

CHALLENGE ASPEN
AUDITED FINANCIAL STATEMENTS
May 31, 2020 and 2019



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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, 2020, and the related statements of activities, functional expense, 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, 2020, 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, 2019 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated April 1, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2019, 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
March 4, 2021

CHALLENGE ASPEN

STATEMENTS OF FINANCIAL POSITION

May 31, 2020
(with Comparative Totals for May 31, 2019)

	2020	2019
ASSETS		
Cash	\$ 297,869	\$ 153,355
Accounts Receivable	-	6,000
Prepaid Expenses	-	16,619
Inventory	9,448	6,885
Pledges Receivable, net	47,300	245,374
Investments, Without Restrictions	1,028,622	812,848
Investments, With Restrictions	309,496	359,508
Property and Equipment, net	1,832,768	1,847,901
TOTAL ASSETS	\$ 3,525,503	\$ 3,448,490
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 87,191	\$ 27,533
Accrued Expenses	26,511	30,599
Deferred Revenue	-	31,425
Deferred Revenue - Paycheck Protection Program	54,944	-
TOTAL LIABILITIES	168,646	89,557
 NET ASSETS		
Without Donor Restrictions		
Designated by the Board	1,167,293	906,150
Invested in Fixed Assets	1,832,768	1,847,901
Total Without Donor Restrictions, Restated	3,000,061	2,754,051
With Donor Restrictions		
Program Restrictions	309,496	359,508
Time-Restricted for Future Periods	47,300	245,374
Total With Donor Restrictions	356,796	604,882
TOTAL NET ASSETS	3,356,857	3,358,933
TOTAL LIABILITIES AND NET ASSETS	\$ 3,525,503	\$ 3,448,490

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

CHALLENGE ASPEN

STATEMENTS OF ACTIVITIES

For the Year Ended May 31, 2020
(with Comparative Totals for the Year Ended May 31, 2019)

	2020		2019	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions	\$ 436,545	\$ 197,817	\$ 634,362	\$ 978,554
Aspen Skiing Company In-Kind Donations	894,493	-	894,493	1,308,051
In-Kind Donations	173,952	-	173,952	169,478
Grants	360,049	-	360,049	270,152
Federal Grant	99,056	-	99,056	-
Special Event Revenue, net	376,861	-	376,861	384,905
Program Service Fees, net	198,100	-	198,100	98,852
Merchandise Sales, net	(79)	-	(79)	915
Investment Return, net	105,825	-	105,825	4,259
Gain (Loss) on Disposition of Assets	(1,310)	-	(1,310)	2,000
Other Income	60	-	60	2,425
Net Assets Released from Restrictions:			-	
Satisfaction of Time Restrictions	340,051	(340,051)	-	-
Satisfaction of Program Restrictions	105,852	(105,852)	-	-
TOTAL SUPPORT AND REVENUE	3,089,455	(248,086)	2,841,369	3,219,591
EXPENSES				
Program Support Expenses	2,295,921	-	2,295,921	2,599,366
Supporting Services Expense				
General and Administrative	262,784	-	262,784	287,267
Fundraising	284,740	-	284,740	322,549
Total Supporting Services Expenses	547,524	-	547,524	609,816
TOTAL EXPENSES, Restated	2,843,445	-	2,843,445	3,209,182
CHANGE IN NET ASSETS	246,010	(248,086)	(2,076)	10,409
NET ASSETS, Beginning of Year - Restated	2,754,051	604,882	3,358,933	3,348,524
NET ASSETS, End of Year	\$ 3,000,061	\$ 356,796	\$ 3,356,857	\$ 3,358,933

