CHALLENGE ASPEN

AUDITED FINANCIAL STATEMENTS

May 31, 2015

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REESE HENRY
& COMPANY, INC.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Challenge Aspen
Snowmass Village, Colorado

We have audited the accompanying financial statements of Challenge Aspen (a nonprofit organization), which comprise the statement of financial position as of May 31, 2015, and the related statements of activities and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 of 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.

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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 Challenge Aspen as of May 31, 2015, 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

Reese Henry & Company, Inc.

Certified Public Accountants
Aspen, Colorado
April 7, 2016

CHALLENGE ASPEN

STATEMENT OF FINANCIAL POSITION

May 31, 2015

ASSETS		
Cash and Cash Equivalents	$	334,784
Accounts Receivable		33,571
Pledges Receivable		50,000
Inventory		6,750
Investments		928,947
Prepaid Expenses		11,802
Property and Equipment, Net		1,868,271
TOTAL ASSETS	**$**	**3,234,125**
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	$	39,839
Accrued Expenses		2,124
Deferred Revenue		77,950
TOTAL LIABILITIES		**119,913**
NET ASSETS		
Unrestricted, Undesignated		712,326
Unrestricted, Invested in Fixed Assets		1,868,271
Board Restricted		241,831
Total Unrestricted		2,822,428
Temporarily Restricted		243,619
Permanently Restricted		48,165
TOTAL NET ASSETS		**3,114,212**
TOTAL LIABILITIES AND NET ASSETS	**$**	**3,234,125**

The accompanying notes are an integral part of the financial statements.

CHALLENGE ASPEN

STATEMENT OF ACTIVITIES

For the Year Ended May 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions	$ 484,881	$ 113,545	$ -	$ 598,426
Aspen Skiing Company In-Kind Donations	1,300,971	-	-	1,300,971
In-Kind Donations	51,980	-	-	51,980
Grants	145,262	120,000	-	265,262
Fundraising Events	1,189,649	-	-	1,189,649
Program Service Fees	44,381	-	-	44,381
Merchandise Sales, net	(6,353)	-	-	(6,353)
Investment Income	829	-	-	829
Gain on Sale of Assets	1,000	-	-	1,000
Other Income	2,129	-	-	2,129
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	236,189	(236,189)	-	-
TOTAL SUPPORT AND REVENUE	**3,450,918**	**(2,644)**	**-**	**3,448,274**
EXPENSES				
Program Services	2,408,362	-	-	2,408,362
General and Administrative	227,916	-	-	227,916
Fundraising	119,040	-	-	119,040
Fundraising Events	249,464	-	-	249,464
TOTAL EXPENSES	**3,004,782**	**-**	**-**	**3,004,782**
CHANGE IN NET ASSETS	**446,136**	**(2,644)**	**-**	**443,492**
NET ASSETS, June 1, 2014	**2,376,292**	**246,263**	**48,165**	**2,670,720**
NET ASSETS, May 31, 2015	**$ 2,822,428**	**$ 243,619**	**$ 48,165**	**$ 3,114,212**

The accompanying notes are an integral part of the financial statements.

CHALLENGE ASPEN

STATEMENT OF CASH FLOWS

For the Year Ended May 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	$ 443,492
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by / (Used in) Operating Activities:	
Depreciation Expense	35,969
Non-Cash Donations/Stocks	(316,659)
Unrealized (Gain) / Loss on Investments	9,820
(Increase) Decrease in Accounts Receivable	931
(Increase) Decrease in Pledges Receivable	5,000
(Increase) Decrease in Inventory	6,442
(Increase) Decrease in Prepaid Expenses	5,871
Increase (Decrease) in Accounts Payable	14,638
Increase (Decrease) in Accrued Expenses	1,180
Increase (Decrease) in Deferred Revenue	13,450
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**220,134**
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Property and Equipment	(42,419)
Purchase of Investments	(5,722)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	**(48,141)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**171,993**
CASH AND CASH EQUIVALENTS, June 1, 2014	**162,791**
CASH AND CASH EQUIVALENTS, May 31, 2015	**$ 334,784**

The accompanying notes are an integral part of the financial statements.

