

MARATHON KIDS, INC.
(A Nonprofit Corporation)

INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

MAY 31, 2025

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(A Nonprofit Corporation)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Marathon Kids, Inc.
Austin, Texas

Opinion

We have audited the accompanying financial statements of Marathon Kids, Inc. (a nonprofit corporation) which comprise the statement of financial position as of May 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 Marathon Kids, Inc. as of May 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 Marathon Kids, Inc. 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 Marathon Kids, Inc.'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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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 to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Marathon Kids, Inc.'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 Marathon Kids, Inc.'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.

Allman & Associates, Inc.

Austin, Texas
November 18, 2025

MARATHON KIDS, INC.
(A Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION

MAY 31, 2025

Assets

Current Assets:	
Cash and cash equivalents	\$ 124,034
Investments	1,042,129
Accounts receivable	8,115
Contributions receivable	675,000
Inventory	6,594
Prepaid expenses and other assets	<u>19,382</u>
Total Current Assets	1,875,254
Security deposit	3,781
Property and equipment, net of accumulated depreciation	305,892
Right of use asset - operating lease	200,993
Intangible assets	<u>200,000</u>
Total Assets	<u><u>\$ 2,585,920</u></u>
Liabilities and Net Assets	
Current Liabilities:	
Accounts payable	\$ 16,271
Deferred revenue	92,057
Right of use liability - operating lease, current	<u>35,242</u>
Total Current Liabilities	143,570
Right of use liability - operating lease, long-term	<u>176,563</u>
Total Liabilities	<u>320,133</u>
Net Assets:	
Without donor restrictions	1,590,787
With donor restrictions	<u>675,000</u>
Total Net Assets	<u>2,265,787</u>
Total Liabilities and Net Assets	<u><u>\$ 2,585,920</u></u>

See accompanying independent auditors' report and notes to financial statements.

MARATHON KIDS, INC.
(A Nonprofit Corporation)

STATEMENT OF ACTIVITIES

YEAR ENDED MAY 31, 2025

Net Assets Without Donor Restrictions:

Revenues and Support:

Contributions	\$ 952,153
Registrations	243,023
Sponsorships	44,320
In-kind contributions	225,686
Return on investments	54,991
Fees for service	102,293
Membership dues	17,939

Total Revenues 1,640,405

Net assets released from restrictions 481,142

Total Revenues and Support 2,121,547

Expenses:

Marathon Kids Program	2,149,539
General and administrative	144,139
Fundraising	94,691

Total Expenses 2,388,369

Change in net assets without donor restrictions (266,822)

Net Assets With Donor Restrictions:

Contributions	675,000
Net assets released from restrictions	<u>(481,142)</u>

Change in net assets with donor restrictions 193,858

Total change in net assets (72,964)

Net assets, beginning of year 2,338,751

Net assets, end of year \$ 2,265,787

See accompanying independent auditors' report and notes to financial statements.

MARATHON KIDS, INC.
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STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED MAY 31, 2025

<u>Expense Category</u>	<u>Marathon Kids Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Totals</u>
Banking and automation fees \$	14	\$ 1,955	\$ -	\$ 1,969
Office expenses	41,925	4,041	4,779	50,745
Rent	34,744	2,171	6,514	43,429
Telephone	2,390	-	-	2,390
Computer and IT	234,322	24,262	736	259,320
Insurance	3,401	5,318	86	8,805
Event and program expenses	436,172	1,650	10,520	448,342
Marketing and promotion	272,604	718	359	273,681
Professional fees	195,540	68,992	9,246	273,778
Payroll taxes	58,211	2,099	3,406	63,716
Employee benefits	68,579	2,963	435	71,977
Salaries and wages	722,384	21,579	43,750	787,713
Interest	-	235	-	235
Depreciation	79,253	8,156	14,860	102,269
Total Expenses	<u>\$ 2,149,539</u>	<u>\$ 144,139</u>	<u>\$ 94,691</u>	<u>\$ 2,388,369</u>

See accompanying independent auditors' report and notes to financial statements.

