

CHALLENGE ASPEN

AUDITED FINANCIAL STATEMENTS

May 31, 2024

(with Comparative Totals for 2023)



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TABLE OF CONTENTS

ITEM	PAGE NUMBER
Independent Auditor's Report	1
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

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, 2024, 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, 2024, 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.

Responsibilities of Management 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 Responsibilities for the Audit of the Financial Statements

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.

Report on Summarized Comparative Information

We have previously audited Challenge Aspen's May 31, 2023, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 14, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2023, 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 28, 2025

CHALLENGE ASPEN
STATEMENT OF FINANCIAL POSITION
May 31, 2024
(with Comparative Totals for 2023)

	2024	2023
ASSETS		
Cash and Cash Equivalents	\$ 253,451	\$ 77,555
Accounts Receivable	9,661	8,504
Contributions and Grants Receivable, net	775,890	71,277
Prepaid Expenses and Other Assets	37,113	18,869
Inventory	11,296	14,160
Cash and Cash Equivalents, Restricted	124,757	131,757
Investments	-	44,996
Investments, Designated by the Board	4,189,183	3,585,872
Right of Use Operating Lease Asset	319,100	66,133
Property and Equipment, net	108,304	38,114
TOTAL ASSETS	\$ 5,828,755	\$ 4,057,237
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 17,066	\$ 131,844
Accrued Expenses	91,424	65,678
Deferred Revenue	23,570	15,808
Right of Use Operating Lease Liability	321,832	60,179
TOTAL LIABILITIES	453,892	273,509
 NET ASSETS		
Without Donor Restrictions		
Operations	318,078	38,114
Board Designated Reserve	4,189,183	3,585,872
Total Without Donor Restrictions	4,507,261	3,623,986
 With Donor Restrictions		
Purpose Restrictions	124,757	131,757
Time Restrictions	742,845	27,985
Total With Donor Restrictions	867,602	159,742
TOTAL NET ASSETS	5,374,863	3,783,728
TOTAL LIABILITIES AND NET ASSETS	\$ 5,828,755	\$ 4,057,237

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

CHALLENGE ASPEN
STATEMENT OF ACTIVITIES
For the Year Ended May 31, 2024
(with Comparative Totals for 2023)

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions	\$ 912,645	\$ 44,392	\$ 957,037	\$ 895,344
Grants	25,500	1,390,140	1,415,640	269,968
Aspen Skiing Company In-Kind Donations	1,290,764	-	1,290,764	1,280,640
In-Kind Donations	222,876	-	222,876	167,311
Special Event Revenue, net	449,609	-	449,609	373,507
Program Service Fees, net	289,872	-	289,872	274,653
Merchandise Sales, net	(5,787)	-	(5,787)	(5,217)
Investment Return, net	608,100	-	608,100	11,104
Gain on Sale of Property and Equipment	2,000	-	2,000	600
Employee Retention Credit	106,834	-	106,834	-
Other Income	12,086	-	12,086	3,687
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	726,672	(726,672)	-	-
TOTAL SUPPORT AND REVENUE	4,641,171	707,860	5,349,031	3,271,597
EXPENSES				
Program Support Expenses	3,001,475	-	3,001,475	2,796,799
Supporting Services Expense				
General and Administrative	329,332	-	329,332	318,912
Fundraising	427,089	-	427,089	303,342
Total Supporting Services Expenses	756,421	-	756,421	622,254
TOTAL EXPENSES	3,757,896	-	3,757,896	3,419,053
CHANGE IN NET ASSETS	883,275	707,860	1,591,135	(147,456)
NET ASSETS, Beginning of Year	3,623,986	159,742	3,783,728	3,931,184
NET ASSETS, End of Year	\$ 4,507,261	\$ 867,602	\$ 5,374,863	\$ 3,783,728

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

CHALLENGE ASPEN
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended May 31, 2024
(with Comparative Totals for 2023)

