

Challenged Athletes, Inc. dba Challenged Athletes Foundation

FINANCIAL STATEMENTS

Year Ended March 31, 2025



CHALLENGED ATHLETES, INC. dba CHALLENGED ATHLETES FOUNDATION

Financial Statements

Year Ended March 31, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Audit Committee and Management
Challenged Athletes, Inc. dba Challenged Athletes Foundation
San Diego, California

Opinion

We have audited the accompanying financial statements of Challenged Athletes, Inc. dba Challenged Athletes Foundation (a nonprofit organization), which comprise the statement of financial position as of March 31, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Challenged Athletes, Inc. dba Challenged Athletes Foundation as of March 31, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Challenged Athletes, Inc. dba Challenged Athletes Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

Auditor's Responsibilities for the Audit of the Financial Statements, continued

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Challenged Athletes, Inc. dba Challenged Athletes Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Challenged Athletes, Inc. dba Challenged Athletes Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Aldrich CPAs + Advisors LLP

San Diego, California
August 5, 2025

CHALLENGED ATHLETES, INC. dba CHALLENGED ATHLETES FOUNDATION**Statement of Financial Position**March 31, 2025

ASSETS

Current Assets:

Cash	\$ 4,432,351
Promises to give	22,870
Prepaid expenses and other current assets	<u>331,508</u>
Total Current Assets	4,786,729

Noncurrent Assets:

Property and equipment, net of accumulated depreciation	153,861
Right of use asset	128,484
Beneficial interest in assets	<u>29,539,738</u>
Total Noncurrent Assets	<u>29,822,083</u>
Total Assets	<u>\$ 34,608,812</u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 115,098
Accrued expenses	329,203
Advanced income received	1,166,924
Grants payable	3,044,666
Current portion of operating lease liabilities	<u>128,484</u>
Total Liabilities	4,784,375

Net Assets:

Without donor restrictions	4,451,009
With donor restrictions	<u>25,373,428</u>
Total Net Assets	<u>29,824,437</u>
Total Liabilities and Net Assets	<u>\$ 34,608,812</u>

CHALLENGED ATHLETES, INC. dba CHALLENGED ATHLETES FOUNDATION**Statements of Activities**

Year Ended March 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues and Support:			
Contributions of cash and other financial assets and other income	\$ 3,987,244	\$ 3,586,261	\$ 7,573,505
Contributions of nonfinancial assets	42,155	2,503,753	2,545,908
Special events	4,414,188	-	4,414,188
Less direct expenses	(2,372,506)	-	(2,372,506)
Grants	728,076	353,500	1,081,576
Net assets released from restrictions, satisfaction of program and time restrictions	6,284,842	(6,284,842)	-
Total Operating Revenues and Support	13,083,999	158,672	13,242,671
Operating Expenses:			
Program services:			
Access for Athletes	5,743,596	-	5,743,596
San Diego Triathlon Challenge	1,947,668	-	1,947,668
Idaho	1,590,368	-	1,590,368
Operation Rebound	978,352	-	978,352
Community Outreach	604,035	-	604,035
NorthEast	251,672	-	251,672
Northern California	224,495	-	224,495
Adaptive Cycling	198,765	-	198,765
Catch a Rising Star	197,189	-	197,189
JSF Surf	157,503	-	157,503
San Diego	156,484	-	156,484
Supporting services:			
Management and general	459,712	-	459,712
Fundraising:			
General	1,003,691	-	1,003,691
Special events	604,464	-	604,464
Total Operating Expenses	14,117,994	-	14,117,994
Operating Income (Loss)	(1,033,995)	158,672	(875,323)
Non-Operating Revenues (Expenses):			
Change in value of beneficial interest in assets	182,802	1,914,386	2,097,188
Net assets released from beneficial interest in assets	1,051,087	(1,051,087)	-
Interest income	134,373	-	134,373
Transfer from San Diego Foundation	2,370,000	-	2,370,000
Total Change in Non-Operating	3,738,262	863,299	4,601,561
Reclassification of board-designated funds to donor-restricted endowment	(7,701,899)	7,701,899	-
Increase (Decrease) in Net Assets	(4,997,632)	8,723,870	3,726,238
Net Assets, beginning	9,448,641	16,649,558	26,098,199
Net Assets, ending	\$ 4,451,009	\$ 25,373,428	\$ 29,824,437

See accompanying notes to financial statements.

