

CHALLENGE ASPEN
AUDITED FINANCIAL STATEMENTS
May 31, 2021 and 2020



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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, 2021, and the related statements of activities, functional expenses, 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, 2021, 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, 2020 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated March 4, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2020 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
February 8, 2022

CHALLENGE ASPEN

STATEMENTS OF FINANCIAL POSITION

May 31, 2021
(with Comparative Totals for May 31, 2020)

	2021	2020
ASSETS		
Cash	\$ 834,263	\$ 304,513
Prepaid Expenses	18,195	-
Inventory	5,256	9,448
Pledges Receivable, net	31,600	47,300
Investments, Designated by the Board	3,132,494	1,021,978
Investments, With Restrictions	213,400	309,496
Property and Equipment, net	56,689	1,832,768
TOTAL ASSETS	\$ 4,291,897	\$ 3,525,503
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 35,923	\$ 87,191
Accrued Expenses	43,754	26,511
Deferred Revenue	14,550	-
Deferred Revenue - Paycheck Protection Program	-	54,944
TOTAL LIABILITIES	94,227	168,646
 NET ASSETS		
Without Donor Restrictions		
Designated by the Board	3,895,981	1,167,293
Invested in Fixed Assets	56,689	1,832,768
Total Without Donor Restrictions, Restated	3,952,670	3,000,061
With Donor Restrictions		
Program Restrictions	213,400	309,496
Time-Restricted for Future Periods	31,600	47,300
Total With Donor Restrictions	245,000	356,796
TOTAL NET ASSETS	4,197,670	3,356,857
TOTAL LIABILITIES AND NET ASSETS	\$ 4,291,897	\$ 3,525,503

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

CHALLENGE ASPEN

STATEMENTS OF ACTIVITIES

For the Year Ended May 31, 2021
(with Comparative Totals for the Year Ended May 31, 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions	\$ 457,609	\$ 511,810	\$ 969,419	\$ 634,362
Aspen Skiing Company In-Kind Donations	1,467,639	-	1,467,639	894,493
In-Kind Donations	165,577	-	165,577	173,952
Grants	439,306	-	439,306	360,049
Federal Grant	219,793	-	219,793	99,056
Special Event Revenue, net	151,412	-	151,412	376,861
Program Service Fees, net	123,250	-	123,250	198,100
Merchandise Sales, net	(4,447)	-	(4,447)	(79)
Investment Return, net	660,680	-	660,680	105,825
Gain (Loss) on Disposition of Assets	(75,355)	-	(75,355)	(1,310)
Other Income	5,716	-	5,716	60
Net Assets Released from Restrictions:				
Satisfaction of Time Restrictions	40,300	(40,300)	-	-
Satisfaction of Program Restrictions	583,306	(583,306)	-	-
TOTAL SUPPORT AND REVENUE	4,234,786	(111,796)	4,122,990	2,841,369
EXPENSES				
Program Support Expenses	2,785,501	-	2,785,501	2,295,921
Supporting Services Expense				
General and Administrative	240,439	-	240,439	262,784
Fundraising	256,237	-	256,237	284,740
Total Supporting Services Expenses	496,676	-	496,676	547,524
TOTAL EXPENSES	3,282,177	-	3,282,177	2,843,445
CHANGE IN NET ASSETS	952,609	(111,796)	840,813	(2,076)
NET ASSETS, Beginning of Year	3,000,061	356,796	3,356,857	3,358,933
NET ASSETS, End of Year	\$ 3,952,670	\$ 245,000	\$ 4,197,670	\$ 3,356,857