	2024				Total	2023
	Program Support	General and Administrative	Fundraising	Cost of Goods Sold		
Scholarships	\$ 127,153	\$ -	\$ -	\$ -	\$ 127,153	\$ 35,481
Salaries	607,957	152,584	315,375	-	1,075,916	1,008,193
Retirement Plan	19,323	4,898	11,233	-	35,454	27,511
Other Employee Benefits	62,595	22,303	24,829	-	109,727	95,097
Payroll Taxes	52,282	13,122	27,121	-	92,525	85,066
Professional Services	2,612	15,554	2,442	-	20,608	19,965
Accounting	-	34,100	-	-	34,100	31,833
Bad Debt Expense	-	2,000	-	-	2,000	-
Aspen Skiing Company Instruction	1,290,764	-	-	-	1,290,764	1,280,640
Participant Lessons	130,962	-	-	-	130,962	93,786
Ski and Snowboard Rentals	80,614	-	-	-	80,614	23,127
Activity Fees	96,636	-	-	-	96,636	87,598
Advertising	48,488	52	8,859	-	57,399	58,025
Office Expense	19,265	50,069	6,975	-	76,309	81,641
Programs Supplies	30,653	-	-	-	30,653	58,022
Information Technology	12,782	6,022	4,425	-	23,229	15,863
Occupancy	195,702	23,122	23,122	-	241,946	221,792
Travel, Transportation and Accomodations	167,898	56	248	-	168,202	133,603
Conferences, Conventions and Meetings	7,211	223	2,460	-	9,894	8,528
Insurance	25,538	5,227	-	-	30,765	30,969
Cost of Adaptive Recreation Lessons	356,077	-	-	-	356,077	368,470
Cost of Direct Benefits to Donors	-	-	-	317,843	317,843	276,928
Cost of Retail Goods Sold	-	-	-	13,836	13,836	12,474
Depreciation	23,040	-	-	-	23,040	22,313
	<u>3,357,552</u>	<u>329,332</u>	<u>427,089</u>	<u>331,679</u>	<u>4,445,652</u>	<u>4,076,925</u>
Less Expenses Included with Revenues on the Statement of Activities						
Cost of Direct Benefits to Donors	-	-	-	(317,843)	(317,843)	(276,928)
Cost of Retail Goods Sold	-	-	-	(13,836)	(13,836)	(12,474)
Cost of Adaptive Recreation Lessons	(356,077)	-	-	-	(356,077)	(368,470)
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 3,001,475</u>	<u>\$ 329,332</u>	<u>\$ 427,089</u>	<u>\$ -</u>	<u>\$ 3,757,896</u>	<u>\$ 3,419,053</u>

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

CHALLENGE ASPEN
STATEMENT OF CASH FLOWS
For the Year Ended May 31, 2024
(with Comparative Totals for 2023)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,591,135	\$ (147,456)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation Expense	23,040	22,313
Bad Debt Expense	2,000	-
Gain on Sale of Property and Equipment	(2,000)	(600)
Increase in Present Value Discount on Contributions and Grants Receivable	42,655	-
Unrealized (Gain) Loss on Investments	(441,954)	84,729
Realized (Gain) Loss on Investments	(38,530)	7,370
Contributions of Investments	(63,273)	(75,426)
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(3,157)	(3,530)
Contributions and Grants Receivable	(747,268)	(38,277)
Prepaid Expenses and Other Assets	(18,244)	(3,707)
Inventory	2,864	(612)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(106,092)	81,750
Accrued Expenses	25,746	55,113
Deferred Revenue	7,762	(14,424)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	274,684	(32,757)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Property and Equipment	2,000	600
Purchase of Property and Equipment	(93,230)	(7,888)
Proceeds from Sale of Investments	458,249	269,902
Purchase of Investments	(472,807)	(402,428)
NET CASH USED IN INVESTING ACTIVITIES	(105,788)	(139,814)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	168,896	(172,571)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	209,312	381,883
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 378,208	\$ 209,312
Cash and Cash Equivalents	\$ 253,451	\$ 77,555
Cash and Cash Equivalents, Restricted	124,757	131,757
TOTAL CASH AND CASH EQUIVALENTS	\$ 378,208	\$ 209,312

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

CHALLENGE ASPEN
NOTES TO THE FINANCIAL STATEMENTS
May 31, 2024
(with Comparative Totals for 2023)

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.

Challenge Aspen also maintains the Challenge Aspen Endowment Fund, a separate legal entity exempt from federal taxes under Section 501(c)(3) of the Internal Revenue Code with a calendar year end, to raise funds for the support of Challenge Aspen. As of December 31, 2023, the Challenge Aspen Endowment Fund had approximately \$1,400,000 of net assets.

