

CHALLENGE ASPEN

AUDITED FINANCIAL STATEMENTS

May 31, 2018 and 2017

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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, 2018, 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.

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, 2018, 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.

Report on Summarized Comparative Information

We have previously audited Challenge Aspen's May 31, 2017 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated January 12, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Reese Henry & Company, Inc.

Certified Public Accountants
Aspen, Colorado
December 21, 2018

CHALLENGE ASPEN

STATEMENTS OF FINANCIAL POSITION

May 31, 2018
(with Comparative Totals for May 31, 2017)

	May 31, 2018	May 31, 2017
ASSETS		
Cash and Cash Equivalents	\$ 381,027	\$ 231,069
Pledges Receivable	144,750	231,827
Inventory	5,635	2,324
Investments	989,803	937,771
Prepaid Expenses	82,074	9,750
Property and Equipment, net	1,816,522	1,850,654
Related Party Receivable	154,952	191,810
TOTAL ASSETS	\$ 3,574,763	\$ 3,455,205
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 29,498	\$ 35,541
Accrued Expenses	2,717	4,425
Deferred Revenue	18,750	80,020
TOTAL LIABILITIES	50,965	119,986
 NET ASSETS		
Unrestricted, Undesignated	287,781	952,747
Unrestricted, Invested in Fixed Assets	1,857,154	1,850,654
Board Restricted	1,003,288	400,997
Total Unrestricted	3,148,223	3,204,398
Temporarily Restricted	375,575	130,821
TOTAL NET ASSETS	3,523,798	3,335,219
 TOTAL LIABILITIES AND NET ASSETS	 \$ 3,574,763	 \$ 3,455,205

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

CHALLENGE ASPEN

STATEMENTS OF ACTIVITIES

For the Year Ended May 31, 2018
(with Comparative Totals for the Year Ended May 31, 2017)

	May 31, 2018			May 31, 2017
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Contributions	\$ 530,662	\$ 67,800	\$ 598,462	\$ 544,154
Aspen Skiing Company In-Kind Donations	1,125,154	-	1,125,154	1,072,387
In-Kind Donations	184,022	-	184,022	69,891
Grants	87,150	-	87,150	450,261
Special Events	912,053	-	912,053	691,584
Program Service Fees	119,787	285,015	404,802	104,337
Merchandise Sales	3,678	-	3,678	1,001
Investment Income	34,873	-	34,873	86,409
Gain on Sale of Assets	15,642	-	15,642	8,327
Other Income	192	-	192	16,359
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	108,061	(108,061)	-	-
TOTAL SUPPORT AND REVENUE	<u>3,121,274</u>	<u>244,754</u>	<u>3,366,028</u>	<u>3,044,710</u>
EXPENSES				
Program Services	2,261,828	-	2,261,828	2,137,589
General and Administrative	283,070	-	283,070	309,370
Fundraising	330,761	-	330,761	262,028
Special Events	301,790	-	301,790	194,218
TOTAL EXPENSES	<u>3,177,449</u>	<u>-</u>	<u>3,177,449</u>	<u>2,903,205</u>
CHANGE IN NET ASSETS	<u>(56,175)</u>	<u>244,754</u>	<u>188,579</u>	<u>141,505</u>
NET ASSETS, Beginning of Year	3,204,398	130,821	3,335,219	3,241,879
ASSET TRANSFER TO CHALLENGE ASPEN ENDOWMENT FUND	-	-	-	<u>(48,165)</u>
NET ASSETS, End of Year	<u>\$ 3,148,223</u>	<u>\$ 375,575</u>	<u>\$ 3,523,798</u>	<u>\$ 3,335,219</u>