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

CHALLENGE ASPEN

**STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended May 31, 2020**

	Program Support Expenses	General and Administrative	Fundraising	Cost of Goods Sold	Total
Salaries	\$ 507,740	\$ 100,808	\$ 198,100	\$ -	\$ 806,648
Retirement Plan	9,234	5,086	4,934	-	19,254
Other Employee Benefits	39,132	4,582	8,334	-	52,048
Payroll Taxes	40,707	8,147	15,958	-	64,812
Accounting	-	44,680	-	-	44,680
Professional Services	39,986	12,573	-	-	52,559
Aspen Ski Instruction	894,493	-	-	-	894,493
Participant Lessons	185,366	-	-	-	185,366
Advertising	16,117	1,598	31,725	-	49,440
Office Expense	58,975	32,999	783	-	92,757
Programs Supplies	33,041	-	-	-	33,041
Information Technology	6,491	20,658	3,500	-	30,649
Occupancy	142,715	19,396	19,396	-	181,507
Travel	133,234	33	404	-	133,671
Conferences, Conventions and Meetings	3,362	3,998	273	-	7,633
Insurance	36,253	7,754	-	-	44,007
Retail Cost of Goods	-	-	-	6,523	6,523
Cost of Direct benefits to Donors	-	-	-	260,537	260,537
Bad Debt Expense	49,520	-	-	-	49,520
Activity Fees	11,028	-	-	-	11,028
Ski Equipment Rental	55,000	-	-	-	55,000
Other	7,337	472	1,333	-	9,142
Depreciation	26,190	-	-	-	26,190
	2,295,921	262,784	284,740	267,060	3,110,505
Less Expenses Included with Revenues on the Statement of Activities					
Cost of Direct Benefits to Donors	-	-	-	(260,537)	\$ (260,537)
Cost of Retail Goods Sold	-	-	-	(6,523)	(6,523)
Total Expenses Included in the Expense Section of the Statement of Activities	\$ 2,295,921	\$ 262,784	\$ 284,740	\$ -	\$ 2,843,445

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

CHALLENGE ASPEN

**STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended May 31, 2019**

	Program Support Expenses	General and Administrative	Fundraising	Cost of Goods Sold	Total
Salaries	\$ 450,569	\$ 134,574	\$ 219,618	\$ -	\$ 804,761
Retirement Plan	8,031	3,036	7,523	-	18,590
Other Employee Benefits	9,667	6,323	6,903	-	22,893
Payroll Taxes	35,718	10,484	17,769	-	63,971
Legal	1,530	-	-	-	1,530
Accounting	-	62,476	-	-	62,476
Professional Services	4,000	-	4,500	-	8,500
Aspen Ski Instruction	1,308,051	-	-	-	1,308,051
Consulting	13,289	-	-	-	13,289
Participant Lessons	138,096	-	-	-	138,096
Advertising	18,468	595	9,761	-	28,824
Office Expense	21,940	31,083	9,152	-	62,175
Programs Supplies	55,408	2,988	182	-	58,578
Information Technology	11,237	12,942	2,848	-	27,027
Occupancy	134,753	18,116	183	-	153,052
Travel	215,064	1,373	41,034	-	257,471
Insurance	32,514	3,277	-	-	35,791
Cost of Direct Benefits to Donors	-	-	-	6,616	6,616
Cost of Retail Goods Sold	-	-	-	271,218	271,218
Fundraising Events	-	-	1,700	-	1,700
Activities	115,335	-	1,376	-	116,711
Depreciation	25,696	-	-	-	25,696
	<u>2,599,366</u>	<u>287,267</u>	<u>322,549</u>	<u>277,834</u>	<u>3,487,016</u>
Less Expenses Included with Revenues on the Statement of Activities					
Cost of Direct Benefits to Donors	-	-	-	(271,218)	(271,218)
Cost of Retail Goods Sold	-	-	-	(6,616)	(6,616)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(277,834)</u>	<u>(3,209,182)</u>
Total Expenses Included in the Expense Section of the Statement of Activities, Restated	<u>\$ 2,599,366</u>	<u>\$ 287,267</u>	<u>\$ 322,549</u>	<u>\$ -</u>	<u>\$ 3,209,182</u>

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

CHALLENGE ASPEN

STATEMENTS OF CASH FLOWS

**For the Year Ended May 31, 2020
(with Comparative Totals for the Year Ended May 31, 2019)**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets, Restated	\$ (2,076)	\$ 10,409
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation Expense	26,190	25,696
(Gain) Loss on Disposal of Assets	1,310	(2,000)
Unrealized Gain on Investments	(56,334)	(53,441)
Realized Loss on Investments	6,996	44,722
(Increase) Decrease in Operating Assets		
Accounts Receivable	6,000	(6,000)
Prepaid Expenses	16,619	65,455
Inventory	(2,563)	(1,250)
Pledges Receivable	198,074	(100,624)
Increase (Decrease) in Operating Liabilities		
Accounts Payable	59,658	(1,965)
Accrued Expenses	(4,088)	7,560
Deferred Revenue	(31,425)	12,675
Deferred Revenue - Paycheck Protection Plan	54,944	-
NET CASH PROVIDED BY OPERATING ACTIVITIES, Restated	273,305	1,237
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the Sale of Vehicles	-	2,000
Purchase of Property and Equipment	(12,367)	(57,075)
Proceeds from the Sale of Investments	173,369	-
Purchase of Investments	(289,793)	(173,834)
NET CASH USED IN INVESTING ACTIVITIES	(128,791)	(228,909)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS, Restated	144,514	(227,672)
CASH, Beginning of Year	153,355	381,027
CASH, End of Year	\$ 297,869	\$ 153,355

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

CHALLENGE ASPEN

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended May 31, 2020

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.