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 28, 2025, the date that the financial statements were available to be issued.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 the audited financial statements for the year ended May 31, 2023, from which the summarized information was derived.

RECLASSIFICATION OF PRIOR YEAR PRESENTATION

Certain prior year amounts have been reclassified for consistency with current year presentation. These reclassifications had no effect on the previously reported change in net assets, cash flows, or the previously reported total assets and liabilities.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all cash held in deposits and highly liquid investments not held for resale with original maturities of three months or less. Challenge Aspen has amounts on deposit at financial institutions that at times are not eligible for insurance coverage covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). Challenge Aspen has not experienced any losses in these accounts and believes there is no significant risk with respect to these deposits. As of May 31, 2024 and 2023, Challenge Aspen had \$77,348 and \$0 of cash and cash equivalents in excess of FDIC coverage, respectively.

ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts owed to Challenge Aspen for program services. As of May 31, 2024 and 2023, Challenge Aspen believes that all accounts receivable will be collected within one year, and as such, has not recorded an allowance for doubtful accounts.

CONTRIBUTIONS AND GRANTS RECEIVABLE, NET

Unconditional contributions and grants are recognized as revenue in the period made and as assets or decreases of liabilities depending on the form of benefits received. Contributions and grants receivable are recorded at net realizable value if expected to be collected within one year and at fair value if expected to be collected in more than one year. Fair value is determined as the net present value of expected future cash flows incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discount is included in contribution or grant revenue in the statement of activities.

Challenge Aspen determines the allowance for uncollectible contributions and grants based on historical experience, analysis of specific contributions and grants made, and a review of collections subsequent to year-end. As of May 31, 2024 and 2023, Challenge Aspen believes that all contributions and grants receivable will be collected according to the agreed-upon payment schedule with the donor or grantor, and as such, has not recorded an allowance for uncollectible contributions and grants.

PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets consist of amounts paid for future services that will be expensed in the next fiscal year and amounts paid for employee housing deposits that will be returned at the end of the lease term.

INVENTORY

Inventory consists of program-related merchandise held for sale, and is stated at the lower of cost or net realizable value determined by the first-in first-out method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS

Challenge Aspen records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less direct investment management fees.

PROPERTY AND EQUIPMENT

Property and equipment additions over \$2,500 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is computed using 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 fixtures, and vehicles. When assets are sold or otherwise disposed of, the cost and related depreciation is removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred.

DEFERRED REVENUE

Deferred Revenue consist of cash received during the fiscal year that relates to fees for program services or events that are provided or held in the following fiscal year.

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. Net assets without donor restrictions include net assets designated by the board of directors as an operating reserve and an equipment fund.

Net Assets With Donor Restrictions: Net assets subject to donor or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donors stipulate that the resources be maintained in perpetuity. Challenge Aspen reports contributions and grants restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net asset released from restrictions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NET ASSETS (continued)

Challenge Aspen receives certain grants that provide funding on a cost-reimbursement basis. Funds are received after the expenses have been incurred. As such, funds received under these grants are reported as an increase in net assets with donor restrictions and reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Accordingly, as of May 31, 2024, \$33,045 of the total contributions and grants receivable balance is classified as net assets without donor restrictions due to Challenge Aspen incurring expenses related to the purpose stipulated by the grantor despite not yet being reimbursed in cash from the grantor.

CONTRIBUTIONS AND GRANTS

Contributions and grants are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional contributions and grants, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which depend have been substantially met. Payments received in advance under cost-reimbursable grant contracts are deferred to the applicable period in which the related expenditures are incurred.

Contributions of investments are recorded at fair value at the date of donation. Depending on the nature of the investments donated, fair value is determined using level 1, level 2, or level 3 inputs of the fair value hierarchy discussed in detail in Note 6 to the financial statements. During the years ended May 31, 2024 and 2023, Challenge Aspen received publicly traded securities from donors valued at \$63,273 and \$75,426, respectively, using level 1 inputs of the fair value hierarchy. All donated investments were sold during the fiscal year and the difference between the sales price and the fair value at the date of donation is recognized as a realized gain or loss included in investment return, net on the statement of activities.