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

CHALLENGE ASPEN

STATEMENTS OF CASH FLOWS

**For the Year Ended May 31, 2018
(with Comparative Totals for the Year Ended May 31, 2017)**

	May 31, 2018	May 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 188,579	\$ 141,505
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by / (Used in) Operating Activities:		
Depreciation Expense	25,184	39,271
Stock Donations	(16,937)	(76,553)
(Gain) / Loss on Disposal of Assets	(15,642)	1,673
Unrealized (Gain) / Loss on Investments	63,795	(65,738)
Realized (Gain) / Loss on Investments	(79,067)	6,348
(Increase) Decrease in Related Party Receivable	36,858	2,252
(Increase) Decrease in Pledges Receivable	87,077	(167,800)
(Increase) Decrease in Inventory	(3,311)	8,808
(Increase) Decrease in Prepaid Expenses	(72,324)	(7,462)
Increase (Decrease) in Accounts Payable	(6,043)	(7,352)
Increase (Decrease) in Accrued Expenses	(1,708)	4,267
Increase (Decrease) in Deferred Revenue	(61,270)	57,550
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	145,191	(63,231)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Vehicles	31,090	-
Purchase of Property and Equipment	(6,500)	(37,522)
Transfer of Funds to Challenge Aspen Endowment Fund	-	(48,165)
Proceeds from Sale of Investments	641,792	-
Purchase of Investments	(661,615)	(26,156)
Transfer of Funds from Investment Portfolio to Checking	-	250,000
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	4,767	138,157
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	149,958	74,926
CASH AND CASH EQUIVALENTS, Beginning of Year	231,069	156,143
CASH AND CASH EQUIVALENTS, End of Year	\$ 381,027	\$ 231,069

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

CHALLENGE ASPEN

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended May 31, 2018

1. ORGANIZATION AND PURPOSE

Challenge Aspen was incorporated August 15, 1995 as a nonprofit corporation under the laws of the State of Colorado. Challenge Aspen provides year-round recreational and cultural activities in the Aspen, Colorado area for persons with disabilities. Challenge Aspen 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. Challenge Aspen is supported primarily through donor contributions and grants.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements of Challenge Aspen 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

Challenge Aspen 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. Board designations are also considered unrestricted net assets, and consist of a reserve for one year's operations.

Temporarily Restricted Net Assets: Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Challenge Aspen 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 Challenge Aspen. Generally, the donors of these assets permit Challenge Aspen to use all or part of the income earned on any related investments for general or specific purposes. As of August 11, 2016, Challenge Aspen moved their permanently restricted net assets to another nonprofit organization, Challenge Aspen Endowment Fund.

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 they are held for long term investing purposes.

RELATED PARTY RECEIVABLE

Challenge Aspen Endowment Fund (CAEF) is a 501(c)(3) organization created May 18, 2016 to provide support to Challenge Aspen. Expenses were incurred for the organizational costs, marketing, and support services and paid by Challenge Aspen. These funds are owed back to Challenge Aspen once CAEF has met certain fundraising goals. The related party receivable bears no interest and has been discounted over a 5-year period for which payment is expected to be received. The organization has decided to amortize the expense over the 5-year period and reverse the bad debt if and when reimbursement is received from CAEF.

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. There are no conditional pledges as of May 31, 2018. Challenge Aspen considers all pledges to be collectible; therefore, no allowance for uncollectible pledges have been booked as of May 31, 2018.

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 and deposits that will be fully expensed in the next fiscal year.

FAIR VALUE MEASUREMENTS

Challenge Aspen is subject to the provisions of *Fair Value Measurements and Disclosures* Topic of FASB ASC. This standard requires use of a fair value 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. The board has adopted a \$2,500 and 3-year minimum useful life to be classified as a capitalized asset. 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, Challenge Aspen reports expirations of donor restrictions when the donated on acquired assets are placed in service as instructed by the donor. Challenge Aspen 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 Challenge Aspen 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. Challenge Aspen's policy is to recognize the costs of compensated absences when actually paid to employees.

CONTRIBUTIONS

Challenge Aspen 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 Challenge Aspen. 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

Challenge Aspen 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 Challenge Aspen are tax deductible as permitted under the Code.

Challenge Aspen 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, Challenge Aspen 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.

Challenge Aspen had no material unrecognized tax benefits for the years ended May 31, 2018 and 2017. As a result, no interest or penalties were accrued for unrecognized tax benefits during those years.

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

Challenge Aspen expenses advertising costs as incurred. Total advertising expense was \$66,989 and \$64,596 for the years ended May 31, 2018 and 2017, respectively.

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.

RECLASSIFICATIONS

Certain amounts in the May 31, 2017 financial statements have been reclassified to conform to the May 31, 2018 presentation.

3. PLEDGES RECEIVABLE

At May 31, 2018, 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:

	May 31,	
	2018	2017
Money Funds	\$ 165,175	\$ 30,687
Mutual Funds	79,950	414,355
Fixed Income Securities	331,542	466,519
Equities	413,136	26,210
Total Investments	<u>\$ 989,803</u>	<u>\$ 937,771</u>

Investment Income is summarized as follows:

	May 31,	
	2018	2017
Bank Interest	\$ 979	\$ 238
Interest & Dividends	23,724	26,781
Net Realized Gain (Loss)	79,067	(6,348)
Net Unrealized Gain (Loss)	(63,795)	65,738
Investment Fees	(5,102)	-
Total	<u>\$ 34,873</u>	<u>\$ 86,409</u>