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

CHALLENGE ASPEN

**STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended May 31, 2021**

	Program Support Expenses	General and Administrative	Fundraising	Cost of Goods Sold	Total
Scholarships	\$ 68,933	\$ -	\$ -	\$ -	\$ 68,933
Salaries	445,055	102,878	185,549	-	733,482
Retirement Plan	15,565	8,809	6,961	-	31,335
Other Employee Benefits	15,280	15,538	6,850	-	37,668
Payroll Taxes	36,299	8,303	15,048	-	59,650
Legal	1,618	-	-	-	1,618
Accounting	-	33,744	-	-	33,744
Professional Services	43,128	-	(1,500)	-	41,628
Aspen Ski Instruction	1,467,639	-	-	-	1,467,639
Participant Lessons	161,949	-	-	-	161,949
Advertising	10,608	-	4,124	-	14,732
Office Expense	78,405	26,758	5,044	-	110,207
Programs Supplies	22,887	-	-	-	22,887
Information Technology	25,169	8,411	5,433	-	39,013
Occupancy	149,950	28,314	27,920	-	206,184
Travel	183,424	128	727	-	184,279
Insurance	26,749	6,105	-	-	32,854
Cost of Direct Benefits to Donors	-	-	-	47,556	47,556
Cost of Retail Goods Sold	-	-	-	7,456	7,456
Activities	12,439	-	-	-	12,439
Depreciation	19,979	-	-	-	19,979
Miscellaneous Expenses	425	1,451	81	-	1,957
	<u>2,785,501</u>	<u>240,439</u>	<u>256,237</u>	<u>55,012</u>	<u>3,337,189</u>
Less Expenses Included with Revenues on the Statement of Activities					
Cost of Direct Benefits to Donors	-	-	-	(47,556)	(47,556)
Cost of Retail Goods Sold	-	-	-	(7,456)	(7,456)
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 2,785,501</u>	<u>\$ 240,439</u>	<u>\$ 256,237</u>	<u>\$ -</u>	<u>\$ 3,282,177</u>

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 CASH FLOWS

**For the Year Ended May 31, 2021
(with Comparative Totals for the Year Ended May 31, 2020)**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets, Restated	\$ 840,813	\$ (2,076)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation Expense	19,979	26,190
Loss on Disposal of Assets	75,355	1,310
Unrealized Gain on Investments	(580,296)	(56,334)
Realized (Gain) Loss on Investments	(30,079)	6,996
(Increase) Decrease in Operating Assets		
Accounts Receivable	-	6,000
Prepaid Expenses	(18,195)	16,619
Inventory	4,192	(2,563)
Pledges Receivable	15,700	198,074
Increase (Decrease) in Operating Liabilities		
Accounts Payable	(51,268)	59,658
Accrued Expenses	17,243	(4,088)
Deferred Revenue	14,550	(31,425)
Deferred Revenue - Paycheck Protection Plan	(54,944)	54,944
NET CASH PROVIDED BY OPERATING ACTIVITIES	253,050	273,305
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the Sale of Property and Equipment	1,705,450	-
Purchase of Property and Equipment	(24,705)	(12,367)
Proceeds from the Sale of Investments	425,936	173,369
Purchase of Investments	(1,829,981)	(283,149)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	276,700	(122,147)
NET INCREASE IN CASH AND RESTRICTED CASH	529,750	151,158
CASH and RESTRICTED CASH, Beginning of Year	304,513	153,355
CASH AND RESTRICTED CASH, End of Year	\$ 834,263	\$ 304,513

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

CHALLENGE ASPEN

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended May 31, 2021

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. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, Challenge Aspen has evaluated events and transactions for potential recognition or disclosure through February 8, 2022, the date that the financial statements were available to be issued. No subsequent events require disclosure.

3. 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.

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. As of May 31, 2021 and 2020 Challenge Aspen had no cash equivalents.

Cash and cash equivalents as of May 31, 2021 and 2020 consist of the following:

	May 31,	
	2021	2020
Cash without Restrictions	\$ 834,263	\$ 304,513
Cash with Restrictions	-	-
Cash and restricted cash shown in the statement of cash flows	<u>\$ 834,263</u>	<u>\$ 304,513</u>

Restricted cash represents cash received with a donor-imposed restriction limiting the use of that cash to a purpose.

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, 2021 and 2020.

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, 2021 and 2020 the amount accrued for paid time off is \$22,154 and \$24,244 respectively.

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.

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. Challenge Aspen is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purpose. It has been determined that the Challenge Aspen is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T).

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 \$14,732 and \$49,440 for the years ended May 31, 2021 and 2020, 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, 2020 financial statements have been reclassified to conform to the May 31, 2021 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, 2020, from which the summarized information was derived.

NEW ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), for reporting leases, which requires an entity that is a lessee to classify leases as either finance or operating and to recognize a lease liability and a right-of-use asset for all leases that have a term of greater than twelve months. Leases of twelve months or less will be accounted for similar to existing guidance for operating leases. The new standard will be effective for annual reporting periods beginning after January 1, 2021. Early adoption permitted is permitted and must be applied using a modified retrospective approach. Management is currently evaluating this new standard and the impact it will have on Challenge Aspen's financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new standard will require specific financial statement presentation of contributed nonfinancial assets and certain disclosures, including a description of the programs or activities for which those services were used, including the nature and extent of the contributed services received for the period and the amount recognized as revenues for the period. The new standard is effective for annual periods beginning after June 15, 2021 and must be applied using the retrospective basis to all periods presented.