CHALLENGE ASPEN

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended May 31, 2015

1. ORGANIZATION AND PURPOSE

Challenge Aspen (the Organization) was incorporated August 15, 1995 as a nonprofit corporation under the laws of the State of Colorado. The Organization provides year-round recreational and cultural activities in the Aspen, Colorado area for persons with disabilities. The Organization has been granted an exemption from federal taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as a publicly supported charity under Section 509(a)(1) of the Code. The Organization is supported primarily through donor contributions and grants.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING
The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

FINANCIAL STATEMENT PRESENTATION
The Organization is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted Net Assets: Net assets that are not subject to donor-imposed stipulations.
Temporarily Restricted Net Assets: Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
Permanently Restricted Net Assets: Net assets that are subject to donor-imposed stipulations requiring that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

CASH AND CASH EQUIVALENTS
For purposes of the statement of cash flows, highly liquid investments with an initial maturity of three months or less are considered to be cash equivalents. Restricted cash and cash equivalents are limited in use. Cash and short-term investments held in a bank money market account are reported as investments instead of cash because the Organization holds those funds for long term investing purposes.

The Board strives to maintain cash balances equivalent to one year of operating expenditures to mitigate the potential loss of funding sources.

ACCOUNTS RECEIVABLE

Accounts receivable are stated at the amount the Organization expects to collect from outstanding balances. The Organization provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after the Organization has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements

PLEDGES RECEIVABLE

Unconditional pledges receivable are recognized as contribution revenue in the period the pledge is received and as assets, decreases of liabilities, or expenses depending on the form of the benefit received. Pledges are recorded at net realizable value if expected to be collected in one year and at present value if expected to be collected in more than one year. Conditional pledges are recognized when the conditions on which they depend are substantially met. The Organization considers all pledges to be collectible; therefore, no allowance for uncollectible pledges has been booked as of May 31, 2015.

INVENTORY

Inventory is stated at cost, which is lower than market, using the first-in, first-out method.

INVESTMENTS

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are measured at fair market value in the Statement of Financial Position. The unrealized gain or loss on investments is reflected in the Statements of Activities.

PREPAID EXPENSES

Prepaid expenses consist of various items that will be fully expensed in the next fiscal year.

FAIR VALUE MEASUREMENTS

The Organization is subject to the provisions of *Fair Value Measurements and Disclosures* Topic of FASB ASC. This standard requires use of a fair value of hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3).

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost when purchased. Depreciation is computed on the straight line method over the estimated useful lives of the assets.

Donations of property and equipment are recorded as support at their estimated fair value. 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 those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated on acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

DEFERRED REVENUE
Income from fundraising events is deferred and recognized in the period the event is held.

COMPENSATED ABSENCES
Employees of the Organization are entitled to paid vacation, depending on length of service. It is impractical to estimate the amount of compensation for absences and, accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the costs of compensated absences when actually paid to employees.

CONTRIBUTIONS
The Organization follows FASC 958-605, *Revenue Recognition*. In accordance with FASC 958-605, contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions when the pledge is made. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions received with donor imposed restrictions that are met in the same year in which the contributions were received, are recorded as temporarily restricted and re-classified as unrestricted contributions when the restrictions have been met.

DONATED SERVICES
Donated services are recognized as contributions in accordance with FASC 958-605, *Revenue Recognition*, if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provide services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under FASC 958-605 were not met.

INCOME TAX STATUS
The Organization is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. Contributions to the Organization are tax deductible as permitted under the Code.

The Organization has adopted FASC Topic 740-10, *Accounting for Uncertainty in Income Taxes*, which prescribes when to recognize and how to measure the financial statement effects of income tax positions taken or expected to be taken on its income tax returns. These rules require management to evaluate the likelihood that, upon examination by relevant taxing jurisdictions, those income tax positions would be sustained. Based on that evaluation, the Organization only recognizes the maximum benefit of each income tax position that is more than 50% likely of being sustained. To the extent that all or a portion of the benefits of an income tax position are not recognized, a liability would be recognized for the unrecognized benefits, along with any interest and penalties that would result from disallowance of the position. Should any such penalties and interest be incurred, they would be recognized as operating expenses.

The Organization had no material unrecognized tax benefits for the year ended May 31, 2015. As a result, no interest or penalties were accrued for unrecognized tax benefits during the year.

As of May 31, 2015 the tax years ended May 31, 2012, 2013, and 2014 remain subject to examination by taxing authorities.

FUNCTIONAL EXPENSES
The costs of producing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

ADVERTISING
The Organization expenses advertising costs as incurred. Total advertising expense was $68,052 for the year ended May 31, 2015.

USE OF ESTIMATES
The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

3. PLEDGES RECEIVALBE

At May 31, 2015 all pledges are receivable within one year. Accordingly no discount was taken.