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 Challenge Aspen's investments by the above fair value hierarchy levels as of May 31, 2018 and 2017:

	May 31, 2018		
	Fair Value	Level 1	Level 3
Pledges Receivable	\$ 144,750	\$ -	\$ 144,750
Related Party Receivable	154,952	-	154,952
Money Funds	165,175	165,175	-
Mutual Funds	79,950	79,950	-
Fixed Income Securities	331,542	331,542	-
Equities	413,136	413,136	-
	<u>\$1,289,505</u>	<u>\$ 989,803</u>	<u>\$ 299,702</u>
	May 31, 2017		
	Fair Value	Level 1	Level 3
Pledges Receivable	\$ 231,827	\$ -	\$ 231,827
Related Party Receivable	191,810	-	191,810
Money Funds	30,687	30,687	-
Mutual Funds	414,355	414,355	-
Fixed Income Securities	466,519	466,519	-
Call Options	26,210	26,210	-
	<u>\$1,361,408</u>	<u>\$ 937,771</u>	<u>\$ 423,637</u>

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

	May 31,	
	2018	2017
Beginning Balance	\$ 423,637	\$ 258,089
New Pledges Received and Included in Changes in Net Assets	135,692	230,060
Related Party Payments Due From and Included in Changes in Net Assets	-	9,408
Related Party Amortization of Expenses	(40,694)	-
Discount on Related Party Payments	3,836	(11,660)
Payments Received on Pledges	(222,769)	(62,260)
Ending Balance	<u>\$ 299,702</u>	<u>\$ 423,637</u>

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:

	May 31,	
	2018	2017
Land	\$ 1,756,612	\$ 1,756,612
Land Improvements	23,926	23,926
Leasehold Improvements	82,997	82,997
Equipment	202,538	202,538
Furniture & Fixtures	32,639	32,639
Computer & Office Equipment	14,905	14,905
Vehicles	31,459	80,626
	<u>2,145,076</u>	<u>2,194,243</u>
Less Accumulated Depreciation	<u>(328,554)</u>	<u>(343,589)</u>
	<u>\$ 1,816,522</u>	<u>\$ 1,850,654</u>

Challenge Aspen had depreciation expense of \$25,184 and \$39,271 for the years ended May 31, 2018 and 2017, respectively.

7. BOARD RESTRICTED NET ASSETS

The board intends to create board restricted net assets for a reserve equal to one year's operating expenses as a method of mitigating short-term funding losses. At May 31, 2018 and 2017, the board restricted \$1,003,288 and \$400,997, respectively.

8. TEMPORARILY RESTRICTED ASSETS

Temporarily restricted net assets are set aside for the following:

	May 31,	
	2018	2017
Peter Malcolm Memorial Scholarship	\$ 253,159	\$ -
Veterans	87,138	100,813
Veterans Programs	18,475	5,420
Wichita	8,388	10,048
CAMO-Estes Park	2,997	6,262
Local's Summer Program	2,172	2,172
REC Scholarship Fund	1,743	-
Children's Hospital - Denver	1,146	1,146
Mono Ski Camp	254	254
Autistic Camp	72	72
Tennessee School for the Blind	31	-
Magic of Music and Dance	-	4,250
Equipment Fund	-	384
	<u>\$ 375,575</u>	<u>\$ 130,821</u>

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

	May 31,	
	2018	2017
Veterans	\$ 30,959	\$ 146,362
Veterans Programs	26,175	-
Peter Malcolm Memorial Scholarship	25,673	-
Equipment Fund	6,384	3,464
CAMO - Estes Park	6,291	5,498
Tennessee School for the Blind	4,969	-
Magic of Music and Dance	4,250	-
REC Scholarship	1,700	12,404
Wichita	1,660	2,213
Ranch	-	1,004
	<u>\$ 108,061</u>	<u>\$ 170,945</u>

9. SPECIAL EVENTS

Special events include annual fundraising events and consist of the following:

	May 31, 2018		
	<u>Income</u>	<u>Expenses</u>	<u>Net Income</u>
Golf Classic Event	<u>\$ 912,053</u>	<u>\$ 301,790</u>	<u>\$ 610,263</u>
	<u><u>\$ 912,053</u></u>	<u><u>\$ 301,790</u></u>	<u><u>\$ 610,263</u></u>

	May 31, 2017		
	<u>Income</u>	<u>Expenses</u>	<u>Net Income</u>
Golf Classic Event	<u>\$ 689,409</u>	<u>\$ 190,827</u>	<u>\$ 498,582</u>
Bove Uphill	<u>2,175</u>	<u>3,391</u>	<u>(1,216)</u>
	<u><u>\$ 691,584</u></u>	<u><u>\$ 194,218</u></u>	<u><u>\$ 497,366</u></u>

Additionally, Challenge Aspen received \$31,873 in contributions from donor in conjunction with the Apres Ski Event and \$8,389 in contributions from donors in conjunction with the Antiques Art Show for the year ended May 31, 2018. Challenge Aspen also raised \$3,771 in contributions from donors during Bove Uphill event for the years ended May 31, 2017.