DONATED GOODS AND SERVICES

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Challenge Aspen. Volunteers may provide services that are not recognized as contributions in the financial statements since the recognition criteria were not met.

SPECIAL EVENT REVENUE

Challenge Aspen recognized special event revenue from ticket sales, sponsorships, auction sales, and event donations at the time of the event.

PROGRAM SERVICE FEES

Program service fees are charged to program participants for programming services provided including recreational activities and lessons, cultural experiences, camps, and other activities. Program service fees are recognized as revenue when the related activity, lesson, camp, or event occurs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROGRAM SERVICE FEES (continued)

In accordance with the Accounting Standards Codification (ASC) Topic 606, Challenge Aspen recognizes program service fees on a net basis due to not being the primary obligor for certain services provided. Specifically, program service fees are recognized net of amounts paid to Aspen Skiing Company for ski, snowboard, and biking lessons.

Program services fees received in advance are deferred to the applicable period in which the related services are performed.

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 statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, retirement plan expenses, employee benefits and payroll taxes, which are allocated based on estimates of time and effort. Additional allocated expenses include professional services, advertising, office expenses, information technology, occupancy, travel, transportation and accommodations, conference, conventions and meetings, and insurance, all of which are allocated based on estimates of usage, time, and effort.

ADVERTISING

Challenge Aspen expenses advertising costs as incurred. For the years ended May 31, 2024 and 2023, total advertising expenses were \$57,399 and \$58,205, respectively.

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, 2024 and 2023:

	2024	2023
Cash and Cash Equivalents	\$ 253,451	\$ 77,555
Accounts Receivable	9,661	8,504
Contributions and Grants Receivable, due in one year	318,545	71,277
Investments, Designated by the Board as an Operating Reserve	2,800,000	2,800,000
	<u>\$ 3,381,657</u>	<u>\$ 2,957,336</u>

Challenge Aspen's liquidity management plan is reviewed frequently to ensure that funds are available to meet obligations. As of May 31, 2024 and 2023, the board of directors has designated \$2,800,000 of investments as an operating reserve. Refer to Note 6 for further information.

5. CONTRIBUTIONS AND GRANTS RECEIVABLE, NET

As of May 31, 2024 and 2023, contributions and grants receivable are to be collected as follows:

	2024	2023
In one year or less	\$ 318,545	\$ 71,277
In one to five years	500,000	-
	818,545	71,277
Less unamortized present value discount	(42,655)	-
	<u>\$ 775,890</u>	<u>\$ 71,277</u>

Contributions and grants with dues dates extending beyond one year are discounted using a rate of 4.89%.

6. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless or whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk.

Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available.

6. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to Challenge Aspen's assessment of the quality, risk, or liquidity profile of the asset.

Challenge Aspen's investments are all valued using Level 1 measurements. The following is a summary of investments as of May 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Mutual Funds	\$ 2,525,695	\$ 2,199,401
Fixed Income Securities	821,926	701,864
Equities	795,560	670,064
Certificates of Deposit	33,032	36,352
Real Estate Investment Trusts	12,970	23,187
	<u>\$ 4,189,183</u>	<u>\$ 3,630,868</u>

Challenge Aspen's investment objective is to maintain investments over a twenty plus year time horizon to meet its needs, employing 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.

As of May 31, 2024 and 2023, the board of directors has designated \$2,800,000 of investments as an operating reserve, which is equal to approximately one year of cash operating expenses. The board of directors does not intend to distribute earnings unless the funds are needed to offset short-term operating losses. All distributions from Challenge Aspen's investment portfolio require authorization and approval from the board of directors.

6. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

The remainder of Challenge Aspen's investment portfolio is designated by the board of directors to support specific programs or purposes. These funds may also be contributed to the Challenge Aspen Endowment Fund. Access to the funds requires authorization and approval from the board of directors.