CHALLENGED ATHLETES, INC. dba CHALLENGED ATHLETES FOUNDATION

Statements of Functional Expenses

Year Ended March 31, 2025

	Program Services											Supporting Services					
	Access for Athletes	San Diego Triathlon Challenge	Idaho	Operation Rebound	Community Outreach	NorthEast	Northern California	Adaptive Cycling	Catch A Rising Star	JSF Surf	San Diego	Total Programs	Fundraising				
		Management and General											General	Special Events	Total		
Salaries	\$ 429,283	\$ 454,940	\$ 256,633	\$ 123,573	\$ 201,999	\$ 131,877	\$ 117,035	\$ 36,595	\$ 83,694	\$ 66,434	\$ 63,770	\$ 1,965,833	\$ 332,141	\$ 608,786	\$ 448,495	\$ 3,355,255	
Employee benefits	37,939	40,206	49,900	10,921	17,852	11,655	10,343	3,234	7,397	5,871	5,636	200,954	29,354	53,803	39,637	323,748	
Payroll taxes	33,563	35,569	19,889	9,662	15,793	10,311	9,150	2,861	6,544	5,194	4,986	153,522	25,968	47,598	35,065	262,153	
Total Salaries and Related Expenses	500,785	530,715	326,422	144,156	235,644	153,843	136,528	42,690	97,635	77,499	74,392	2,320,309	387,463	710,187	523,197	3,941,156	
Grants	2,942,944	92,383	322,684	795,565	78,734	18,328	6,052	116,003	3,260	20,782	14,191	4,410,926	-	-	-	4,410,926	
Direct event	-	741,534	-	-	-	-	-	-	-	-	-	741,534	-	-	2,056,075	2,797,609	
Donated materials and services	1,996,062	300,914	70,590	10,083	-	925	3,896	-	11,376	-	9,640	2,403,486	42,155	68,079	32,188	2,545,908	
Program operations	113,143	16,822	335,537	1,145	172,451	53,659	51,766	14,829	49,535	38,766	35,202	882,855	-	-	-	882,855	
Marketing and promotion	71,301	127,580	121,370	9,300	31,000	6,200	6,200	6,200	6,200	6,200	6,200	397,751	-	74,332	138,631	610,714	
Other administration	50,198	53,899	340,356	7,530	25,100	5,020	5,020	5,020	5,020	5,020	5,020	507,203	12,549	38,364	40,159	598,275	
Travel	1,674	13,693	73,402	251	26,852	6,846	8,182	7,167	17,312	2,385	4,988	162,752	418	37,204	102,643	303,017	
Occupancy	51,383	51,385	-	7,708	25,693	5,139	5,139	5,139	5,139	5,139	5,139	167,003	12,846	35,970	41,108	256,927	
Licenses and fees	16,106	18,743	7	2,614	8,561	1,712	1,712	1,717	1,712	1,712	1,712	56,308	4,281	13,255	42,969	116,813	
Business and donor development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	26,300	-	26,300
Total Operating Expenses	5,743,596	1,947,668	1,590,368	978,352	604,035	251,672	224,495	198,765	197,189	157,503	156,484	12,050,127	459,712	1,003,691	2,976,970	16,490,500	
Direct special events	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,372,506)	(2,372,506)	
Total Expenses	\$ 5,743,596	\$ 1,947,668	\$ 1,590,368	\$ 978,352	\$ 604,035	\$ 251,672	\$ 224,495	\$ 198,765	\$ 197,189	\$ 157,503	\$ 156,484	\$ 12,050,127	\$ 459,712	\$ 1,003,691	\$ 604,464	\$ 14,117,994	

CHALLENGED ATHLETES, INC. dba CHALLENGED ATHLETES FOUNDATION

Statements of Cash Flows

Year Ended March 31, 2025

Cash Flows from Operating Activities:

Increase in net assets	\$ 3,726,238
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	22,958
Change in value of beneficial interest in assets	(2,097,188)
Changes in operating assets and liabilities:	
Promises to give	568,130
Prepaid expenses and other current assets	170,998
Accounts payable	(178,580)
Accrued expenses	(24,005)
Advance income received	325,004
Grants payable	<u>(1,748,963)</u>
Net Cash Provided by Operating Activities	764,592

Cash Flows from Investing Activities:

Contributions to beneficial interest in assets	(714,500)
Distributions from beneficial interest in assets	<u>1,236,963</u>
Net Cash Provided by Investing Activities	<u>522,463</u>

Net Increase in Cash 1,287,055

Cash, beginning	<u>3,145,296</u>
Cash, ending	<u>\$ 4,432,351</u>

CHALLENGED ATHLETES, INC. dba CHALLENGED ATHLETES FOUNDATION

Notes to Financial Statements

Year Ended March 31, 2025

Note 1 - Organization and Summary of Significant Accounting Policies

Nature of Activities

Challenged Athletes, Inc. dba 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 accounting principles generally accepted in the United States of America (U.S. 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, whereby 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 U.S. GAAP 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.

CHALLENGED ATHLETES, INC. dba CHALLENGED ATHLETES FOUNDATION

Notes to Financial Statements

Year Ended March 31, 2025

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

Fair Value Measurements, continued

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, 2025, due to the relative short maturities of these instruments.

Cash and Cash Equivalents

The Foundation considers all highly liquid investment instruments purchased with an original maturity of three months or less at the date of purchase to be cash equivalents.

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 uncollectable pledges may be established based on specific circumstances. As of March 31, 2025, all promises to give were due within one year.

Property and Equipment

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. Donated property and equipment are recorded at fair value at the date of the gift. Depreciation is computed using the straight-line method over the estimated useful life of the assets, ranging from three to ten years.

Beneficial Interest in Assets

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 beneficial interest in assets held at JCF is not redeemable by the Foundation.

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. The beneficial interest in assets held at SDF is not redeemable by the Foundation.

JCF and SDF value securities and other financial instruments on a fair value basis of accounting. JCF and SDF invest 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.

CHALLENGED ATHLETES, INC. dba CHALLENGED ATHLETES FOUNDATION

Notes to Financial Statements

Year Ended March 31, 2025

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

Beneficial Interest in Assets, continued

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 believe their valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The beneficial 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 the investment pool as of the measurement date. Because the Foundation will never have the ability to redeem its investments at net asset value per share (or its equivalent), the fair value measurement of the beneficial interest in assets is categorized as a level 3 fair value measurement.

Advanced Income Received

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

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 and Services

The Foundation receives donated materials from various individuals and companies. 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.

CHALLENGED ATHLETES, INC. dba CHALLENGED ATHLETES FOUNDATION

Notes to Financial Statements

Year Ended March 31, 2025

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

Leases

The Foundation adheres to the accounting standard for leases, which provides detailed guidance for financial statement recognition, measurement, and disclosure of leases.

The Foundation determines if an arrangement is or contains a lease at contract inception. The Foundation recognizes a right-of-use asset and a lease liability at the lease commencement date. The lease liability is initially measured at the present value of the unpaid lease payments at the lease commencement date. Key estimates and judgments include how the Foundation determines the discount rate, the lease term, and the lease payments.

The exercise of lease renewal options is generally at the Foundation's sole discretion. Options that are reasonably certain to be exercised, considering all relevant economic and financial factors, are included in the lease term. Leases with an initial term of 12 months or less are not recorded on the statements of financial position. Lease expense is recognized for these leases on a straight-line basis over the lease term. The Foundation elected the package of practical expedients permitted under the transition guidance within the standard which, among other things, allowed the Foundation to carry forward the historical lease classification.

The Foundation has elected the practical expedient to account for the lease and non-lease components as a single lease component (e.g. maintenance and operating services). Therefore, for those leases, the lease payments used to measure the lease liability include all of the fixed consideration in the contract. All variable payments not based on a market rate or an index are expensed as incurred.

When the discount rate implicit in a lease is not readily determinable, the Foundation calculates the lease liability using the risk-free rate.

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 year ended March 31, 2025, 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.

The Foundation follows the provisions of uncertain tax positions as addressed in the Financial Accounting Standards Board (FASB) 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 year ended March 31, 2025. 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.

Subsequent Events

The Foundation has evaluated subsequent events through August 5, 2025, which is the date the financial statements were available to be issued.