NET ASSETS

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions: Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions and net assets invested in fixed assets.

Net Assets With Donor Restrictions: Contributions restricted by donors are shown as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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. 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.

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. Challenge Aspen considers all pledges to be collectible; therefore, no allowance for uncollectible pledges have been booked as of May 31, 2020 and 2019.

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. Challenge Aspen 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. Useful lives range from ten to fifteen years for leasehold improvements and three to seven years for machinery, equipment, furniture, and vehicles.

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 net assets with donor restrictions to net assets without donor restrictions at that time.

DEFERRED REVENUE

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

ACCRUED PAID TIME OFF

Employees of Challenge Aspen are entitled to paid vacation, depending on length of service. Paid time off is expensed when taken by the employee. As of May 31, 2020 and 2019 the amount accrued for paid time off is \$24,244 and \$28,032 respectively.

REVENUE AND PROGRAM REVENUE RECOGNITION

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Program services fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively.

Program service fees recognized under the gross versus net basis are recognized in accordance with ASC 605-45, *Reporting Revenue Gross as a Principal versus Net as an Agent*. Challenge Aspen is not the primary obligor for the services provided and, therefore, recognizes program income service fees on a net basis.

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 and performed by people with those skills. 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.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. 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 \$49,440 and \$28,824 for the years ended May 31, 2020 and 2019, 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, 2019 financial statements have been reclassified to conform to the May 31, 2020 presentation. The reclassifications had no impact on previously reported net assets.

COMPARATIVE FINANCIAL INFORMATION

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended May 31, 2019, from which the summarized information was derived.

DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, Challenge Aspen has evaluated events and transactions for potential recognition or disclosure through March 4, 2021, the date the financial statements were available to be issued.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise of the following as of: May 31, 2020:

	May 31,	
	2020	2019
Cash and Cash Equivalents	\$ 304,512	\$ 153,355
Pledges Receivable, Without Restrictions	231,250	231,250
Investments, Without Restrictions	1,021,979	926,399
	<u>\$ 1,557,741</u>	<u>\$ 1,311,004</u>

Challenge Aspen's liquidity management plan is reviewed frequently to ensure that funds are available to meet obligations. Management also board designated \$1,191,536 and \$934,182 of available net assets as of May 31, 2020 and 2019, respectively.

4. PLEDGES RECEIVABLE

As of May 31, 2020, all pledges receivable are expected to be collected in less than one year therefore, pledges have not been adjusted for a present value discount.

As of May 31, 2019, pledges receivable were estimated to be collected as follows:

In one year or less	\$ 231,250
Between 1 to 5 years	<u>15,000</u>
	246,250
Less present value discount	<u>(876)</u>
	<u><u>\$ 245,374</u></u>

5. INVESTMENTS

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

	May 31,	
	<u>2020</u>	<u>2019</u>
Money Funds	\$ 6,643	\$ 36,056
Certificates of Deposit	31,784	-
Mutual Funds	1,078,752	902,014
Fixed Income Securities	<u>220,939</u>	<u>234,286</u>
Total Investments	<u><u>\$ 1,338,118</u></u>	<u><u>\$ 1,172,356</u></u>

Investment return is summarized as follows:

	May 31,	
	<u>2020</u>	<u>2019</u>
Bank Interest	\$ 317	\$ 177
Interest & Dividends	64,583	20,769
Net Realized Gain (Loss)	(6,996)	44,722
Net Unrealized Gain (Loss)	56,334	(53,441)
Investment Fees	<u>(8,413)</u>	<u>(7,968)</u>
Total	<u><u>\$ 105,825</u></u>	<u><u>\$ 4,259</u></u>

Challenge Aspen's investment objective is to maintain investments over a twenty plus year time horizon to meet its needs. They employ a growth strategy emphasizing capital appreciation with an objective to provide growth over a timeframe of at least three to five years through a program designed to maximize the returns without exposure to undue risk.

The Board does not intend to distribute earnings until such time as the portfolio balance exceeds one year's operating expenses of Challenge Aspen. All distributions from the portfolio require Board approval.

6. 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.

Investments measured on a recurring basis and reported at fair value are classified and disclosed in one of the three fair value hierarchy categories. As of May 31, 2020 and 2019, all Challenge Aspen’s investments are all Level 1 investments.