4. 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, 2021 and 2020:

	May 31,	
	2021	2020
Cash and Cash Equivalents	\$ 834,263	\$ 304,512
Investments, Designated by the Board	3,132,494	1,021,978
	<u>\$ 3,966,757</u>	<u>\$ 1,326,490</u>

Challenge Aspen's liquidity management plan is reviewed frequently to ensure that funds are available to meet obligations. Management also board designated \$3,915,475 and \$1,167,293 of available net assets as of May 31, 2021 and 2020, respectively.

5. PLEDGES RECEIVABLE

As of May 31, 2021, all pledges receivable are expected to be collected in less than one year therefore, pledges have not been adjusted for a present value discount.

6. INVESTMENTS

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

	May 31,	
	2021	2020
Certificates of Deposit	127,336	31,784
Mutual Funds	1,872,089	1,078,751
Equities	1,076,345	-
Fixed Income Securities	229,230	220,939
Real Estate Investment Trusts	40,894	-
Total Investments	<u>\$ 3,345,894</u>	<u>\$ 1,331,474</u>

Investment return is summarized as follows:

	May 31,	
	2021	2020
Bank Interest	\$ 275	\$ 317
Interest & Dividends	70,407	64,583
Net Realized Gain (Loss)	30,079	(6,996)
Net Unrealized Gain (Loss)	580,296	56,334
Investment Fees	(20,377)	(8,413)
Total	<u>\$ 660,680</u>	<u>\$ 105,825</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.

7. 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, 2021 and 2020, all Challenge Aspen's investments are all Level 1 investments.

8. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	May 31,	
	2020	2020
Land	\$ -	\$ 1,756,612
Land Improvements	-	23,926
Leasehold Improvements	91,003	82,997
Equipment	172,593	209,991
Furniture & Fixtures	28,655	32,639
Computer & Office Equipment	3,769	3,769
Vehicles	86,034	88,534
	<u>382,054</u>	<u>2,198,468</u>
Less Accumulated Depreciation	<u>(325,365)</u>	<u>(365,700)</u>
	<u>\$ 56,689</u>	<u>\$ 1,832,768</u>

Challenge Aspen had depreciation expense of \$19,979 and \$26,190 for the years ended May 31, 2021 and 2020, respectively.

9. DEFERRED REVENUE – PAYCHECK PROTECTION PLAN

On April 6, 2020, and on January 19, 2021, Challenge Aspen received loan proceeds in the amount of \$154,000 and \$164,849 respectively under the Paycheck Protection Program (“PPP”) administered by the Small Business Administration (SBA) approved partner. Under the terms of the notes, the loans were forgivable after a “covered period” (8 or 24 weeks) if Challenge Aspen maintains its payroll levels and used the loan proceeds for eligible purposes.

On December 24, 2020, Challenge Aspen received notification that the April 6, 2020 loan was fully forgiven and on June 16, 2021, the January 19, 2021 loan was also fully forgiven. Following FASB ASC 958-605 Challenge Aspen has booked the forgiveness as a conditional contribution for the year ended May 31, 2020, and as an unconditional grant for the year ended May 31, 2021.

On May 31, 2020, Funds received from the grantor in advance of the conditions being met totaled \$54,944 and are recorded as deferred revenue. As of May 31, 2021 there were no funds received in advance of the conditions being met.

10. 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, 2021 and 2020, the board restricted \$3,895,981 and \$1,167,293, respectively.

11. NET ASSETS WITH DONOR RESTRICTIONS

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

	May 31,	
	2021	2020
Time Restricted Pledges	\$ 31,600	\$ 47,300
Peter Malcolm Memorial Scholarship	154,610	169,799
Veterans Programs	34,546	124,111
Wichita	8,388	8,388
CAMO-Estes Park	3,023	3,023
Local's Summer Program	-	2,172
Children's Hospital - Denver	1,146	1,146
Mono Ski Camp	-	254
Autistic Camp	-	72
Tennessee School for the Blind	31	31
Equipment Fund	6,656	500
Visually Impaired	5,000	-
	<u>\$ 245,000</u>	<u>\$ 356,796</u>

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

	May 31,	
	2021	2020
Expiration of Time Restrictions	\$ 40,300	\$ 199,356
Veterans Programs	460,802	36,590
Spinal Cord Injury Programs	44,000	-
Peter Malcolm Memorial Scholarship	23,863	53,628
REC Programming	20,000	13,984
Equipment Fund/Van	19,593	1,650
Local's Program	14,722	-
Miscellaneous Camps	326	-
	<u>\$ 623,606</u>	<u>\$ 305,208</u>

12. IN KIND DONATIONS

Aspen Skiing Company provides complimentary lift tickets for the participants and volunteers in Challenge Aspen's ski programs. The Aspen Skiing Company values the complimentary lift tickets and services at \$1,467,639 and \$894,493 for the years ended May 31, 2021 and 2020, respectively.

