

CHALLENGE ASPEN
AUDITED FINANCIAL STATEMENTS
May 31, 2022 and 2021



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Challenge Aspen
Snowmass Village, Colorado

Opinion

We have audited the accompanying financial statements of Challenge Aspen (a nonprofit organization), which comprise the statement of financial position as of May 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Challenge Aspen as of May 31, 2022, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Challenge Aspen, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Challenge Aspen's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance by is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Challenge Aspen's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Challenge Aspen's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Reese Henry & Company, Inc.

Certified Public Accountants
Aspen, Colorado
March 15, 2023

CHALLENGE ASPEN

STATEMENTS OF FINANCIAL POSITION

May 31, 2022
(with Comparative Totals for May 31, 2021)

	2022	2021
ASSETS		
Cash and Cash Equivalents, Undesignated	\$ 220,016	\$ 834,263
Cash, Designated	161,867	-
Accounts Receivable	4,974	-
Prepaid Expenses	15,162	18,195
Inventory	13,548	5,256
Grants Receivable, net	33,000	31,600
Investments, Undesignated	-	213,400
Investments, Designated by the Board	3,515,015	3,132,494
Property and Equipment, net	52,540	56,689
TOTAL ASSETS	<u>\$ 4,016,122</u>	<u>\$ 4,291,897</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 44,141	\$ 35,923
Accrued Expenses	10,565	43,754
Deferred Revenue	30,232	14,550
TOTAL LIABILITIES	<u>84,938</u>	<u>94,227</u>
 NET ASSETS		
Without Donor Restrictions		
Designated by the Board	3,683,777	3,895,981
Invested in Fixed Assets	52,540	56,689
Total Without Donor Restrictions, Restated	<u>3,736,317</u>	<u>3,952,670</u>
With Donor Restrictions		
Program Restrictions	161,867	213,400
Time-Restricted for Future Periods	33,000	31,600
Total With Donor Restrictions	<u>194,867</u>	<u>245,000</u>
TOTAL NET ASSETS	<u>3,931,184</u>	<u>4,197,670</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,016,122</u>	<u>\$ 4,291,897</u>

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

CHALLENGE ASPEN

STATEMENTS OF ACTIVITIES

For the Year Ended May 31, 2022
(with Comparative Totals for the Year Ended May 31, 2021)

	2022		2021	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions	\$ 745,047	\$ 115,180	\$ 860,227	\$ 969,419
Aspen Skiing Company In-Kind Donations	1,134,138	-	1,134,138	1,467,639
In-Kind Donations	182,730	-	182,730	165,577
Grants	38,043	225,000	263,043	439,306
Federal Grant	-	-	-	219,793
Special Event Revenue, net	224,172	-	224,172	151,412
Program Service Fees	262,587	-	262,587	123,250
Merchandise Sales, net	(2,597)	-	(2,597)	(4,447)
Investment Return, net	(189,745)	-	(189,745)	660,680
Gain (Loss) on Disposition of Assets	5,324	-	5,324	(75,355)
Other Income	1,342	-	1,342	5,716
Net Assets Released from Restrictions:				
Satisfaction of Time Restrictions	25,600	(25,600)	-	-
Satisfaction of Program Restrictions	364,713	(364,713)	-	-
TOTAL SUPPORT AND REVENUE	2,791,354	(50,133)	2,741,221	4,122,990
EXPENSES				
Program Support Expenses	2,543,078	-	2,543,078	2,785,501
Supporting Services Expense				
General and Administrative	215,595	-	215,595	240,439
Fundraising	249,034	-	249,034	256,237
Total Supporting Services Expenses	464,629	-	464,629	496,676
TOTAL EXPENSES	3,007,707	-	3,007,707	3,282,177
CHANGE IN NET ASSETS	(216,353)	(50,133)	(266,486)	840,813
NET ASSETS, Beginning of Year	3,952,670	245,000	4,197,670	3,356,857
NET ASSETS, End of Year	\$ 3,736,317	\$ 194,867	\$ 3,931,184	\$ 4,197,670

