

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

Financial Statements

Years Ended March 31, 2021 and 2020



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

## Financial Statements

Years Ended March 31, 2021 and 2020

---

### Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8

**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, 2021 and 2020, 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, 2021 and 2020, 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.

*Aldrich CPAs + Advisors LLP*

San Diego, California  
June 23, 2021

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

March 31, 2021 and 2020

	2021	2020
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 4,247,211	\$ 2,997,182
Promises to give	21,455	150,102
Prepaid expenses and other assets	103,113	153,231
Total Current Assets	4,371,779	3,300,515
Non-Current Assets:		
Cash - restricted for endowments	-	2,002,060
Property and equipment, net of accumulated depreciation	21,483	28,080
Endowment investments	-	5,737,097
Beneficial interest in assets	19,421,194	5,990,698
Total Non-Current Assets	19,442,677	13,757,935
Total Assets	\$ 23,814,456	\$ 17,058,450
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 67,809	\$ 179,396
Accrued expenses	253,126	209,697
Advanced income received	862,258	535,273
Grants payable	2,006,664	2,154,051
Total Current Liabilities	3,189,857	3,078,417
Payroll Protection Program (PPP) Loan	508,487	-
Total Liabilities	3,698,344	3,078,417
Net Assets:		
Without donor restrictions	9,202,187	5,374,875
With donor restrictions	10,913,925	8,605,158
Total Net Assets	20,116,112	13,980,033
Total Liabilities and Net Assets	\$ 23,814,456	\$ 17,058,450

See accompanying notes to financial statements.

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

Year Ended March 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support:			
Special events	\$ 1,319,300	\$ -	\$ 1,319,300
Less direct expenses	(258,033)	-	(258,033)
Contributions and other income	5,198,548	2,293,349	7,491,897
In-kind contributions	156,651	1,798,323	1,954,974
Grants	321,779	210,500	532,279
Net assets released from restrictions, satisfaction of program and time restrictions	3,891,104	(3,891,104)	-
Total Operating Revenue and Support	10,629,349	411,068	11,040,417
Operating Expenses:			
Program services:			
Access for Athletes	4,759,245	-	4,759,245
San Diego Triathlon Challenge	1,068,946	-	1,068,946
Idaho	781,213	-	781,213
Operation Rebound	650,235	-	650,235
Community Outreach	606,665	-	606,665
Adaptive Cycling	163,687	-	163,687
High School Sports	156,235	-	156,235
Catch a Rising Star	151,992	-	151,992
JSF Surf	120,415	-	120,415
Supporting services:			
Management and general	461,020	-	461,020
Fundraising:			
General	793,894	-	793,894
Special events	297,554	-	297,554
Total Operating Expenses	10,011,101	-	10,011,101
Operating Income	618,248	411,068	1,029,316
Non-Operating Revenues (Expenses):			
Change in value of beneficial interest in assets	1,694,115	2,166,911	3,861,026
Net assets released from beneficial interest in assets	591,686	(591,686)	-
Investment return, net	414,579	322,474	737,053
PPP loan income	508,400	-	508,400
Interest income	5,503	-	5,503
Transfer to San Diego Foundation	(5,219)	-	(5,219)
Total Change in Non-Operating	3,209,064	1,897,699	5,106,763
Increase in Net Assets	3,827,312	2,308,767	6,136,079
Net Assets, beginning	5,374,875	8,605,158	13,980,033
Net Assets, ending	\$ 9,202,187	\$ 10,913,925	\$ 20,116,112

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 (Loss)	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 Functional Expenses**  
Year Ended March 31, 2021

