,683	9,209	6,702	6,507	182,548	1,571	24,662	-	208,781
Merchant service fees	7,532	35,335	-	2,637	3,709	1,855	745	1,946	1,623	55,382	1,985	22,093	-	79,460
Business and donor development	-	-	-	-	-	-	-	-	-	-	-	54,808	-	54,808
<b>Total Operating Expenses</b>	<b>5,242,105</b>	<b>1,716,588</b>	<b>841,776</b>	<b>756,972</b>	<b>730,069</b>	<b>306,175</b>	<b>283,975</b>	<b>238,562</b>	<b>162,181</b>	<b>10,278,403</b>	<b>469,985</b>	<b>890,590</b>	<b>432,497</b>	<b>12,071,475</b>
Direct special events	-	-	-	-	-	-	-	-	-	-	-	-	2,963,423	2,963,423
<b>Total Expenses</b>	<b>\$ 5,242,105</b>	<b>\$ 1,716,588</b>	<b>\$ 841,776</b>	<b>\$ 756,972</b>	<b>\$ 730,069</b>	<b>\$ 306,175</b>	<b>\$ 283,975</b>	<b>\$ 238,562</b>	<b>\$ 162,181</b>	<b>\$ 10,278,403</b>	<b>\$ 469,985</b>	<b>\$ 890,590</b>	<b>\$ 3,395,920</b>	<b>\$ 15,034,898</b>

See accompanying notes to financial statements.

**CHALLENGED ATHLETES, INC. D.B.A. CHALLENGED ATHLETES FOUNDATION**  
**Statement of Functional Expenses**  
Year Ended March 31, 2019

	Program Services								Supporting Services				
	Access for Athletes	San Diego	Operation Rebound	Community Outreach	Catch A Rising Star	JSF Surf	Adaptive Cycling	Idaho	Total Programs	Management and General	Fundraising		Total
		Triathlon Challenge									General	Special Events	
Salaries	\$ 262,111	\$ 317,591	\$ 125,739	\$ 196,153	\$ 89,672	\$ 78,708	\$ 38,847	\$ -	\$ 1,108,821	\$ 371,196	\$ 476,331	\$ 249,604	\$ 2,205,952
Employee benefits	22,666	27,463	10,873	16,962	7,754	6,806	3,359	-	95,883	32,099	41,190	21,584	190,756
Payroll taxes	20,047	24,290	9,617	15,002	6,858	6,020	2,971	-	84,805	28,390	36,431	19,090	168,716
<b>Total Salaries and Related Expenses</b>	<b>304,824</b>	<b>369,344</b>	<b>146,229</b>	<b>228,117</b>	<b>104,284</b>	<b>91,534</b>	<b>45,177</b>	<b>-</b>	<b>1,289,509</b>	<b>431,685</b>	<b>553,952</b>	<b>290,278</b>	<b>2,565,424</b>
Grants	2,700,326	69,826	477,393	99,736	28,329	37,494	30,309	-	3,443,413	-	-	-	3,443,413
In-kind benefits	1,307,283	526,454	31,919	-	20,368	-	-	-	1,886,024	36,499	121,250	-	2,043,773
Other administration	118,742	145,866	47,430	79,051	31,620	31,620	31,640	324	486,293	53,822	142,563	122,051	804,729
Direct event	-	434,865	572	-	-	-	-	354	435,791	-	-	-	435,791
Marketing and promotion	67,644	95,628	16,911	50,733	13,529	13,529	6,764	-	264,738	-	86,756	-	351,494
Program	22,515	5,050	1,285	134,891	60,705	29,494	16,351	-	270,291	-	-	-	270,291
Travel	5,587	12,312	1,930	25,876	24,576	8,971	5,634	7,454	92,340	1,578	30,272	-	124,190
Merchant service fees	9,551	29,813	4,594	4,020	1,613	1,617	4,246	-	55,454	2,412	24,863	-	82,729
Business and donor development	-	-	-	-	-	-	-	71	71	-	81,573	-	81,644
<b>Total Operating Expenses</b>	<b>4,536,472</b>	<b>1,689,158</b>	<b>728,263</b>	<b>622,424</b>	<b>285,024</b>	<b>214,259</b>	<b>140,121</b>	<b>8,203</b>	<b>8,223,924</b>	<b>525,996</b>	<b>1,041,229</b>	<b>412,329</b>	<b>10,203,478</b>
Direct special events	-	-	-	-	-	-	-	-	-	-	-	2,517,270	2,517,270
<b>Total Expenses</b>	<b>\$ 4,536,472</b>	<b>\$ 1,689,158</b>	<b>\$ 728,263</b>	<b>\$ 622,424</b>	<b>\$ 285,024</b>	<b>\$ 214,259</b>	<b>\$ 140,121</b>	<b>\$ 8,203</b>	<b>\$ 8,223,924</b>	<b>\$ 525,996</b>	<b>\$ 1,041,229</b>	<b>\$ 2,929,599</b>	<b>\$ 12,720,748</b>