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

CHALLENGE ASPEN

**STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended May 31, 2022**

	Program Support Expenses	General and Administrative	Fundraising	Cost of Goods Sold	Total
Scholarships	\$ 38,845	\$ -	\$ -	\$ -	\$ 38,845
Salaries	550,240	74,724	184,316	-	809,280
Retirement Plan	10,408	6,644	3,788	-	20,840
Other Employee Benefits	31,222	8,335	10,290	-	49,847
Payroll Taxes	47,176	9,097	15,454	-	71,727
Professional Services	1,735	16,352	400	-	18,487
Contract Labor	1,593	-	-	-	1,593
Accounting	-	38,141	-	-	38,141
Aspen Ski Instruction	1,134,138	-	-	-	1,134,138
Participant Lessons	124,740	-	-	-	124,740
Activity Fees	83,784	-	-	-	83,784
Advertising	31,387	-	8,554	-	39,941
Office Expense	74,477	33,324	1,644	-	109,445
Programs Supplies	35,736	-	-	-	35,736
Information Technology	5,421	2,742	4,931	-	13,094
Occupancy	178,454	20,692	18,872	-	218,018
Travel	139,261	163	115	-	139,539
Conferences, Conventions and Meetings	4,711	98	670	-	5,479
Insurance	24,371	5,283	-	-	29,654
Cost of Direct Benefits to Donors	-	-	-	196,787	196,787
Cost of Retail Goods Sold	-	-	-	8,246	8,246
Depreciation	19,379	-	-	-	19,379
Bad Debt Expense	6,000	-	-	-	6,000
	<u>2,543,078</u>	<u>215,595</u>	<u>249,034</u>	<u>205,033</u>	<u>3,212,740</u>
Less Expenses Included with Revenues on the Statement of Activities					
Cost of Direct Benefits to Donors	-	-	-	(196,787)	(196,787)
Cost of Retail Goods Sold	-	-	-	(8,246)	(8,246)
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 2,543,078</u>	<u>\$ 215,595</u>	<u>\$ 249,034</u>	<u>\$ -</u>	<u>\$ 3,007,707</u>

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
	2,785,501	240,439	256,237	55,012	3,337,189
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	\$ 2,785,501	\$ 240,439	\$ 256,237	\$ -	\$ 3,282,177

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

CHALLENGE ASPEN

STATEMENTS OF CASH FLOWS

**For the Year Ended May 31, 2022
(with Comparative Totals for the Year Ended May 31, 2021)**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (266,486)	\$ 840,813
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation Expense	19,379	19,979
Loss on Disposal of Assets	-	75,355
Unrealized Loss on Investments	532,896	(580,296)
Realized (Gain) Loss on Investments	(190,636)	(30,079)
(Increase) Decrease in Operating Assets		
Accounts Receivable	(4,974)	-
Prepaid Expenses	3,033	(18,195)
Inventory	(8,292)	4,192
Grants Receivable	(1,400)	15,700
Increase (Decrease) in Operating Liabilities		
Accounts Payable	8,218	(51,268)
Accrued Expenses	(33,189)	17,243
Deferred Revenue	15,682	14,550
Deferred Revenue - Paycheck Protection Plan	-	(54,944)
NET CASH PROVIDED BY OPERATING ACTIVITIES	74,231	253,050
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the Sale of Property and Equipment	-	1,705,450
Purchase of Property and Equipment	(15,230)	(24,705)
Proceeds from the Sale of Investments	1,364,881	425,936
Purchase of Investments	(1,876,262)	(1,829,981)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(526,611)	276,700
NET INCREASE IN CASH AND RESTRICTED CASH	(452,380)	529,750
CASH, CASH EQUIVALENTS and RESTRICTED CASH, Beginning of Year	834,263	304,513
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, End of Year	\$ 381,883	\$ 834,263

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

CHALLENGE ASPEN

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended May 31, 2022

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 March 15, 2023, 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, 2022 and 2021 Challenge Aspen had \$31,829 and \$0 respectively in cash equivalents.

Cash and cash equivalents as of May 31, 2022 and 2021 consist of the following:

	May 31,	
	2022	2021
Cash without Restrictions	\$ 220,016	\$ 834,263
Cash with Restrictions	161,867	-
Cash and restricted cash shown in the statement of cash flows	<u>\$ 381,883</u>	<u>\$ 834,263</u>

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

GRANTS RECEIVABLE

Unconditional grant receivables are recognized as grant revenue in the period the pledge is received and as assets, decreases of liabilities, or expenses depending on the form of the benefit received. Grant receivables 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 grants are recognized when the conditions on which they depend are substantially met. Challenge Aspen considers all grant receivables to be collectible; therefore, no allowance for uncollectible pledges have been booked as of May 31, 2022 and 2021.

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, 2022 and 2021 the amount accrued for paid time off is \$10,561 and \$22,154 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 are 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. Total volunteer hours for the year ended May 31, 2022 that did not meet the criterial recognition were 2,843 hours.

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 \$39,941 and \$14,732 for the years ended May 31, 2022 and 2021, 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.

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, 2021, 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, 2022. 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.

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, 2022 and 2021:

	May 31,	
	2022	2021
Cash and Cash Equivalents	\$ 220,016	\$ 834,263
Pledges, without restrictions payable in one year	16,500	31,600
Investments, Designated by the Board	3,515,015	3,132,494
	<u>\$ 3,751,531</u>	<u>\$ 3,998,357</u>

Challenge Aspen's liquidity management plan is reviewed frequently to ensure that funds are available to meet obligations. Management also board designated \$3,683,777 and \$3,895,981 of available net assets as of May 31, 2022 and 2021, respectively.

5. GRANTS RECEIVABLE

As of May 31, 2022 and 2021, grants receivable are as follows:

	May 31,	
	2022	2021
In one year or less	\$ 16,500	\$ 31,600
Between 1 to 5 years	16,500	-
	33,000	31,600
Less present value discount	-	-
	<u>\$ 33,000</u>	<u>\$ 31,600</u>

Grants have not been adjusted for a present value discount as the amount is immaterial.