CHALLENGED ATHLETES, INC. dba CHALLENGED ATHLETES FOUNDATION

Notes to Financial Statements

Year Ended March 31, 2025

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, 2025:

Cash	\$ 4,432,351
Promises to give	22,870
Other current assets	18,763
Anticipated distributions from endowments	<u>1,476,987</u>
Total financial assets	5,950,971
Less amounts not available to be used within one year:	
Restricted by donor with purpose or time restrictions for programs	<u>(187,150)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,763,821</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. For the year ended March 31, 2025, donor restricted net assets of \$187,150 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. \$1,476,987 of appropriations from the endowments are 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, 2025, the Foundation's net assets without donor restrictions balance were \$4,451,007.

Note 3 - Concentrations 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.

CHALLENGED ATHLETES, INC. dba CHALLENGED ATHLETES FOUNDATION

Notes to Financial Statements

Year Ended March 31, 2025

Note 4 - Property and Equipment

Property and equipment consist of the following at March 31, 2025:

Equipment and furniture	\$	360,230
Leasehold improvements		<u>229,578</u>
		589,808
Less accumulated depreciation		<u>(435,947)</u>
	\$	<u><u>153,861</u></u>

Note 5 - Beneficial Interest in Assets

Some 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 other beneficial interest in assets are board designated endowments and is therefore included in net assets without donor restrictions.

Effective June 30, 2024, the Foundation's agreement with JCF was modified, changing the nature of the existing beneficial interest in assets without donor restrictions to beneficial interest in assets with donor restrictions. In addition, once both the principal gift balance of the fund exceeds \$20,000,000 (benchmark reached in March 2024) and the fair market value of the fund exceeds \$25,000,000 (benchmark reached in July 2025), distributions thereafter shall not reduce the fair market value of the fund below \$20,000,000. Until both criteria are met (not necessarily at the same time), normal distributions will be made by JCF.

The following is a summary of changes in the level 3 beneficial interest in assets measured at fair value on a recurring basis for the year ended March 31, 2025:

	Without Donor Restrictions	With Donor Restrictions	Total
Beneficial interest in assets, beginning	\$ 12,081,304	\$ 15,883,709	\$ 27,965,013
Purchases	-	714,500	714,500
Distributions	(185,876)	(1,051,087)	(1,236,963)
Investment return, net	182,801	1,914,387	2,097,188
Transfer	<u>(7,701,899)</u>	<u>7,701,899</u>	-
Beneficial interest in assets, ending	<u>\$ 4,376,330</u>	<u>\$ 25,163,408</u>	<u>\$ 29,539,738</u>

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

CHALLENGED ATHLETES, INC. dba CHALLENGED ATHLETES FOUNDATION

Notes to Financial Statements

Year Ended March 31, 2025

Note 6 - Restrictions on Net Assets

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

Purpose Restrictions:

Grants for discretionary purposes	\$ 142,094
Idaho	45,056
	<hr/> 187,150

Time Restrictions:

Undesignated promises to give	22,870
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Time Restricted - Endowments:

CAF-Robin Williams Endowment Fund	23,916,768
Robert Spotswood Memorial Fund	1,043,566
Project H.I.G.H.	203,074
	<hr/> 25,163,408
	<hr/> <u>\$ 25,373,428</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:

Satisfaction of purpose restrictions:

Access for Athletes	\$ 2,552,454
Idaho	1,590,368
Operation Rebound	859,902
San Diego Triathlon Challenge	315,914
Northeast	120,925
Special events	89,756
Other	82,151
Catch a Rising Star	52,376
Northern California	29,996
	<hr/> 5,693,842
Unconditional Promises to Give	591,000
	<hr/> <u>\$ 6,284,842</u>

CHALLENGED ATHLETES, INC. dba CHALLENGED ATHLETES FOUNDATION

Notes to Financial Statements

Year Ended March 31, 2025

Note 7 - 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 U.S. 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, 2025, the endowment funds consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated quasi-endowment funds	\$ 4,376,330	\$ -	\$ 4,376,330

Donor restricted funds:

Original donor-restricted gift amount required to be maintained in perpetuity by donor:

Endowments	-	888,709	888,709
Beneficial interest in assets	-	22,171,557	22,171,557
Accumulated investment gains	-	2,103,142	2,103,142
	<u>\$ 4,376,330</u>	<u>\$ 25,163,408</u>	<u>\$ 29,539,738</u>

The changes in endowment net assets for the year ended March 31, 2025 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$ 12,081,304	\$ 15,883,709	\$ 27,965,013
Contributions	-	714,500	714,500
Distributions	(185,876)	(1,051,087)	(1,236,963)
Investment return, net	182,801	1,914,387	2,097,188
Transfer	(7,701,899)	7,701,899	-
Endowment net assets, ending	<u>\$ 4,376,330</u>	<u>\$ 25,163,408</u>	<u>\$ 29,539,738</u>