4. INVESTMENTS

Investments are stated at fair value and consist of the following:

Money Funds	$ 14,452
Mutual Funds	283,346
Fixed Income Securities	599,657
Equities	31,492
Total Investments	$ 928,947

Investment Income is summarized as follows:

Bank Interest	$ 637
Interest & Dividends	10,682
Net Unrealized Gain (Loss)	(9,820)
Investment Fees	(670)
Total	$ 829

The Organization's endowment consists of funds established to provide the Organization with a continual source of earnings for operations. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has not adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Though they have not adopted the Act, the Board classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The expendable investment income from the corpus, which includes interest and dividends, realized and unrealized gains, net of administrative fees, is included in the unrestricted net assets. The Organization is committed to preserving the corpus of the endowment funds.

The Organization has a formal investment policy that includes all investments – those for endowment as well as other investment funds. Under this policy, management of the investments is delegated to the investment advisor, who regularly meets with the CEO and provides board members with quarterly statements.

The Organization's spending policy is to only spend earnings and not invade corpus.

Permanently restricted endowment net asset composition consists of donor-restricted funds totaling $48,165. There were no changes in the permanently restricted net asset balance during the year ended May 31, 2015.

5. FAIR VALUE MEASUREMENTS

GAAP requires disclosure of an estimate of fair value of certain financial instruments. The fair value option was chosen to measure all financial assets and liabilities in order to mitigate volatility in reported changes in net assets. The carrying amount reported in the statement of financial position for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate fair value because of the immediate or short-term maturities of these financial instruments.

Pledges receivable and investments measured on a recurring basis and reported at fair value are classified and disclosed in one of the three fair value hierarchy categories. The following table summarizes the valuation of the Organization's investments by the above fair value hierarchy levels as of May 31, 2015:

	Fair Value	Level 1	Level 3
Pledges Receivable	$ 50,000	$ -	$ 50,000
Money Funds	14,452	14,452	-
Mutual Funds	283,346	283,346	-
Fixed Income Securities	599,657	599,657	-
Call Options	31,492	31,492	-
	$ 978,947	$ 928,947	$ 50,000

The change in net assets and liabilities measured at fair value for which the Organization has used Level 3 inputs to determine fair value are as follows:

Beginning Balance	$ 55,000
New Pledges Received and Included in Changes in Net Assets	50,000
Payments Received on Pledges	(55,000)
Ending Balance	$ 50,000

Because all pledges at the beginning and end of the year were due in less than one year, there is no present value discount adjustment.

6. PROPERTY & EQUIPMENT

Property and equipment consist of the following:

Land	$ 1,747,929
Leasehold Improvements	85,120
Equipment	285,081
Furniture & Fixtures	41,690
Computer & Office Equipment	15,525
Vehicles	80,626
	2,255,971
Less Accumulated Depreciation	(387,700)
	$ 1,868,271

7. UNRESTRICTED BOARD DESIGNATED NET ASSETS

The board intends to designate up to one year's operating expenses. At May 31, 2015 the board has designated $241,831.

8. TEMPORARILY RESTRICTED ASSETS

Temporarily restricted net assets are set aside for the following:

Veterans Programs	$ 80,630
Veterans (Anonymous)	113,313
Wichita	26,906
Equipment Fund	4,998
Children's Hospital - Denver	1,146
Chris Bove Memorial Scholarship	2,325
Peter Malcolm Memorial Scholarship	1,000
Autistic Camp	1,392
Local's Summer Program	2,172
CAMO-Estes Park	8,250
Mono Ski Camp	254
REC Scholarship Fund	229
Ranch	1,004
	$ 243,619

Net assets released from donor restrictions by incurring expenses satisfying the purpose specified by donors follows:

Veterans Programs	$ 10,000
Veterans (Anonymous)	104,545
Van	27,450
Sakin	12,500
Wichita	7,953
Equipment Fund	7,500
Autistic Camp	1,775
Chris Bove Memorial Scholarship	2,675
REC Scholarship	5,550
Terry Dunne Scholarship	1,795
Magic of Music and Dance	1,000
Ranch	53,446
	$ 236,189

9. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following:

Pam Gray Memorial	$ 43,165
Scholarship Fund	5,000
	$ 48,165

The Pam Gray Memorial Endowment was established in 2001 to provide Challenge Aspen with a continual source of earnings. The principal is not expendable by Challenge Aspen on a current basis. Income from investing is reported in the unrestricted fund and is available for Challenge Aspen's operations. The Scholarship Fund was set up in memory of a former instructor. Income from investing is reported in the unrestricted fund and is available to fund scholarships.