MARATHON KIDS, INC.
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STATEMENT OF CASH FLOWS

YEAR ENDED MAY 31, 2025

Cash Flows From Operating Activities:	
Change in Net Assets	\$ (72,964)
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	102,269
Dividends reinvested, net of fees	(19,763)
Realized and unrealized (gains) losses on investments	(33,935)
Noncash portion of lease expense for operating lease	33,093
Change in assets and liabilities:	
Decrease (increase) in accounts receivable	(6,715)
Decrease (increase) in contributions receivable	(175,000)
Decrease (increase) in inventory	(232)
Decrease (increase) in prepaid expenses and other assets	50,048
Increase (decrease) in accounts payable	(23,143)
Increase (decrease) in accrued interest	(3,079)
Increase (decrease) in deferred revenue	(153,767)
Increase (decrease) in repayments of lease liabilities	<u>(22,281)</u>
Net Cash Flows Used by Operating Activities	<u>(325,469)</u>
Cash Flows From Investing Activities:	
Proceeds from sales/maturities of investments	<u>300,000</u>
Net Cash Flows Provided from Investing Activities	<u>300,000</u>
Cash Flows From Financing Activities:	
Payments on long-term debt	<u>(25,000)</u>
Net Decrease in Cash and Cash Equivalents	(50,469)
Cash and Cash Equivalents at beginning of year	<u>174,503</u>
Cash and Cash Equivalents at end of year	<u><u>\$ 124,034</u></u>
Supplemental data:	
Income taxes paid	<u>\$ -</u>
Interest paid	<u>\$ -</u>
Non-cash investing or financing activities:	
Lease assets obtained in exchange for lease liabilities	<u><u>\$ 234,086</u></u>

See accompanying independent auditors' report and notes to financial statements.

MARATHON KIDS, INC.
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2025

1. Organization

Marathon Kids, Inc. (the Organization) incorporated in the State of Texas on February 26, 2004 and merged with another Texas non-profit organization, Austin Runners Club effective June 1, 2022. The Organization's mission is to transform lives through running and build active communities for people of all ages, abilities, and backgrounds. Through the Marathon Kids youth program, the Organization enables children at schools across the country to improve their health and fitness through running. The Organization also supports the local Austin running community with races and a membership program. The Organization is funded primarily through contributions, fees for service, membership, and race registrations.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to not-for-profit organizations. Under the accrual basis, revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recorded in the accounting period incurred, regardless of when cash is disbursed.

Financial Statement Presentation

Financial statement presentation follows the recommendation of the "Financial Statements of Not-For-Profit Organizations" section of the Accounting Standards Codification (ASC). Under the ASC, the Organization is required to report information regarding its financial position and activities according to two classes of net assets as applicable.

- a) *Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Net assets without donor restrictions include the revenues and expenses of the primary operations of the Organization.
- b) *Net assets with donor restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

MARATHON KIDS, INC.
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NOTES TO FINANCIAL STATEMENTS

MAY 31, 2025

2. Summary of Significant Accounting Policies (continued)

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates are used in the functional allocation of expenses and depreciation.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all checking accounts, savings accounts, money market funds, and certificates of deposit purchased with initial maturities of three months or less to be cash equivalents, unless designated for investment purposes.

Investments

The Organization records investments using the guidance of FASB ASC 985-320, *Not-for-Profit Entities: Investments – Debt and Equity Securities*. Investments are stated at their readily determinable fair values in the statement of financial position. Dividends net of fees and unrealized gains and losses are included in the change in net assets.

Property and Equipment

Property and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the assets, generally three to five years for furniture and equipment, and five years for software and website development. Donations of property and equipment are recorded as support at their estimated values. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long these assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed into service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

MARATHON KIDS, INC.
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NOTES TO FINANCIAL STATEMENTS

MAY 31, 2025

2. Summary of Significant Accounting Policies (continued)

Receivables

Receivables consist of contributions, registrations, sponsorships, and fees for service. An allowance for credit losses is evaluated on an annual basis and is based on historical experience and specifically identified questionable receivables. The evaluation is inherently subjective as it requires estimates that are susceptible to significant revisions as more information becomes available. As of May 31, 2025, the Organization determined no allowance for credit losses for accounts receivable was necessary. No allowance for contributions receivable was needed as all are deemed collectible.