6. INVESTMENTS

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

	May 31,	
	2022	2021
Certificates of Deposit	\$ 72,044	\$ 127,336
Mutual Funds	2,099,701	1,872,089
Equities	658,152	1,076,345
Fixed Income Securities	658,838	229,230
Real Estate Investment Trusts	26,280	40,894
Total Investments	<u>\$ 3,515,015</u>	<u>\$ 3,345,894</u>

Investment return is summarized as follows:

	May 31,	
	2022	2021
Bank Interest	\$ 191	\$ 275
Interest & Dividends	177,529	70,407
Net Realized Gain (Loss)	190,636	30,079
Net Unrealized Gain (Loss)	(532,896)	580,296
Investment Fees	(25,205)	(20,377)
Total	<u>\$ (189,745)</u>	<u>\$ 660,680</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, 2022 and 2021, all Challenge Aspen's investments are all Level 1 investments.

8. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	May 31,	
	2022	2021
Leasehold Improvements	\$ 91,003	\$ 91,003
Equipment	187,823	172,593
Furniture & Fixtures	8,606	28,655
Computer & Office Equipment	1,900	3,769
Vehicles	86,034	86,034
	<u>375,366</u>	<u>382,054</u>
Less Accumulated Depreciation	<u>(322,826)</u>	<u>(325,365)</u>
	<u>\$ 52,540</u>	<u>\$ 56,689</u>

Challenge Aspen had depreciation expense of \$19,979 for the years ended May 31, 2022 and 2021.

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, 2022 and 2021, the board restricted \$3,683,777 and \$3,895,981, respectively.

10. NET ASSETS WITH DONOR RESTRICTIONS

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

	May 31,	
	2022	2021
Time Restricted Pledges	\$ 33,000	\$ 31,600
Peter Malcolm Memorial Scholarship	142,165	154,610
Veterans Programs	-	34,546
Wichita	8,388	8,388
CAMO-Estes Park	3,023	3,023
Children's Hospital - Denver	1,146	1,146
Tennessee School for the Blind	-	31
Equipment Fund	2,145	6,656
Visually Impaired	5,000	5,000
	<u>\$ 194,867</u>	<u>\$ 245,000</u>

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

	May 31,	
	2022	2021
Expiration of Time Restrictions	\$ 6,000	\$ 40,300
Veterans Programs	266,876	460,802
Spinal Cord Injury Programs	-	44,000
Peter Malcolm Memorial Scholarship	28,419	23,863
REC Programming	35,740	20,000
Equipment Fund/Van	35,147	19,593
Tennessee School for the Blind	4,131	-
Local's Program	2,000	14,722
General Programing	12,000	326
	<u>\$ 390,313</u>	<u>\$ 623,606</u>

11. 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 \$1,134,138 and \$1,467,639 for the years ended May 31, 2022 and 2021, respectively.

For the years ended May 31, 2022 and 2021, in kind donations of other services, rent and equipment were \$182,730 and \$165,577. 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, 2022 and 2021.

	May 31,	
	2022	2021
Revenues	\$ 420,959	\$ 198,968
Direct Costs	(196,787)	(47,556)
Special Events, Net	<u>\$ 224,172</u>	<u>\$ 151,412</u>

13. PROGRAM SERVICE FEES, NET

Program services, net are as follows:

	May 31,	
	2022	2021
Gross Program Service Fees	\$ 604,930	\$ 298,787
Cost of Program Service Fees	(342,343)	(175,537)
Program Service Fees, Net	<u>\$ 262,587</u>	<u>\$ 123,250</u>

14. MERCHANDISE SALES, NET

Merchandise sales, net are as follows:

	May 31,	
	2022	2021
Gross Merchandise Sales	\$ 5,649	\$ 3,009
Cost of Merchandise Sales	(8,246)	(7,456)
Merchandise Sales, Net	<u>\$ (2,597)</u>	<u>\$ (4,447)</u>

15. OPERATING LEASE

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, 2022, Challenge Aspen paid \$75,196 in rent and received an in-kind donation of \$117,802 for a total expense of \$192,998. 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.

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, 2023	\$200,397	(\$121,925)	\$78,472
May 31, 2024	191,794	(115,340)	76,454
	<u>\$ 392,191</u>	<u>\$ (237,265)</u>	<u>\$ 154,926</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 \$20,840 and \$31,335 for the year ended May 31, 2022 and 2021, 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, 2022, Challenge Aspen had \$25, 946 of its cash deposits not covered under FDIC Insurance. As of May 31, 2021, Challenge Aspen had \$336,730 of its cash deposits not covered under FDIC Insurance.

ECONOMIC DEPENDENCY

On May 31, 2022, approximately 14% of the total contributions came from one donor, 75% of the grant revenue was received from three donors, and 86% of In-Kind Contributions was received from one entity. Additionally, 100% of grant receivables was due from one grantor. 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, 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.