See accompanying notes to financial statements.



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

Years Ended March 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Increase in net assets	\$ 628,787	\$ 5,046,131
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	25,086	118,836
Net realized and unrealized losses on investments	481,627	-
Change in value of beneficial interest in assets	320,952	(132,461)
Endowment contributions	(2,039,160)	(2,681,623)
Changes in operating assets and liabilities:		
Promises to give	(40,074)	24,522
Prepaid expenses and other assets	212,124	(179,685)
Accounts payable	146,669	(17,621)
Accrued expenses	(50,174)	(66,978)
Advance income received	143,957	(400,689)
Grants payable	502,814	(169,872)
Net Cash Provided by Operating Activities	<u>332,608</u>	<u>1,540,560</u>
Cash Flows from Investing Activities:		
Purchases of investments	(6,218,724)	-
Distributions from beneficial interest in assets	328,524	297,996
Net Cash Provided (Used) by Investing Activities	<u>(5,890,200)</u>	<u>297,996</u>
Cash Flows Provided by Financing Activities:		
Endowment contributions	2,039,160	2,681,623
Net Increase (Decrease) in Cash and Cash Restricted for Endowments	<u>(3,518,432)</u>	<u>4,520,179</u>
Cash and cash - restricted for endowments, beginning	<u>8,517,674</u>	<u>3,997,495</u>
Cash and cash - restricted for endowments, ending	<u>\$ 4,999,242</u>	<u>\$ 8,517,674</u>
Cash and cash - restricted for endowments consist of the following:		
Cash	2,997,182	2,336,051
Cash - restricted for endowments	2,002,060	6,181,623
	<u>4,999,242</u>	<u>8,517,674</u>

See accompanying notes to financial statements.

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

## Notes to Financial Statements

Years Ended March 31, 2020 and 2019

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### 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 challenges 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.

#### New Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This standard update, along with related subsequently issued updates, clarifies the principles for recognizing revenue and develops a common revenue standard under accounting principles generally accepted in the United States of America (US GAAP). During the year ended March 31, 2020, the Foundation adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. This standard update clarifies and improves the scope and the accounting guidance for contributions received and contributions made under US GAAP. During the year ended March 31, 2020, the Foundation adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*.

#### Financial Statement Presentation

The financial statements of the Foundation have been prepared in accordance with US GAAP, which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

- Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors.
- Net assets with donor restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

#### 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).

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

### **Notes to Financial Statements**

Years Ended March 31, 2020 and 2019

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

##### Fair Value Measurements, continued

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.

As a practical expedient, certain financial instruments may be valued using net asset value (NAV) per share. NAV is the amount of net assets attributable to each share of outstanding capital stock at the end of the period.

The carrying value of cash, receivables, and payables approximates fair values as of March 31, 2020 and 2019, due to the relative short maturities of these instruments.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at March 31, 2020 and 2019.

Cash and money market funds: Valued at cost plus accrued interest, which approximates fair value.

Mutual funds: Valued at the closing price reported on the active market on which the individual securities are traded.