Revenue Recognition

Revenue from contracts with customers are recorded when the underlying performance obligations are met, in accordance with FASB, Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). When the Organization receives payment in advance, a contract liability is recorded as deferred revenue and the reduced when the revenue is recognized. Revenue consists primarily of registrations, sponsorships, fees for services and membership dues.

Contributions, including unconditional pledges and grants, are recorded when received. In accordance with FASB Accounting Standards Codification (ASC) 958-605, *Not-For-Profit Entities Revenue Recognition*, contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Conditional pledges are recognized when the conditions on which they depend are substantially met.

Inventory

Inventories (t-shirts, dog tags, shoe-tags socks and hats) are stated at the lower of cost (average cost) or market.

Functional Allocation of Expenses

The costs of providing the various programs and activities of the Organization have been summarized on a functional basis in the statement of activities. The statement of functional expenses reports the natural classification detail of expenses by function. Expenses that can be identified with a specific program or relate to a specific source of revenue are allocated directly to that program. Indirect expenses have been allocated based on management's estimates. General and administrative expenses support the overall direction of the Organization.

MARATHON KIDS, INC.
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NOTES TO FINANCIAL STATEMENTS

MAY 31, 2025

2. Summary of Significant Accounting Policies (continued)

Income Taxes

The Organization is generally exempt from federal income taxes under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3). Furthermore, the Organization is a publicly supported organization described in sections 509(a)(1) and 170(b)(1)(A)(vi). Therefore, no provision for income taxes has been included in these financial statements.

The Organization has adopted the recognition requirements for uncertain income tax positions as required by GAAP, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more likely than not be sustained upon examination by taxing authorities. The Organization has analyzed the tax positions taken in its filings with the Internal Revenue Service and state jurisdictions where it operates. The Organization believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial position, changes in net assets or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at May 31, 2025. The Organization is subject to income tax audits for the previous three years. There is currently no income tax audits for any tax periods in progress.

Concentration of Credit Risk

Financial instruments which potentially subject the Organization to credit risk consist of cash and cash equivalents, investments, and receivables. All depositor's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, are insured by the FDIC up to the maximum deposit insurance amount of \$250,000. As of May 31, 2025, the Organization's cash balance was completely insured by FDIC. The Organization has not experienced any losses in any of these accounts in the past.

The Organization's investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the near-term could materially affect the amounts reported in the statement of financial position.

The Organization generally does not maintain collateral for its receivables and does not believe significant credit risk exists as May 31, 2025.

MARATHON KIDS, INC.
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NOTES TO FINANCIAL STATEMENTS

MAY 31, 2025

2. Summary of Significant Accounting Policies (continued)

Lease

For leases entered into after the July 1, 2022 transition date, the determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed. The most significant change in the new leasing guidance is the requirement to recognize right-to-use (ROU) assets and lease liabilities for operating leases on the statement of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent its obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term.

the Organization uses its incremental borrowing rate based on the information available at lease commencement or a risk-free rate based on U.S. Treasury rates for periods comparable with that of the remaining lease term. Operating lease ROU assets also includes any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. When the Organization has lease agreements with lease and non-lease components, non-lease components are separated from lease components based on the terms of the related lease.