For the years ended May 31, 2021 and 2020, in kind donations of other services, rent and equipment were \$165,577 and \$173,952. See Note 15 for further discussion of in-kind rent received.

13. 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, 2021 and 2020.

	May 31,	
	2021	2020
Revenues	\$ 198,968	\$ 637,398
Direct Costs	(47,556)	(260,537)
Special Events, Net	<u>\$ 151,412</u>	<u>\$ 376,861</u>

14. PROGRAM SERVICE FEES, NET

Program services, net are as follows:

	May 31,	
	2021	2020
Gross Program Service Fees	\$ 298,787	\$ 516,663
Cost of Program Service Fees	(175,537)	(318,563)
Program Service Fees, Net	<u>\$ 123,250</u>	<u>\$ 198,100</u>

15. MERCHANDISE SALES, NET

Merchandise sales, net are as follows:

	May 31,	
	2021	2020
Gross Merchandise Sales	\$ 3,009	\$ 6,444
Cost of Merchandise Sales	(7,456)	(6,523)
Merchandise Sales, Net	<u>\$ (4,447)</u>	<u>\$ (79)</u>

16. OPERATING LEASE

SNOWMASS MALL INVESTMENT GROUP, LLC

Challenge Aspen has an office space lease with Snowmass Mall Investment Group, LLC, under a 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, 2021, Challenge Aspen paid \$72,313 in rent and received an in-kind donation of \$113,818 for a total expense of \$178,356. 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.

TOWN OF SNOWMASS VILLAGE

Challenge Aspen leased an employee housing unit from the Town of Snowmass Village that expired December 31, 2020. They executed a new lease that began January 1, 2021 and expires December 31, 2021. This unit is subleased to instructors for a discounted amount of Challenge Aspen's payment. The required monthly payments were \$1,220 per month. After employee

reimbursements, Challenge Aspen incurred net costs of \$2,296 and \$6,6287 for the years ended May 31, 2021 and 2020, respectively.

PREFERRED PROPERTY MANAGEMENT SERVICES

Challenge Aspen leased an employee housing unit from Preferred Property Management Services. The terms of the lease called for monthly payments of \$1,288 and was for the period of September 2, 2020 and expired April 30, 2021.

A new lease was executed increasing the number of units from one to four units. The term of the new lease is from September 2, 2021 through April 30, 2022 with monthly rental payments of \$5,224 per month.

When needed, these units are subleased to instructors who are responsible to pay rent directly to Preferred Property Management Services. Challenge Aspen is responsible for the portion of any unreimbursed rent or for those times when the units are not sublet. The total net costs incurred under the terms of these two leases for the years ended May 31, 2021 and 2020 respectively is \$11,792 and \$3,792

BASALT MINI STORAGE

Challenge Aspen has a month-to-month lease for a storage unit. Monthly rent is \$313. Challenge Aspen paid rent of \$3,751 each for the years ended May 31, 2021 and 2020, respectively.

Future minimum payments on these leases are as follows:

Fiscal Year Ending:	<u>Gross Rent</u>	<u>In-Kind Donations</u>	<u>Net Rent</u>
May 31, 2022	243,952	(117,802)	126,150
May 31, 2023	200,397	(121,925)	78,472
May 31, 2024	191,794	(115,340)	76,454
	<u>\$ 636,143</u>	<u>\$ (355,067)</u>	<u>\$ 281,076</u>

17. 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 \$27,076 and \$19,254 for the year ended May 31, 2021 and 2020, respectively.

18. 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, 2021, Challenge Aspen had \$336,730 of its cash

deposits not covered under FDIC Insurance. As of May 31, 2020, Challenge Aspen had cash deposits below the FDIC insurance threshold of \$250,000.

ECONOMIC DEPENDENCY

On May 31, 2021, approximately 42% of the total contributions were from two donors, 70% of the grant revenue was received from three donors, and 90% of In-Kind Contributions was received from one entity. Additionally, 100% of receivables are due from four 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, 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.

19. 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 \$3,966,757 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.