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	May 31,	
	2020	2019
Land	\$ 1,756,612	\$ 1,756,612
Land Improvements	23,926	23,926
Leasehold Improvements	82,997	82,997
Equipment	209,991	202,538
Furniture & Fixtures	32,639	32,639
Computer & Office Equipment	3,769	14,905
Vehicles	88,534	88,534
	<u>2,198,468</u>	<u>2,202,151</u>
Less Accumulated Depreciation	<u>(365,700)</u>	<u>(354,250)</u>
	<u>\$ 1,832,768</u>	<u>\$ 1,847,901</u>

Challenge Aspen had depreciation expense of \$26,190 and \$25,696 for the years ended May 31, 2020 and 2019, respectively.

8. DEFERRED REVENUE – PAYCHECK PROTECTION PLAN

On April 6, 2020 Challenge Aspen received loan proceeds in the amount of \$154,000 under the Paycheck Protection Program (“PPP”) administered by the Small Business Administration (SBA) approved partner. Under the terms of the note, the loan is forgivable after a “covered period” (8 or 24 weeks) if Challenge Aspen maintains its payroll levels and uses the loan proceeds for eligible purposes.

On December 24, 2020 Challenge Aspen received notification that the loan was fully forgiven. Following FASB ASC 958-605 Challenge Aspen has booked the forgiveness as a conditional contribution.

Funds received from the donor in advance of the conditions being met totaled \$54,944 and are recorded as deferred revenue.

9. BOARD DESIGNATED NET ASSETS

The board designated net assets for a reserve equal to one year's operating expenses as a method of mitigating short-term funding losses. On May 31, 2020 and 2019, the board restricted \$1,167,966 and \$906,150, respectively.

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions restricted for time and designated purposes consist of the following:

	May 31,	
	2020	2019
Time Restricted Pledges	\$ 47,300	\$ 245,374
Peter Malcolm Memorial Scholarship	169,799	223,426
Veterans	87,137	87,138
Veterans Programs	36,974	28,474
Wichita	8,388	8,388
CAMO-Estes Park	3,023	3,023
Local's Summer Program	2,172	2,172
REC Scholarship Fund	-	4,884
Children's Hospital - Denver	1,146	1,146
Mono Ski Camp	254	254
Autistic Camp	72	72
Tennessee School for the Blind	31	31
Equipment Fund	500	500
	<u>\$ 356,796</u>	<u>\$ 604,882</u>

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

	May 31,	
	2020	2019
Expiration of Time Restrictions	\$ 340,051	\$ 160,627
Veterans Programs	36,590	40,400
Peter Malcolm Memorial Scholarship	53,628	29,733
Equipment Fund/Van	1,650	13,499
REC Scholarship	13,984	4,959
	<u>\$ 445,903</u>	<u>\$ 249,218</u>

11. IN KIND DONATIONS

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 \$894,493 and \$1,308,051 for the years ended May 31, 2020 and 2019, respectively.

For the years ended May 31, 2020 and 2019, in kind donations of other services, rent and equipment were \$173,952 and \$169,478. See Note 15 for further discussion of in-kind rent received.

12. SPECIAL EVENTS, NET

Direct costs of special events have been netted with special events revenue. Special events revenue and direct costs consisted of the following as of May 31, 2020 and 2019.

	May 31,	
	2020	2019
Revenues	\$ 637,398	\$ 656,123
Direct Costs	(260,537)	(271,218)
Special Events, Net	<u>\$ 376,861</u>	<u>\$ 384,905</u>

13. PROGRAM SERVICE FEES, NET

Program services net are as follows:

	May 31,	
	2020	2019
Gross Program Service Fees	\$ 516,663	\$ 465,227
Cost of Program Service Fees	(318,563)	(366,375)
Program Service Fees, Net	<u>\$ 198,100</u>	<u>\$ 98,852</u>

14. MERCHANDISE SALES

	May 31,	
	2020	2019
Gross Merchandise Sales	\$ 6,444	\$ 7,531
Cost of Merchandise Sales	(6,523)	(6,616)
Merchandise Sales, Net	<u>\$ (79)</u>	<u>\$ 915</u>

15. OPERATING LEASE

Challenge Aspen has an office space lease with Snowmass Mall Investment Group, LLC, successor interest to Snowmass Holding Company, LLC, under triple net lease. The lease was renewed on

October 10, 2019 extending the lease from May 1, 2019 through April 30, 2024. Rent payments will increase at the greater of 3.5% per annum or a percentage increase in the CPI over the previous 12-month period of the term, not to exceed 6%. 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, 2020, Challenge Aspen paid \$68,386 in rent and received an in-kind donation of \$109,970 for a total expense of \$178,356. For the year ended May 31, 2019, Challenge Aspen paid \$67,365 in rent and received an in-kind donation of \$66,217 for a total expense of \$133,582.