##### Promises to Give

Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises to give that are expected to be collected in future years are discounted to their estimated net present value. After promises to give are originally recorded, an allowance for uncollectible pledges may be established based on specific circumstances.

##### Property and Equipment

As of April 1, 2019, acquisitions of property and equipment of \$20,000 or more with a useful life of three years or more are capitalized and recorded at cost. Prior to April 1, 2019, the capitalization policy threshold was \$2,000 or more. 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.

##### Endowment Investments

Investments are carried at market value on the statements of financial position, and realized and unrealized gains and losses are included in the change in net assets in the statements of activities. Investment return on restricted assets is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction.

##### Beneficial Interest in Assets

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 statements of financial position. Changes in the value of the Funds are reported as non-operating items in the statements of activities. Investment return on beneficial interest in assets is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction.

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

### **Notes to Financial Statements**

Years Ended March 31, 2020 and 2019

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

##### Advanced Income Received

Fundraising amounts generated in advance of related athletic events are recorded as advanced income received on the statements of financial position.

##### 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

The Foundation recognizes revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Foundation expects to be entitled in exchange for those goods or services.

Revenues for the Foundation primarily consist of contributions and special event revenues. Management has determined that fundraising amounts generated for athletic events are most appropriately classified as conditional contributions, and therefore, revenue is recognized as conditions are met, which is typically when the event occurs. Management has analyzed the provisions of Topic 606 and Topic 958 and has concluded that no changes are necessary to conform to the new standards.

Contributions and grants received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

##### Donated Materials

The Foundation receives donated materials from various individuals and companies. 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. Non-professional 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, 2020 and 2019, 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.

##### Accounting for Uncertain Tax Positions

The Foundation follows the provisions of uncertain tax positions as addressed in the 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, 2020 and 2019. The Foundation files informational and income tax returns in the United States and various state and local jurisdictions.

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

## Notes to Financial Statements

Years Ended March 31, 2020 and 2019

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

#### Functional Expense Allocations

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, and marketing and administrative expenses, which are allocated on the basis of headcount, time and effort.

#### Future Accounting Standards

The FASB has issued a substantial ASU which will become effective in future years.

In February 2016, the FASB issued ASU No. 2016-02 *Leases*. The primary change in GAAP addressed by ASU 2016-02 is the requirement for a lessee to recognize on the statements of financial position a liability to make lease payments (“lease liability”) and a right-of-use asset representing its right to use the underlying asset for the lease term. ASU 2016-02 also requires qualitative and quantitative disclosures to enable users of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. Lessees must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, although there are optional practical expedients that entities may elect to apply. The Foundation is evaluating the effect that the provisions of ASU 2016-02 will have on its financial statements and related disclosures.

#### Subsequent Events

Due to national and world-wide disruptions caused by COVID-19, the Foundation may be adversely impacted. The Foundation has adapted and continued with operations through the date of issuance. On May 1, 2020, the Foundation received loan proceeds in the amount of \$508,400 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loan and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The Foundation applied for forgiveness with the financial institution and the full amount of the loan balance and accrued interest was forgiven and will be recognized as income during the year ending March 31, 2021. The loan forgiveness is exempt from federal income tax. The total scope of any financial impact of potential COVID-19 related disruptions is not fully known.

Endowment investments and beneficial interest in assets have seen a decline and may adversely affect the Foundation’s reserve amounts. The stock market experienced a significant downturn during the year, but started to recover from March lows by June 2020. In June, the Foundation transferred the Robin Williams endowment funds held at UBS to the Jewish Community Foundation and the two board endowments and Robert Spotswood Memorial endowment to the San Diego Foundation. Also, in June, the Foundation transferred \$2,000,000 to the Challenged Athletes Foundation Endowment in Memory of Robin Williams held at JCF. This balance is included in cash – restricted for endowments on the statement of financial position at March 31, 2020.

The Foundation has evaluated subsequent events through January 29, 2021, which is the date the financial statements were available to be issued.