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of May 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Equipment	\$ 290,839	\$ 197,611
Leasehold Improvements	91,003	91,003
Vehicles	63,576	86,034
Furniture and Fixtures	8,605	8,605
	<u>454,023</u>	<u>383,253</u>
Less Accumulated Depreciation	<u>(345,719)</u>	<u>(345,139)</u>
	<u>\$ 108,304</u>	<u>\$ 38,114</u>

For the years ended May 31, 2024 and 2023, Depreciation expense was \$23,040 and \$22,313, respectively

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of net assets with purpose restrictions and time restricted contributions and grants that are due to be collected from the donor or grantor in one to three years. As of May 31, 2024 and 2023, net assets with donor restrictions are summarized as follows:

	<u>2024</u>	<u>2023</u>
Time Restricted Funds	\$ 742,845	\$ 27,985
Peter Malcolm Memorial Scholarship	115,223	115,223
Wichita	8,388	8,388
Children's Hospital - Denver	1,146	1,146
REC Program	-	7,000
	<u>\$ 867,602</u>	<u>\$ 159,742</u>

For the years ended May 31, 2024 and 2023, net assets released from donor restrictions by incurring expenses satisfying the purpose specified by donors and the passage of time totaled \$726,672 and \$264,339, respectively.

9. IN-KIND DONATIONS

Aspen Skiing Company provides complimentary and discounted lift tickets, lessons, and other services for the participants and volunteers in Challenge Aspen's winter ski and snowboard programs and summer programs. For the years ended May 31, 2024 and 2023, The Aspen Skiing Company valued the discounted lift tickets, lessons, and other services at \$1,290,764 and \$1,280,640, respectively, based on the fair value of the underlying goods and services. Fair value is determined as the sales price of lift tickets, lessons, and other services in the normal course of business.

For the years ended May 31, 2024 and 2023, Challenge Aspen received in-kind donations of rent, discounted ski and snowboard rental rates, and other services valued at \$222,876 and \$167,311, respectively, from other vendors and service providers. In-kind donations of rent are valued based on the fair value rental rate for the office space, which is estimated based on current market rental rates for comparable real estate in Snowmass Village, Colorado on a square-footage basis. In-kind donations of ski and snowboard rentals and other services are valued based on the fair value of the underlying service, which is determined as the price charged by the vendor in the normal course of business.

10. SPECIAL EVENT REVENUE, NET

Special event revenue, net consists of the following for the years ended May 31, 2024 and 2023:

	2024	2023
Gross Special Event Revenue	\$ 767,452	\$ 650,435
Cost of Direct Benefits to Donors	(317,843)	(276,928)
Special Event Revenue, net	<u>\$ 449,609</u>	<u>\$ 373,507</u>

11. PROGRAM SERVICE FEES, NET

As discussed in Note 3, Challenge Aspen recognizes program service fees on a net basis due to not being the primary obligor for certain services provided. Program service fees are recognized net of amounts paid to Aspen Skiing Company for ski, snowboard, and biking lessons. Program service fees recognized on the statement of activities for the years ended May 31, 2024 and 2023, are summarized as follows:

	2024	2023
Gross Program Service Fees	\$ 645,949	\$ 643,123
Less Amounts paid to Aspen Skiing Company for Lessons	(356,077)	(368,470)
Program Service Fees, Net	<u>\$ 289,872</u>	<u>\$ 274,653</u>

12. MERCHANDISE SALES, NET

Merchandise sales, net consists of the following for the years ended May 31, 2024 and 2023:

	2024	2023
Gross Merchandise Sales	\$ 8,049	\$ 7,257
Cost of Merchandise Sales	(13,836)	(12,474)
Merchandise Sales, Net	<u>\$ (5,787)</u>	<u>\$ (5,217)</u>

13. EMPLOYEE RETENTION CREDIT

In March 2023, Challenge Aspen filed an application with the IRS for the employee retention credit (“ERC”) for the period January 1, 2021, to June 30, 2021, equal to 70% of qualified wages paid to employees during the period. Employers are eligible for the credit if they experienced full or partial suspension of modification of operations during any calendar quarter because of governmental orders due to the COVID-19 pandemic or a significant decline in gross receipts based on a comparison of quarterly revenue results for 2021 with the comparable quarter in 2019. Challenge Aspen applied for an ERC of \$106,834.

As of January 14, 2024, the date the May 31, 2023, financial statements were available to be issued, Challenge Aspen was not reasonably assured that the ERC would be received from the IRS. Accordingly, the ERC was not recognized in any previous year financial statements.