	Program Services										Supporting Services				
	Access for Athletes	San Diego Triathlon Challenge		Idaho	Operation Rebound	Community Outreach	Adaptive Cycling	High School Sports	Catch A Rising Star	JSF Surf	Total Programs	Management and General	Fundraising		Total
		General	Special Events												
Salaries	\$ 278,810	\$ 356,033	\$ 167,344	\$ 129,925	\$ 231,478	\$ 48,990	\$ 75,143	\$ 89,177	\$ 80,678	\$ 1,457,578	\$ 334,671	\$ 490,505	\$ 219,686	\$ 2,502,440	
Employee benefits	29,779	38,026	25,102	13,877	24,723	5,232	8,026	9,525	8,616	162,906	35,744	52,389	23,464	274,503	
Payroll taxes	20,542	26,231	16,734	9,572	17,055	3,610	5,536	6,570	5,944	111,794	24,657	36,140	16,186	188,777	
<b>Total Salaries and Related Expenses</b>	<b>329,131</b>	<b>420,290</b>	<b>209,180</b>	<b>153,374</b>	<b>273,256</b>	<b>57,832</b>	<b>88,705</b>	<b>105,272</b>	<b>95,238</b>	<b>1,732,278</b>	<b>395,072</b>	<b>579,034</b>	<b>259,336</b>	<b>2,965,720</b>	
Grants	2,749,683	-	188,209	404,263	1,283	60,454	24,039	-	4,207	3,432,138	-	-	-	3,432,138	
In-kind benefits	1,448,890	303,359	27,957	41,043	37,240	8,834	16,431	-	-	1,883,754	33,544	15,538	-	1,932,836	
Other administration	123,402	123,311	60,750	36,993	110,980	12,331	12,331	24,662	12,331	517,091	30,828	111,734	38,218	697,871	
Program	56,035	2,200	156,599	2,540	108,805	17,795	9,391	11,616	3,248	368,229	-	-	-	368,229	
Marketing and promotion	47,083	59,806	120,773	9,417	58,852	4,708	4,708	8,883	4,708	318,938	-	32,838	-	351,776	
Direct event	-	138,600	-	-	-	-	-	-	-	138,600	-	-	-	138,600	
Merchant service fees	2,758	18,878	(512)	1,774	3,683	590	409	818	409	28,807	1,023	20,351	-	50,181	
Travel	2,263	2,502	18,257	831	12,566	1,143	221	741	274	38,798	553	2,148	-	41,499	
Business and donor development	-	-	-	-	-	-	-	-	-	-	-	32,251	-	32,251	
<b>Total Operating Expenses</b>	<b>4,759,245</b>	<b>1,068,946</b>	<b>781,213</b>	<b>650,235</b>	<b>606,665</b>	<b>163,687</b>	<b>156,235</b>	<b>151,992</b>	<b>120,415</b>	<b>8,458,633</b>	<b>461,020</b>	<b>793,894</b>	<b>297,554</b>	<b>10,011,101</b>	
Direct special events	-	-	-	-	-	-	-	-	-	-	-	-	258,033	258,033	
<b>Total Expenses</b>	<b>\$ 4,759,245</b>	<b>\$ 1,068,946</b>	<b>\$ 781,213</b>	<b>\$ 650,235</b>	<b>\$ 606,665</b>	<b>\$ 163,687</b>	<b>\$ 156,235</b>	<b>\$ 151,992</b>	<b>\$ 120,415</b>	<b>\$ 8,458,633</b>	<b>\$ 461,020</b>	<b>\$ 793,894</b>	<b>\$ 555,587</b>	<b>\$ 10,269,134</b>	

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			
	Access for Athletes	San Diego	Idaho	Operation Rebound	Community Outreach	Catch A Rising Star	High School Sports	JSF Surf	Adaptive Cycling	Total Programs	Management and General	Fundraising		
		Triathlon Challenge										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****Statements of Cash Flows**

Years Ended March 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Increase in net assets	\$ 6,136,079	\$ 628,787
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	6,597	25,086
Net realized and unrealized (gains) losses on investments	(737,053)	481,627
Change in value of beneficial interest in assets	(3,861,026)	320,952
Endowment contributions	-	(2,039,160)
Changes in operating assets and liabilities:		
Promises to give	128,647	(40,074)
Prepaid expenses and other assets	50,118	212,124
Accounts payable	(111,587)	146,669
Accrued expenses	43,429	(50,174)
Advance income received	326,985	143,957
Grants payable	(147,387)	502,814
Net Cash Provided by Operating Activities	<u>1,834,802</u>	<u>332,608</u>
Cash Flows from Investing Activities:		
Sales (Purchases) of endowment investment	6,474,150	(6,218,724)
Contributions to beneficial interest in assets	(10,529,848)	-
Distributions from beneficial interest in assets	960,378	328,524
Net Cash Provided (Used) by Investing Activities	<u>(3,095,320)</u>	<u>(5,890,200)</u>
Cash Flows from Financing Activities:		
Proceeds from Payroll Protection Program Loan	508,487	-
Endowment contributions	-	2,039,160
Net Cash Provided by Financing Activities	<u>508,487</u>	<u>2,039,160</u>
Net Decrease in Cash and Cash Restricted for Endowments	<u>(752,031)</u>	<u>(3,518,432)</u>
Cash and cash - restricted for endowments, beginning	<u>4,999,242</u>	<u>8,517,674</u>
Cash and cash - restricted for endowments, ending	<u>\$ 4,247,211</u>	<u>\$ 4,999,242</u>
Cash and cash - restricted for endowments consist of the following:		
Cash	4,247,211	2,997,182
Cash - restricted for endowments	-	2,002,060
	<u>4,247,211</u>	<u>4,999,242</u>

See accompanying notes to financial statements.