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

### Notes to Financial Statements

Years Ended March 31, 2020 and 2019

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#### Note 2 – Financial Assets and Liquidity Resources

The Foundation's financial assets available within one year of the statement of financial position date for general expenditures are as follows at March 31, 2020:

	<u>2020</u>		<u>2019</u>
Cash	\$ 2,997,182	\$	2,336,051
Promises to give	150,102		110,028
Anticipated distributions from endowments	<u>686,493</u>		<u>641,090</u>
Total financial assets	3,833,777		3,087,169
Less amounts not available to be used within one year:			
Restricted by donor with purpose or time restrictions for programs	<u>(776,396)</u>		<u>(1,475,967)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,057,381</u>	\$	<u>1,611,202</u>

The Foundation has certain donor-restricted assets limited to use for programs and grants which are ongoing, major, and central to its annual operations which are available to meet cash needs for general expenditures for those programs and grants within one year in the normal course of operations. While not all of the \$776,396 donor restricted balance is for these purposes, for the year ended March 31, 2020, donor restricted net assets of \$776,396 met this criteria and could be included in financial assets available to meet cash needs for general expenditures for those programs and grants within one year.

The Foundation's endowment funds consist of donor-restricted endowments and quasi-endowments. Income from donor-restricted endowments is restricted for programs and grants which are ongoing, major, and central to its annual operations and is available for general expenditure. The endowments have a spending rate of 5 percent. \$686,493 of appropriations from the endowments as estimated to be available within the next 12 months.

The Foundation manages its liquidity and reserves following two guiding principles: 1) Operating within a prudent range of financial soundness and stability, and 2) maintaining adequate liquid assets to fund near-term operating needs. The Foundation's Board is committed to a strong financial position which includes creating and growing board designated endowments that are designed to support future grant and program expenses. As of March 31, 2020, the Foundation's net assets without donor restrictions balance was \$5,374,875. Contained within that balance was \$5,901,093 in board designated endowment funds leaving a deficit of \$526,218 in undesignated net assets.

This undesignated net asset balance could be offset at any time. As described in Note 11, the Foundation has established agency non-endowment accounts with the San Diego Foundation (SDF). By request, these funds could be distributed back to the Foundation in the event of an unanticipated liquidity need, if approved by SDF, which would further increase the undesignated net asset balance.

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

### Notes to Financial Statements

Years Ended March 31, 2020 and 2019

#### Note 3 – Concentration of Credit Risk

The Foundation maintains cash accounts at various financial institutions. The balances at times may exceed Federal Deposit Insurance Corporation (FDIC) limits. Accounts at each financial institution are insured by the FDIC up to \$250,000.

The Foundation also maintains cash in brokerage accounts. The balances at times may exceed Securities Investor Protection Corporation (SIPC) limits. Accounts at each financial institution are insured by the SIPC up to a limit of \$500,000, including \$250,000 for claims for cash, per customer for all accounts at the same institution.

Restricted cash includes donor contributions restricted for the Challenged Athletes Foundation Endowment in Memory of Robin Williams and Robert Spotswood Memorial Fund. Payouts from the Robert Spotswood Memorial Fund are to be used for grants annually to athletes, with a focus on supporting youth under the age of 18. In addition, the board has designated excess cash to be invested as endowment funds at various financial institutions. At March 31, 2020 and 2019, the Foundation's restricted cash totaled \$2,002,060 and \$6,181,623, respectively.

During the year ended March 31, 2020, 12% of contributions were from one donor. During the year ended March 31, 2019, there was no such concentration.