3. Investments

Investments comprised the following at May 31, 2025:

Bank sweep	\$	62,861
Fixed income mutual funds		48,430
Equities		584,327
Equity funds		263,607
Exchange traded funds		82,904
Total Investments	\$	<u>1,042,129</u>

MARATHON KIDS, INC.
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NOTES TO FINANCIAL STATEMENTS

MAY 31, 2025

3. Investments (continued)

Return on investments comprised the following for the year ended May 31, 2025:

Interest and dividends	\$	26,248
Interest on savings		1,293
Realized and unrealized gains (losses)		33,935
Investment expense		(6,485)
Total Return on Investments	\$	<u>54,991</u>

4. Property and Equipment

At May 31, 2025, property and equipment consisted of the following:

Furniture and equipment	\$	14,347
Website development and software		<u>1,420,284</u>
Total Property and Equipment		1,434,631
Less accumulated depreciation		<u>(1,128,739)</u>
Total Property and Equipment, Net	\$	<u>305,892</u>

For the year ended May 31, 2025, depreciation expense was recorded in the amount of \$102,269.

5. Intangible Assets

In March 2013, the Organization entered into an agreement for the purchase and acquisition of all intellectual and other property rights related to the "Marathon Kids" brand, including but not limited to trade names, trademarks, URLs, goodwill or other tangible or intangible property associated with the brand. The Organization agreed to pay a total of \$200,000. As of May 31, 2015, the amount had been paid in full. Accounting standards require that the Organization assess the fair value of the intangible assets on an annual basis. The Organization has determined that the value of \$200,000 for the intangible asset was not impaired at May 31, 2025.

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NOTES TO FINANCIAL STATEMENTS

MAY 31, 2025

6. Long-Term Debt

A promissory note was signed on May 25, 2022 in the amount of \$70,000 with an interest rate of 2.76%. The promissory note is entered into in support of acquiring the rights and supporting assets of the 2022, 2023 and 2024 Zilker Relays race. The rights were acquired for \$170,000 with a cash payment of \$100,000 made during the year ended May 31, 2022 and is recorded in prepaid expenses on the statement of financial position and the remainder of \$70,000 as the promissory note. The promissory note terms of payment are for a \$20,000 payment after the 2022 Zilker Relays race and a \$25,000 payment after both 2023 and 2024 Zilker Relays race. The \$20,000, \$25,000, and \$25,000 payments were made during the years ended May 31, 2023, 2024, and 2025 respectively. The promissory note balance at May 31, 2025 has been paid in full.

7. Retirement Plan

In July 2009, the Organization established a Savings Incentive Match Plan for Employees (SIMPLE) Plan. Employees who are reasonably expected to receive at least \$5,000 in compensation for the current year and have completed one year of service are eligible to participate in the Plan beginning in the first January after the completion of one year of employment. The Organization matches contributions to the Plan up to 3% of eligible compensation.

Effective January 1, 2014, the Organization amended the SIMPLE Plan to allow employees to participate after the completion of six months of employment. The Organization continues to match contributions to the Plan up to 3% of eligible compensation.

Retirement plan expense for the year ended May 31, 2025 totaled \$5,172.

8. Net Assets with Donor Restrictions

During the year ended May 31, 2024, a contribution with donor restrictions of \$500,000 was received for the Organization's "Girl Movement" initiative. During the year ended May 31, 2025, \$481,142 of the amount was released to net assets without donor restrictions because of the satisfaction of purpose restrictions.

During the year ended May 31, 2025, contributions with donor restrictions of \$675,000 was received with \$175,000 for general support and \$500,000 for the Organization's "Girl Movement" initiative. The total amount \$675,000 is in net assets with donor restrictions as of May 31, 2025.

MARATHON KIDS, INC.
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NOTES TO FINANCIAL STATEMENTS

MAY 31, 2025

9. In-Kind Contributions

During the year ending May 31, 2025, the Organization received in-kind advertising for Google Ads and from a local television station. The fair market value of the in-kind donations was \$75,686 for the year ending May 31, 2025, and donated equipment valued at \$150,000 are included in in-kind revenue on the statement of activities and marketing and promotion on the statement of functional expenses.

The Organization also received substantial donated service hours by unpaid volunteers who assist with the Organization's programs and fundraising activities. These services have not created nor enhanced nonfinancial assets, nor required specialized skills that would typically need to be purchased if not provided by donation. Therefore, in accordance with GAAP, the value of these services has not been recorded in these financial statements.