Challenge Aspen leases an employee housing unit from the Town of Snowmass Village that expired December 31, 2019 and signed a new lease that began January 1, 2020 and expires December 31, 2020. This unit is subleased to instructors for a discounted amount of Challenge Aspen's payment. The required monthly payments were \$1,275 per month from June 1, 2019 – December 31, 2019. The required monthly payments from January 1, 2020 – May 31, 2020 were \$1,220. After employee reimbursements, Challenge Aspen incurred net costs of \$6,287 and \$6,635 for the years ended May 31, 2020 and 2019, respectively.

Challenge Aspen has a month-to-month lease for a storage unit. Monthly rent is \$313. Challenge Aspen paid rent of \$3,751 and \$3,630 for the years ended May 31, 2020 and 2019, respectively.

Future minimum payments on these leases are as follows:

Fiscal Year Ending:	Gross Rent	In-Kind Donations	Net Rent
May 31, 2021	\$ 194,814	\$ (113,819)	\$ 80,995
May 31, 2022	193,620	(117,802)	75,818
May 31, 2023	200,397	(121,925)	78,472
May 31, 2024	191,794	(115,340)	76,454
	<u>\$ 780,625</u>	<u>\$ (468,886)</u>	<u>\$ 311,739</u>

16. 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 \$19,254 and \$18,590 for the year ended May 31, 2020 and 2019, respectively.

17. 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). On May 31, 2020 and 2019, Challenge Aspen cash deposits were below the FDIC insurance threshold of \$250,000.

ECONOMIC DEPENDENCY

On May 31, 2020, approximately 30% of the total contributions were from two donors, 71% of the grant revenue was received from three donors, and 94% of In-Kind Contributions were received from two entities. Additionally, 99% of receivables are due 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 Challenge Aspen.

On May 31, 2019, approximately 26% of the total contributions were from two donors, 74% of the grant revenue was received from three donors, and 89% of In-Kind Contributions were received from one entity. Additionally, 100% of receivables are due from one related party. If events were to occur that caused significant declines in this major donor class it may adversely affect the operational results of Challenge Aspen.

CONTINGENT LIABILITY

Challenge Aspen has one potential contingent liability. It is for an injury incurred by a participant of a Disabled Sports/Challenge Aspen event. The insurance company is denying liability based on the participant's executed Participant Acknowledgment of Risk and Release of Liability that releases Challenge Aspen from any and all claims as well as an executed Disabled Sports USA Waiver & Release of Liability Agreement releasing and indemnifying Disabled Sports USA, Challenge Aspen, and Aspen Skiing Company as the premise's owner and operators from any claim. The total amount of the claim is unknown at this time as medical costs continue to accrue. Legal counsel believes Challenge Aspen will have no liability accruing from this claim.

18. COVID-19 FINANCIAL IMPACT

The extent of the impact of COVID-19 on Challenge Aspen's future operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on Challenge Aspen's participants, employees, and vendors, all of which at present, cannot be determined. Challenge Aspen continues to evaluate the financial implications of the economic impact of the COVID-19 pandemic and is continuing to mitigate lost revenue by implementing cost-saving strategies. Although Challenge Aspen has approximately \$1,370,000 of financial assets available for expenditure within one year (See Note 3), they intend to draw from reserves only after all other viable alternatives are implemented.

19. PRIOR PERIOD ADJUSTMENTS

The May 31, 2019 statement of financial position, statement of activities and statement of functional expenses have been restated to record previously unrecorded accrued paid time off.

The effect of the restatement for May 31, 2019 is as follows:

	Accrued Expenses	Net Assets Without Donor Restrictions, Designated by the Board	Program Support Expenses	Net Assets, Beginning of Year	Net Assets, End of Year
Balance, May 31, 2019 as previously stated	\$ 2,567	\$ 934,182	\$ 2,595,498	\$ 3,368,846	\$ 3,386,965
Record Accured Paid Time Off	28,032	(28,032)	7,710	(20,322)	(28,032)
Balance, May 31, 2019 as restated	<u>\$ 30,599</u>	<u>\$ 906,150</u>	<u>\$ 2,603,208</u>	<u>\$ 3,348,524</u>	<u>\$ 3,358,933</u>

20. SUBSEQUENT EVENTS

On July 27, 2020 Challenge Aspen sold and closed on the sale of Lot 1, 2 and 3 of Waters Subdivision located in Eagle County, Colorado. The sale price was \$1,800,000 with net proceeds due to Challenge Aspen in the amount of \$1,706,507.