#### Note 4 – Property and Equipment

Property and equipment consist of the following at March 31:

	2020	2019
Equipment and furniture	\$ 360,230	\$ 360,230
Leasehold improvements	41,387	41,387
	401,617	401,617
Less accumulated depreciation	(373,537)	(348,451)
	\$ 28,080	\$ 53,166

#### Note 5 – Fair Value Measurement

Endowment investments and beneficial interest in assets consist of the following as of March 31, 2020:

	Level 1	Level 2	Level 3	NAV	Total
Money market funds	\$ 310,357	\$ -	\$ -	\$ -	\$ 310,357
Mutual funds:					
Large cap - domestic	1,815,745	-	-	-	1,815,745
Large cap - international	892,467	-	-	-	892,467
Mid cap - domestic	345,992	-	-	-	345,992
Small cap - domestic	298,625	-	-	-	298,625
Fixed income - domestic	1,867,887	-	-	-	1,867,887
Fixed income - international	206,024	-	-	-	206,024
Beneficial interest in assets	-	-	-	5,990,698	5,990,698
Total	\$ 5,737,097	\$ -	\$ -	\$ 5,990,698	\$ 11,727,795

As of March 31, 2019, beneficial interest in assets totaled \$6,640,174 and were valued at NAV. There were no amounts classified as endowment investments as of March 31, 2019.

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

## Notes to Financial Statements

Years Ended March 31, 2020 and 2019

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### Note 6 – Beneficial Interest in Assets

The interest in assets held 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 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 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.

One of the beneficial interest in assets was created with the donor intent to establish an endowment and is therefore included in net assets with donor restrictions. The second beneficial interest in assets is a board designated endowment and is therefore included in net assets without donor restrictions.

Beneficial interest in assets valued at NAV are as follows as of March 31:

	<u>2020</u>		<u>2019</u>
Without donor restrictions	\$ 2,672,038	\$	2,967,561
With donor restrictions	<u>3,318,660</u>		<u>3,672,613</u>
Total	<u>\$ 5,990,698</u>	\$	<u>6,640,174</u>

Distributions are funds released by JCF from the beneficial interest to the Foundation for grants and programs.



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

Years Ended March 31, 2020 and 2019

**Note 7 – Restrictions on Net Assets**

Net assets with donor restrictions consisted of the following at March 31:

	<u>2020</u>	<u>2019</u>
Purpose Restrictions:		
Idaho	\$ 180,717	\$ -
Operation Rebound	177,276	318,374
High School Track & Field	103,330	250,000
Northern California Expansion	92,000	12,000
Access for Athletes	81,440	821,212
Grants for Discretionary Purposes	59,799	54,774
Northeast Programs	55,000	-
Grants for Cancer Survivors	26,834	19,607
	<u>776,396</u>	<u>1,475,967</u>
Time Restricted - Endowments:		
Challenged Athletes Foundation Endowment in Memory of Robin Williams	7,113,272	5,611,227
Robert Spotswood Memorial Fund	715,490	743,009
	<u>7,828,762</u>	<u>6,354,236</u>
	<u>\$ 8,605,158</u>	<u>\$ 7,830,203</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as following for the year ended March 31:

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions:		
Access for Athletes	\$ 2,883,926	\$ 1,633,290
Idaho	841,775	-
Operation Rebound	756,325	728,276
San Diego Triathlon Challenge	521,890	673,117
High School Track & Field	283,758	-
Catch a Rising Star	36,848	47,368
Other	-	4,639
	<u>\$ 5,324,522</u>	<u>\$ 3,086,690</u>

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

## Notes to Financial Statements

Years Ended March 31, 2020 and 2019

### Note 8 – Endowments

The Foundation's endowment includes both donor restricted endowment funds and funds designated by the board of directors to function as endowments. As required by US GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. In accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Foundation and the donor restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Foundation
- 7) The investment policies of the Foundation

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature exist in two donor-restricted endowment funds, which together have an original gift value of \$8,235,654, a current fair value of \$7,828,762, and a deficiency of \$406,892 as of March 31, 2020. These deficiencies resulted from unfavorable market fluctuations that occurred during 2020 as a result of COVID-19.