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

## Notes to Financial Statements

Years Ended March 31, 2021 and 2020

---

### 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 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).

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.

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

## Notes to Financial Statements

Years Ended March 31, 2021 and 2020

---

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

#### Fair Value Measurements, continued

The carrying value of cash, receivables, and payables approximates fair values as of March 31, 2021 and 2020, 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, 2021 and 2020.

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.

The Foundation has transferred assets to the San Diego Foundation (SDF) which is holding them as endowed agency funds (Funds) for the benefit of the Foundation as a named beneficiary. The Foundation has granted SDF variance power which gives SDF 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 SDF 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.

#### 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.

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

## Notes to Financial Statements

Years Ended March 31, 2021 and 2020

---

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

#### 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 adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* and ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958)* in the prior year and had 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, 2021 and 2020, 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, 2021 and 2020. The Foundation files informational and income tax returns in the United States and various state and local jurisdictions.

#### 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.

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

## Notes to Financial Statements

Years Ended March 31, 2021 and 2020

---

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

#### 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

The Foundation has evaluated subsequent events through June 23, 2021, which is the date the financial statements were available to be issued.

### 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, 2021:

	<u>2021</u>	<u>2020</u>
Cash	\$ 4,247,211	\$ 2,997,182
Promises to give	21,455	150,102
Anticipated distributions from endowments	<u>971,060</u>	<u>686,493</u>
Total financial assets	5,239,726	3,833,777
Less amounts not available to be used within one year:		
Restricted by donor with purpose or time restrictions for programs	<u>(333,822)</u>	<u>(776,396)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,905,904</u>	<u>\$ 3,057,381</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 \$333,822 donor restricted balance is for these purposes, for the year ended March 31, 2021, donor restricted net assets of \$333,822 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. \$971,060 of appropriations from the endowments as estimated to be available within the next 12 months.

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

## Notes to Financial Statements

Years Ended March 31, 2021 and 2020

---

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

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, 2021, the Foundation's net assets without donor restrictions balance was \$9,202,187. Contained within that balance was \$8,841,091 in board designated endowment funds.

As described in Note 11, the Foundation has established agency non-endowment accounts with the 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.

### 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, 2021 and 2020, the Foundation's restricted cash totaled \$0 and \$2,002,060, respectively.

### Note 4 – Property and Equipment

Property and equipment consist of the following at March 31:

	2021	2020
Equipment and furniture	\$ 360,230	\$ 360,230
Leasehold improvements	41,387	41,387
	401,617	401,617
Less accumulated depreciation	(380,134)	(373,537)
	\$ 21,483	\$ 28,080

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

## Notes to Financial Statements

Years Ended March 31, 2021 and 2020

### Note 5 – Investments

As of March 31, 2021, beneficial interest in assets totaled \$19,421,194 and were valued at NAV. There were no amounts classified as endowment investments as of March 31, 2021.

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

### Note 6 – Beneficial Interest in Assets

The interest in assets held at JCF and SDF has been valued, as a practical expedient, at the fair value of the Foundation's share of JCF's and SDF'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 and SDF values securities and other financial instruments on a fair value basis of accounting. JCF and SDF 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 and SDF, which includes private placements and other securities for which prices are not readily available, are determined by the management of JCF and SDF 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 and SDF 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:

	2021	2020
Without donor restrictions	\$ 8,841,091	\$ 2,672,038
With donor restrictions	10,580,103	3,318,660
Total	\$ 19,421,194	\$ 5,990,698

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, 2021 and 2020

**Note 7 – Restrictions on Net Assets**

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

	2021	2020
Purpose Restrictions:		
Operation Rebound	\$ 101,280	\$ 177,276
Northern California Expansion	92,000	92,000
Grants for Discretionary Purposes	55,048	59,799
Access for Athletes	31,430	81,440
Grants for Cancer Survivors	19,064	26,834
Adaptive Cycling	15,000	-
Northeast Programs	15,000	55,000
Catch a Rising Star	5,000	-
Idaho	-	180,717
High School Track & Field	-	103,330
	<u>333,822</u>	<u>776,396</u>
Time Restricted - Endowments:		
Challenged Athletes Foundation Endowment in Memory of Robin Williams	9,626,577	7,113,272
Robert Spotswood Memorial Fund	953,526	715,490
	<u>10,580,103</u>	<u>7,828,762</u>
	<u>\$ 10,913,925</u>	<u>\$ 8,605,158</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:

	2021	2020
Satisfaction of purpose restrictions:		
Access for Athletes	\$ 1,927,170	\$ 2,883,926
Idaho	736,324	841,775
Operation Rebound	649,683	756,325
San Diego Triathlon Challenge	308,593	521,890
High School Track & Field	154,761	283,758
Other	54,833	-
Community Outreach	49,740	-
Catch a Rising Star	10,000	36,848
	<u>\$ 3,891,104</u>	<u>\$ 5,324,522</u>



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

## Notes to Financial Statements

Years Ended March 31, 2021 and 2020

### 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

At March 31, 2021, the endowment funds consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated quasi-endowment funds	\$ 8,841,091	\$ -	\$ 8,841,091
Donor restricted funds:			
Original donor-restricted gift amount required to be maintained in perpetuity by donor:			
Endowments	-	835,809	835,809
Beneficial interest in assets	-	8,253,545	8,253,545
Accumulated investment gains	-	1,490,749	1,490,749
	<u>\$ 8,841,091</u>	<u>\$ 10,580,103</u>	<u>\$ 19,421,194</u>

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	-	782,109	782,109
Beneficial interest in assets	-	7,453,545	7,453,545
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, 2021 and 2020

**Note 8 – Endowments, continued**

The changes in endowment net assets for the year ended March 31, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$ 5,901,093	\$ 7,828,762	\$ 13,729,855
Contributions	1,200,000	853,638	2,053,638
Distributions	(368,692)	(591,686)	(960,378)
Investment return, net	2,108,690	2,489,389	4,598,079
Endowment net assets, ending	<u>\$ 8,841,091</u>	<u>\$ 10,580,103</u>	<u>\$ 19,421,194</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>

**Note 9 – Operating Leases**

The Foundation leases office space and equipment under operating lease agreements. The leases expire at various dates through October 2025. The Foundation entered into an office space lease in November 2010 with CAF Property, Inc., a related party. Monthly payments of \$18,475 are due each month through October 31, 2025. Rent expense associated with these leases was \$261,147 and \$269,103 for the years ended March 31, 2021 and 2020, respectively.

Future minimum lease payments under operating leases at March 31, 2021 are as follows:

Year Ending March 31,	
2022	\$ 229,972
2023	224,599
2024	223,605
2025	221,697
2026	129,323
	<u>\$ 1,029,196</u>

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

### Notes to Financial Statements

Years Ended March 31, 2021 and 2020

---

#### 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, 2021 and 2020 was \$65,287 and \$58,407, 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, 2021 and 2020, these funds had a fair market value of approximately \$2,383,064 and \$2,027,165, respectively. No distributions were received for the years ended March 31, 2021 and 2020.

#### 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 prior year, \$510,150 in the current year and the remaining \$611,521 is conditional on the Foundation hosting community and major sporting events in the year ending March 31, 2022. A conditional promise to give does not meet the standard for revenue recognition, as such, the \$611,521 conditional portion of the promises to give have not been recognized in the statement of activities for the year ended March 31, 2021.

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, 2021 and March 31, 2020, amounts received in advanced related to these events were \$862,258 and \$535,273, respectively.

#### Note 13 – Payroll Protection Program (PPP)

In response to the significant ongoing uncertainty around the severity and duration of the pandemic, the Foundation applied for a forgivable loan under the Small Business Administration (SBA) PPP. The Foundation received \$508,400 under the PPP in May 2020 and the Organization was notified that their loan forgiveness application was approved in November 2020. The Organization has determined that the loan represents, in substance, a grant that was expected to be forgiven and has accounted for the funding under FASB ASC 958-605 as a conditional contribution. The conditions were met when the Organization spent the loan funds on qualified expenses in accordance with the PPP loan forgiveness rules. Revenue for this grant is included in other income on the statement of activities. The Foundation received \$508,487 in February 2021 under a second round of funding from the PPP. The Organization intends to request forgiveness for loan proceeds used to pay qualifying payroll, rent and utilities and expects to meet the PPP's eligibility criteria.

Initial PPP loan received in May 1, 2020	\$	508,400
Initial PPP loan received in February 25, 2021		508,487
Loan forgiveness credited to other income through March 31, 2021 equal to the amount of eligible expenses incurred or paid		<u>(508,400)</u>
PPP loan at March 31, 2021	\$	<u>508,487</u>

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

### **Notes to Financial Statements**

Years Ended March 31, 2021 and 2020

---

#### **Note 14 – Contingencies**

##### COVID-19

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. On March 11, 2020 the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closing of businesses and shelter in place orders. In response, the U.S. Government enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which includes significant provisions to provide relief and assistance to affected organizations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of business closures, shelter-in-place orders, and the ultimate impact of the CARES Act and other governmental initiatives. As of the date of this report, this matter has not had a significant, adverse impact on the Organization. However, the future financial impact and duration cannot be reasonably estimated at this time.