CHALLENGED ATHLETES, INC. dba CHALLENGED ATHLETES FOUNDATION

Notes to Financial Statements

Year Ended March 31, 2025

Note 8 - Contributed Nonfinancial Assets

For the year ended March 31, 2025, contributed nonfinancial assets recognized within the statements of activities included:

Program services	\$	1,322,136
Equipment		733,149
Event supplies		448,468
General services		42,155
	\$	<u>2,545,908</u>

The Foundation recognized contributed nonfinancial assets within revenue, including equipment, program services, event supplies, vehicles, event services, and general services. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed equipment recognized is comprised of sports equipment and negotiated vendor discounts. Contributed event supplies recognized are comprised primarily of clothing, event gear, and personal care items. Contributed equipment and event supplies are valued and reported at the estimated fair value in the financial statements based on current rates for similar products.

Contributed services recognized are comprised of IT services, audiovisual services, and gym memberships. Contributed services are valued and reported at the estimated fair value in the financial statements based on current rates for similar services.

Contributed equipment, supplies, and services were utilized for general and administrative purposes, fundraising, and the following programs: Access for Athletes, San Diego Triathlon Challenge, Idaho, Operation Rebound, Catch a Rising Star, Northern California, Northeast and JSF Surf.

Contributed use of vehicles recognized is valued and reported at the estimated cost to lease each vehicle over the period the vehicles are loaned. These contributed nonfinancial assets were utilized for general and administrative purposes.

Note 9 - Leases

The Foundation has an operating lease of an office building under agreement with a contractual period of 3 years. The building is located in California. The lease contains two 5-year options to extend, of which the Foundation has already exercised the first option and has exercised the second option in July 2025. The lease agreement does not contain any material residual value guarantees.

The following summarizes the operating leases as of March 31, 2025:

Operating lease right-of-use assets	\$	<u>128,484</u>
Current portion of operating lease liabilities	\$	128,484
Operating lease liabilities, net of current portion		<u>-</u>
Total operating lease liabilities	\$	<u>128,484</u>

CHALLENGED ATHLETES, INC. dba CHALLENGED ATHLETES FOUNDATION

Notes to Financial Statements

Year Ended March 31, 2025

Note 9 - Leases, continued

The amounts contractually due on operating lease liabilities as of March 31, 2025 were as follows:

2025	\$	129,323
Total lease payments		<u>129,323</u>
Less interest		<u>(839)</u>
Present value of lease liabilities	\$	<u><u>128,484</u></u>

The occupancy line item in the statement of functional expenses includes the \$221,697 operating lease expense for the year ended March 31, 2025.

Supplemental cash flow information related to leases for the year ended March 31, 2025 was as follows:

Cash paid for amounts included in measurement of lease liabilities:

Operating cash flows from operating leases	\$	221,697
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Supplemental statement of financial position information related to operating leases as of March 31, 2025 was as follows:

Weighted average remaining lease term	0.58
Weighted average discount rate	2.61%

Related party leases included the following information at March 31, 2025:

Operating lease right-of-use assets	\$	128,484
Operating lease liabilities	\$	128,484
Operating lease expense	\$	221,697
Operating cash flows from operating leases	\$	221,697

Note 10 - Employee Retirement Plan

The Foundation has a 401(k) retirement plan covering all eligible employees. The plan provides for employer contributions of 3% of employee eligible wages after completing one year of service. Retirement plan expense for the year ended March 31, 2025 was \$82,057.

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 and are not recorded in the Foundation's financial statements. For the year ended March 31, 2025, these funds had a fair market value of \$161,662. In June 2024, the Foundation requested a distribution of the agency non-endowment account funds at SDF which was approved and distributed in the amount of \$2,370,000.

CHALLENGED ATHLETES, INC. dba CHALLENGED ATHLETES FOUNDATION

Notes to Financial Statements

Year Ended March 31, 2025

Note 12 - Contingencies

Employee Retention Tax Credits

The Foundation received employee retention tax credits in 2022 that may be subject to an audit. No provision has been made in 2025 for any liabilities that may arise from such audit since the amounts, if any, cannot be determined. Management believes that any liability which may result from this audit would not be material.