At March 31, 2020, the endowment funds consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated quasi-endowment funds	\$ 5,901,093	\$ -	\$ 5,901,093
Donor restricted funds:			
Original donor-restricted gift amount required to be maintained in perpetuity by donor:			
Endowments	-	4,720,783	4,720,783
Beneficial interest in assets	-	3,514,871	3,514,871
Accumulated investment losses	-	(406,892)	(406,892)
	<u>\$ 5,901,093</u>	<u>\$ 7,828,762</u>	<u>\$ 13,729,855</u>

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

Years Ended March 31, 2020 and 2019

**Note 8 – Endowments, continued**

At March 31, 2019, the endowment funds consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated quasi-endowment funds	\$ 6,467,561	\$ -	\$ 6,467,561
Donor restricted funds:			
Original donor-restricted gift amount required to be maintained in perpetuity by donor:			
Endowments	-	2,681,623	2,681,623
Beneficial interest in assets	-	3,514,871	3,514,871
Accumulated investment gains	-	157,742	157,742
	<u>\$ 6,467,561</u>	<u>\$ 6,354,236</u>	<u>\$ 12,821,797</u>

The changes in endowment net assets for the year ended March 31, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$ 6,467,561	\$ 6,354,236	\$ 12,821,797
Contributions	-	2,039,160	2,039,160
Distributions	(152,930)	(175,594)	(328,524)
Investment return, net	(413,538)	(389,040)	(802,578)
Endowment net assets, ending	<u>\$ 5,901,093</u>	<u>\$ 7,828,762</u>	<u>\$ 13,729,855</u>

The changes in endowment net assets for the year ended March 31, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$ 3,060,547	\$ 3,745,162	\$ 6,805,709
Contributions	3,500,000	2,681,623	6,181,623
Distributions	(152,067)	(145,929)	(297,996)
Investment return, net	59,081	73,380	132,461
Endowment net assets, ending	<u>\$ 6,467,561</u>	<u>\$ 6,354,236</u>	<u>\$ 12,821,797</u>

During the year ended March 31, 2019, the Foundation's board of directors established two endowments designated to support current operations and provide future granting opportunities. The Foundation also established two donor restricted endowment funds, the Challenged Athletes Foundation Endowment Fund in Memory of Robin Williams to support current operations and provide future granting opportunities and the Robert Spotswood memorial Fund for grants to deserving athletes, with a focus on supporting youth under the age of 18.

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

### Notes to Financial Statements

Years Ended March 31, 2020 and 2019

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#### Note 9 – Operating Leases

The Foundation leases office space and equipment under operating lease agreements. The leases expire at various dates through October 2023. 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. Rent expense associated with these leases was \$269,103 and \$258,654 for the years ended March 31, 2020 and 2019, respectively.

Future minimum lease payments under operating leases at March 31, 2020 are as follows:

Year Ending March 31,		
2021	\$	151,209
2022		994
2023		994
Thereafter		<u>-</u>
	\$	<u><u>153,197</u></u>

#### Note 10 – 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, 2020 and 2019 was \$58,407 and \$50,496, respectively.

#### Note 11 – Funds Held at the San Diego Foundation

The Foundation has established agency non-endowment accounts with the San Diego Foundation. The Foundation can make recommendations as to the use of funds, although the San Diego Foundation has final authority over distributions. As such, these are not assets of the Foundation. For the years ended March 31, 2020 and 2019, these funds had a fair market value of approximately \$2,027,165 and \$2,358,859, respectively. No distributions were received for the years ended March 31, 2020 and 2019.

#### Note 12 – Conditional Contributions

The Foundation received a \$1,599,231 gift during the year ended March 31, 2020 for the expansion into Idaho. Of that amount, \$477,560 has been recognized in the current year and the remaining \$1,121,671 is conditional on the Foundation hosting community and major sporting events in the years ending March 31, 2021 and 2022. A conditional promise to give does not meet the standard for revenue recognition, as such, the \$1,121,671 conditional portions of the promises to give have not been recognized in the statement of activities for the year ended March 31, 2020.

The Foundation records advanced income received from individuals fundraising for events to be held in a future fiscal year. Funds are classified as conditional contributions and are not recognized until the event date. For the years ending March 31, 2020 and March 31, 2019, amounts received in advanced related to these events were \$535,273 and \$391,316, respectively.