10. DONATED SERVICES

Aspen Skiing Company provides complimentary lift tickets for the participants and volunteers in Challenge Aspen's ski program as well as auction items and accommodations. The Aspen Skiing Company values the complimentary lift tickets and services at \$1,125,154 and \$1,071,387 for the years ended May 31, 2018 and 2017, respectively. In addition to donated lift tickets and lessons from Aspen Skiing Company, Challenge Aspen purchases lift tickets, season passes, and adaptive lessons for Challenge Aspen participants. Aspen Skiing Company pays a fee to Challenge Aspen for those purchases. Challenge Aspen received \$369,126 and \$312,688 in lift ticket and lesson fees for the years ended May 31, 2018 and 2017, respectively.

Additionally, other companies donated services and equipment totaling \$120,412 and \$8,191 for the years ended May 31, 2018 and 2017, respectively. These amounts are included as in-kind donations on the statement of activities. Challenge Aspen's landlord provided subsidized rent totaling \$63,610 and \$61,700 for the years ended May 31, 2018 and 2017, respectively. See Note 12 for further details on rent.

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

11. OPERATING LEASE

Challenge Aspen 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. Any time during the period from May 1, 2017 through April 30, 2019, Challenge Aspen and the landlord reserve the right to terminate the lease agreement with a 120 day notice to the other party. Under the provisions of the lease, Challenge Aspen 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, 2018, Challenge Aspen paid \$65,454 in rent and received an in-kind donation of \$63,610. For the year ended May 31, 2017, Challenge Aspen paid \$63,000 in rent and received an in-kind donation of \$61,700.

Challenge Aspen leases an employee housing unit from the Town of Snowmass Village that expired December 31, 2017 and signed a new lease that began January 1, 2018 and expires December 31, 2018. This unit is subleased to instructors for a discounted amount of Challenge Aspen's payment. The required monthly payments were \$1,160 per month from June 1, 2017 – December 31, 2017. The required monthly payments from January 1, 2018 – May 31, 2018 were \$1,180. After employee reimbursements, Challenge Aspen incurred net costs of \$4,033 and \$2,240 for the years ended May 31, 2018 and 2017, respectively.

Challenge Aspen has a month to month lease for a storage unit. Monthly rent is \$315. Challenge Aspen paid rent of \$3,465 and \$3,840 for the years ended May 31, 2018 and 2017, respectively.

Future minimum payments on these leases are as follows:

Fiscal Year Ending:	Gross Rent	In-Kind Donations	Net Rent
May 31, 2019	122,450	(62,450)	\$ 60,000
Total	<u>\$ 122,450</u>	<u>\$ (62,450)</u>	<u>\$ 60,000</u>

Lease expense, net of in-kind donations and employee reimbursements, were \$68,919 and \$71,722 for the years ended May 31, 2018 and 2017, respectively.

12. 401(k) DEFINED CONTRIBUTION PLAN

Challenge Aspen'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 Challenge Aspen. Challenge Aspen can make matching contributions to the plan at its discretion. The plan year end is December 31. Challenge Aspen plans to make employee contributions up to four percent of eligible employees' gross wages. Total employer contributions were \$18,480 and \$20,737 for the year ended May 31, 2018 and 2017, respectively.

13. CERTAIN RISKS AND CONCENTRATIONS

CREDIT RISK

From time to time during the course of the year Challenge Aspen 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, 2018, Challenge Aspen had uninsured cash and cash equivalent balance of 155,769. Additionally, Challenge Aspen's investment portfolio is insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000.

ECONOMIC DEPENDENCY

Approximately 65% of the total contributions were from two donors and 46% of the grant revenue was received from one donor. Additionally, 100% of receivables are due from one related party and 76% of pledges receivables are due from one donor. If events were to occur that caused significant declines in this major donor class it may adversely affect the operational results of Challenge Aspen.

FUNDRAISING EVENTS

Approximately 99% of the gross fundraising revenue is derived from one event. Declines in support of these events may adversely affect Challenge Aspen if they were to occur.

14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 21, 2018, the date which the financial statements were available to be issued.