10. FUNDRAISING EVENTS

Fundraising events consist of the following:

	Income	Expenses	Net Income
Golf Classic Event	$1,119,513	$ 198,959	$ 920,554
Marathon Event	68,206	49,681	18,525
Winter FR Events	1,930	824	1,106
	$1,189,649	$ 249,464	$ 940,185

11. DONATED SERVICES

Aspen Skiing Company provides complimentary lift tickets for the participants and volunteers in the Organization's ski program as well as auction items and accommodations. The Aspen Skiing Company values the complimentary lift tickets and volunteer services at $1,300,971. The actual amount collected by Aspen Skiing Company from the participants for the lift tickets and services is $406,521. The total in-kind contribution recognized as of May 31, 2015 was $1,300,971.

Additionally, other companies donated services and equipment totaling $33,465. These amounts are included as in-kind donations on the statement of activities. The Organization's landlord provided subsidized rent totaling $19,450. See Note 12 for further details on rent.

The donated goods and services from Aspen Skiing Company signify a concentration that may adversely affect the Organization if events were to occur that caused a significant decline in these contributions.

12. OPERATING LEASE

The Organization has office space leases with Snowmass Holding Company, LLC under triple net leases that expired April 30, 2015. The lease was renewed on May 1, 2015 and will extend through April 30, 2019. Under the provisions of the lease, the Organization has agreed to recognize in-kind donation of rent amounting to the difference in fair market value rent as incurred by other parties in the same complex. For the year ended May 31, 2015, the Organization paid $63,441 rent during the year and received an in-kind donation of $19,450.

The Organization leases an employee housing unit from the Town of Snowmass Village that expired December 31, 2014 and signed a new lease that began January 1, 2015 and expires December 31, 2015. This unit is subleased to instructors for a discounted amount of Challenge Aspen's payment. The required monthly payments were $1,100 per month from June 1, 2014 – December 31, 2014. The required monthly payments from January 1, 2015 – May 31, 2015 were

$1,195. After employee reimbursements, the Organization incurred a net cost of $5,084 from this lease.

The Organization has a lease for three employee housing units leased from the City of Aspen that began November 1, 2014 and expired April 30, 2015. The units are for the use of the Organization's employees who are participating in the internship program. The required monthly payments were $1,180 per unit per month. The Organization incurred a net cost of $21,240 on these leases.

The Organization has a month to month lease for a storage unit. Monthly rent is $298. The organization paid $3,861 rent during the fiscal year.

Future minimum payments on these leases are as follows:

Fiscal Year Ending:	Gross Rent	In-Kind Donations	Net Rent
May 31, 2016	$ 133,429	$ (62,064)	$ 71,365
May 31, 2017	129,441	(66,318)	$ 63,123
May 31, 2018	133,971	(68,640)	$ 65,332
May 31, 2019	126,736	(62,998)	$ 63,738
Total	$ 523,577	$ (260,020)	$ 263,557

Lease expense, net of in-kind donations and employee reimbursements, for the year ended May 31, 2015 was $97,756.

13. 401(k) DEFINED CONTRIBUTION PLAN

The Organization's employees are covered under a 401(k) plan that was established March 15, 2000. All employees are eligible to participate in the plan as long as they have completed three months employment. Employees are eligible for matching if they have provided one thousand hours of service with the Organization. The Organization can make matching contributions to the plan at its discretion. The plan year end is December 31. The Organization plans to make employee contributions up to four percent of eligible employees' gross wages. Total expense for the year ended May 31, 2015 was $13,675.

14. CERTAIN RISKS AND CONCENTRATIONS

CREDIT RISK

From time to time during the course of the year the Organization had amounts on deposit at financial institutions that exceeded amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). At May 31, 2015 the Organization had uninsured cash and cash equivalent balances of approximately $144,465. Additionally, the Organization holds investment, cash, and cash equivalents at one investment firm. This portfolio is insured by the Securities Investor Protection Corporation (SPIC) up to a maximum of $500,000 (including $250,000 for claims for cash) and bank deposit sweep accounts are covered by FDIC. At May 31, 2015, the Organization had no uninsured bank deposit sweep balances.

ECONOMIC DEPENDENCY

Approximately 39% of the total contributions were from three donors, 80% of the in-kind donations were from three companies, and 66% of the grant revenue was received from three donors. If events were to occur that caused significant declines in this major donor class it may adversely affect the operational results of the Organization.

FUNDRAISING EVENTS

Approximately 94% of the gross fundraising revenue is derived from one event. Declines in support of these events may adversely affect the Organization if they were to occur.

15. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 29, 2016, the date which the financial statements were available to be issued.