10. Fair Value Measurements and Disclosures

The requirements of Fair Value Measurements and Disclosures of the Accounting Standards Codification apply to all financial instruments and all nonfinancial assets and nonfinancial liabilities that are being measured and reported on a fair value basis. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement is the same in both cases – to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price). Fair Value Measurements and Disclosures also establish a fair value hierarchy that prioritizes the inputs used in valuation methodologies into the following three levels:

- Level 1 Inputs – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
- Level 2 Inputs – Inputs other than quoted prices included with Level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3 Inputs – Unobservable inputs for the asset or liability.

The fair value of the Organization's cash, accounts receivable, prepaid expenses, and accounts payable, approximates the carrying amounts of such instruments due to their short maturity.

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NOTES TO FINANCIAL STATEMENTS

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10. Fair Value Measurements and Disclosures (continued)

The following table represents assets and liabilities reported on the statement of financial position at their fair value as of May 31, 2025 by level within the fair value measurement hierarchy.

Description	Amount	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Bank sweep	\$ 62,861	\$ -	\$ 62,861	\$ -
Fixed income mutual funds	48,430	48,430	-	-
Equities	584,327	584,327	-	-
Equity funds	263,607	263,607	-	-
Exchange traded funds	82,904	82,904	-	-
Total Investments	<u>\$ 1,042,129</u>	<u>\$ 979,268</u>	<u>\$ 62,861</u>	<u>\$ -</u>

The following is a reconciliation of assets and liabilities for which significant unobservable inputs (level 3) were used in determining fair value at May 31, 2025:

Beginning balance	\$ 25,000
Proceeds from note payable	-
Principal repayments	(25,000)
Ending balance	<u>\$ -</u>

11. Right of Use Asset and Liability – Operating Lease

The Organization leases office space effective June 1, 2024 for 39 months to August 31, 2027. Per the terms of the agreement, the base rent for the first year is \$3,612 a month and each year increases by a nominal amount. The agreement provides for a three-year extension to the lease if terms are agreed to by both parties. Lease expense for the year ended May 31, 2025 was \$43,429.

The operating lease asset and liability were calculated using the risk-free discount rates of 4.52%.

The line item in the statement of functional expenses which included the components of lease costs in rent.

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11. Right of Use Asset and Liability – Operating Lease (continued)

Future equipment lease payments as of May 31, 2025 and the present value of payments under the operating lease obligations are as follows:

Year	Amount
2026	\$ 44,091
2027	44,730
2028	45,369
2029	46,008
2030	46,647
2031	11,822
Total minimum lease payments	238,667
Amount representing interest	(26,862)
Present value of minimum lease payments	\$ 211,805

12. Deferred Revenue

The following table provides information about significant changes in deferred revenue for the year ended May 31, 2025:

	Sponsorship	Registrations	Total
Deferred revenue, beginning of year	\$ 229,169	\$ 16,655	\$ 245,824
Revenue recognized that was included in deferred revenue at the beginning of year	(229,169)	(16,655)	(245,824)
Increase in deferred revenue due to cash received during the year	72,500	19,557	92,057
Deferred revenue, end of year	\$ 72,500	\$ 19,557	\$ 92,057

13. Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

MARATHON KIDS, INC.
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NOTES TO FINANCIAL STATEMENTS

MAY 31, 2025

13. Liquidity and Availability (continued)

Cash and cash equivalents	\$ 124,034
Short-term investments	1,042,129
Accounts receivable	8,115
Contribution receivable	675,000
Less: net assets with donor restrictions	<u>(675,000)</u>
Financial assets available for general expenditures within one year	<u><u>\$ 1,174,278</u></u>

The Organization does not have a formal liquidity policy, but intends to meet cash needs through contributions, fees for service, and meeting budget expectations.

14. Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. Management evaluated subsequent events through the date of November 18, 2025, the date the financial statements were available for issuance, and there were no subsequent events to disclose.