During the year ended May 31, 2024, Challenge Aspen received \$118,311 from the IRS, consisting of \$106,834 of ERC funds and \$11,477 of interest. Thus, the ERC was recognized as revenue on the statement of activities for the year ended May 31, 2024. The \$11,477 of interest is included in investment return, net on the statement of activities for the year ended May 31, 2024.

After May 31, 2024, but before the financial statements were available to be issued, Challenge Aspen received a notice from the IRS requiring them to refund the IRS \$48,205 of ERC and interest received for the first calendar quarter of 2021 due to not filing for the ERC through their professional employer organization (PEO). As of February 28, 2025, the date the financial statements were available to be issued, Challenge Aspen paid the IRS \$48,205. This amount has not been recognized in the financial statements as of and for the year ended May 31, 2024.

14. LEASES

Challenge Aspen leases office space in Snowmass Village, Colorado from Snowmass Mall Investment Group, LLC, under a triple net lease. During the year ended May 31, 2024, Challenge Aspen renewed the lease, which extended the lease term from May 1, 2024, through April 30, 2028. Monthly rent payments for June through October 2023 were \$4,627. Monthly rent payments for November 2023 through April 2024 were \$9,343. Effective May 1, 2024, minimum monthly base rent is \$4,627 from May 1, 2024, through October 31, 2024, and \$9,343 from November 1, 2024, through April 30, 2025. The subsequent years in the remaining lease term will be modified to reflect the seasonal rent pattern. Commencing May 1, 2025, minimum base rent for both the

14. LEASES (continued)

summer and winter season will increase at the greater of 3.5% or the 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 donations of rent amounting to the difference in fair market value rent as incurred by other parties in the same complex and the minimum base rent payments paid by Challenge Aspen. For the year ended May 31, 2024, Challenge Aspen paid \$83,816 in rent to the landlord and received in-kind donations of rent totaling \$126,193. For the year ended May 31, 2023, Challenge Aspen paid \$80,045 in rent to the landlord and received in-kind donations of rent totaling \$121,926.

Supplemental cash flow information related to the lease is as follows for the years ended May 31, 2024 and 2023:

	2024	2023
Operating cash flows from operating leases	\$ 83,816	\$ 80,045
ROU assets obtained in exchange for new operating lease liabilities	\$ 325,390	\$ 135,412
Weighted-average remaining lease term in years for operating leases	3.92	0.92
Weighted-average discount rate for operating leases	4.00%	4.00%

Future minimum payments on the lease for the years ending May 31 are as follows:

2025	\$ 83,978
2026	86,917
2027	89,959
2028	87,799
Total undiscounted cash flows	348,653
Less: present value discount	(26,821)
Total lease liabilities	<u>\$ 321,832</u>

15. 401(k) DEFINED CONTRIBUTION PLAN

Challenge Aspen's employees are covered under a 401(k) plan that was established March 15, 2000. Employees are eligible to participate in the plan after being employed for three months. 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 employer contributions up to four percent of eligible employees' gross wages. For the years ended May 31, 2024 and 2023, Challenge Aspen contributed \$35,454 and \$27,511, respectively, to the plan.

16. CONCENTRATION OF RISKS

As of May 31, 2024, approximately 94% of Challenge Aspen's total contributions and grants receivable is due from one donor. If events were to occur that negatively affected the donor's ability to pay, Challenge Aspen's future cash flows would be negatively impacted. As of May 31, 2023, there were no material concentrations of contributions and grants receivable.

For the years ended May 31, 2024 and 2023, approximately 10% and 12%, respectively, of Challenge Aspen's total contributions recognized were from one donor. Also, for the years ended May 31, 2024 and 2023, approximately 79% and 99% of Challenge Aspen's total grants recognized were from two grantors and three grantors, respectively. If events were to occur that caused significant declines in this major donor class, it may adversely affect the operational results of Challenge Aspen.

Aspen Skiing Company's services are integral to Challenge Aspen's programming and mission. Challenge Aspen relies on Aspen Skiing Company's willingness to provide complimentary and discounted lift tickets, lessons, and other services for their winter and summer adaptive recreation programming activities. If Aspen Skiing Company were to lessen the amount of discounts offered, Challenge Aspen's operations, cash flows, and liquidity would be negatively impacted.